

ECONOMIC NEWS SUMMARY MAY 23 – MAY 29

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ECONOMY & FINANCE

CZECH FINANCIAL SECTOR IS STABLE, HIGHLY RESILIENT – 23.5.

The Czech financial sector is stable and highly resilient to shocks, according to the Financial Stability Report of the Czech National Bank (CNB).

There is enough room for growth in loans and capital buffer in the banking sector, provided there is an adequate dividend policy, the report said.

Banks' capitalisation has strengthened and their liquidity is high.

Insurance companies maintained their capitalisation and profitability despite the financial markets development affecting the value of their assets and liabilities.

Pension companies and investment funds were hurt by changes in asset prices at the end of 2018, however, it did not lead to a drop in the number of clients or significant system losses.

Since 2013, financial stability has been a key goal of the central bank together with price stability.

The CNB will release the full Financial Stability Report on June 11.

CNB RAISES COUNTERCYCLICAL CAPITAL BUFFER RATE TO 2% – 23.5.

The countercyclical capital buffer rate for exposures located in the CR will increase to 2% as of July 1, 2020, the Czech National Bank (CNB) said today.

The rise was motivated by the increase in risks linked with the growth phase of the financial cycle of the Czech economy and the partial strengthening of signals of vulnerability of the domestic banking sector towards a potential unfavourable change of economic conditions, the CNB said.

The CNB sets the rate on a quarterly basis, always with effect from the following year.

With regard to the fact that the domestic economy is most likely near the peak of the financial cycle, the probability of another rise of the countercyclical capital buffer rate has decreased significantly, CNB governor Jiri Rusnok said.

In the event of a sudden turn in the financial cycle, the CNB is ready to lower the rate or even to enable a full dissolution of the buffer, Rusnok said.

According to ING Bank analyst Jakub Seidler, the present rise of the buffer was surprising to a certain extent, since the combination of toughened monetary policy and the CNB's earlier recommendations regarding mortgage loans has led to a sufficient cooling of the loan market.

"The CNB decision is not so surprising. However, as a result of the decision, the regulatory requirement for the banking sector will increase by as much as 1 percentage point during 2019 and 2020 in comparison with the end of 2018. In absolute terms it could mean that banks will have to spend tens of billions of crowns to increase their capital buffer, which will limit space for dividend distribution," Czech Banking Association (CBA) executive director Pavel Stepanek said.

The last change of the rate was made in November 2018, when the CNB Bank Board raised it to 1.75% with effect from January 1, 2020.

The current rate is 1.25% and it is to rise to 1.5% as of July 1 of this year.

Banks are required to create the buffer at times of loan growth, with the buffer being used by banks to cover their losses when the economic activity is decreasing.

The purpose of the buffer is to prevent potential problems of financial institutions from being transferred to the economy. It may slow down a growth in loan volumes.

The countercyclical capital buffer was introduced as an important macroprudential policy instrument in the European Union in 2014.

The CNB used this rate for the first time at the end of 2015 when it set it at 0.5% with validity from January 1, 2017.

ABOUT 20% OF CZECHS HAVE MORTGAGE, 10% CONSIDER GETTING ONE – 23.5.

A total of 19% of Czechs have a mortgage and 10% consider taking out one, which is 5 percentage points more than in 2018, according to a survey conducted by SC&C agency for the Czech Banking Association (CBA).

About 75% of people took out a mortgage loan because they wanted to own a home, the survey showed.

The share of homeowners in Czechia is 79 percent, which is 10 percentage points more than the European Union average. The number of new mortgages has been going slightly down due to regulation and high property prices in big towns.

A total of 64% of Czechs who consider taking out a mortgage want to decide based on interest rates and 57% based on the annual percentage rate of charge.

When choosing a home, property size is the most important factor for more than 25% of people, whereas property type is a key factor for 15 percent.

In fact, people usually base their decision on the location, according to CBA chief advisor Vladimír Stanura.

A total of 42% of Czechs apply for a mortgage of CZK1m-CZK2m, and 66% take out a mortgage for more than a 20-year term.

Particularly older people choose a shorter period, while people under 40 sign mortgage contracts for more than 20 years, SC&C agency survey director Jana Hamanová said.

SC&C carried out its survey among 1,000 respondents.

The Czech National Bank (CNB) governing board left mortgage limits unchanged, CNB governor Jiri Rusnok said at a press conference today.

Based on the CNB recommendation, a mortgage 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 loan-to-value ratio cannot exceed 90 percent, and banks can provide up to 15% of loans whose loan-to-value ratio is over 80 percent.

**CRIF: MONEY FROM EU FORM 48% OF CZECH FIRMS' CAPITAL
- 23.5.**

The total amount of the registered capital of Czech companies is CZK 2,100bn. The Czech capital in Czech firms reaches CZK 846bn, while the foreign capital totals CZK 1,250bn. Roughly CZK 1,000bn of the total volume of the registered capital in Czech firms come from EU member states (CZK 877bn come from the euro area). The capital from EU member states thus forms 48% of the total capital in firms in the CR and 80% of all foreign capital in the CR. This stems from an analysis conducted by the company CRIF - Czech Credit Bureau.

**EXCESSIVE VAT DEDUCTIONS AT CZK1.27BN AGAINST
CZK5BN LAST APRIL - 26.5.**

Excessive value-added tax (VAT) deductions reached CZK1.27bn at end-April, against more than CZK5bn in the same year-ago period, and from mid-2018 the amount has been at the lowest levels since 2014, according to a draft amendment to the tax order.

March 2014 saw a record figure of CZK18.2bn, said the draft that is currently in the comments procedure.

To put it simply, excessive deduction is a difference between VAT on goods and services sold and bought by an entrepreneur as a registered VAT payer. A company may raise a request for the refund of money if, in a given taxation period, it bought more goods and services than it sold.

The General Financial Directorate attributed the downward trend to the introduction of new VAT management tools, ledger statements in particular.

In the draft, the Finance Ministry proposed, for instance, that part of the amount being subject to no checks be refunded to the taxpayer.

Excessive VAT deductions in individual months in 2017-2019 (in CZK)

Year	2017	2018	2019
Jan	4,618,919,276	3 944 813 406	1,120,901,368
Feb	4,613,786,274	5 077 143 472	1,303,662,521
March	4,554,300,791	5 216 028 752	1,267,109,144
April	4,505,681,264	5,048,586,030	1,274,390,486
May	4,504,528,554	4,286,658,719	-
June	4,151,951,105	3,761,144,271	-
July	3,631,533,695	3,107,803,511	-
Aug	3,354,927,737	1,864,983,788	-
Sept	3,217,622,293	1,745,173,324	-
Oct	2,864,874,578	1,627,818,510	-
Nov	2,517,503,217	1,231,467,945	-
Dec	3,179,150,638	1,074,054,281	-

**TAX ARREARS ABOUT A TENTH LOWER AT CZK111BN IN CR IN
2018 - 26.5.**

Tax arrears went down by about a tenth to CZK110.8bn last year, with nearly CZK60bn worth of arrears registered by the Czech Social Security Administration (CSSZ), the government said in the final state account for last year.

The Financial Administration had arrears at some CZK42bn, an annual drop of CZK8.7bn. Taxpayers owed CZK27.5bn in VAT, the figure going down by CZK5.7bn in annual terms.

The Customs Administration, which also collects excise duties and energy taxes, recorded CZK10.4bn worth of taxes in arrears.

The Prague tax office reported the highest amount in arrears, nearly CZK25bn or some 60% of the total figure. The Financial Administration wrote off debts worth CZK103bn, however, revived debts of over CZK92bn that have been written off.

Tax offices were exacting arrears of over CZK2.3m in 2018, nearly CZK31bn in total at the end of the year, and recovered almost CZK13bn worth of debts.

The Financial Administration issued 1,174 freezing orders, 246 fewer than in 2017, trying to get CZK1.4bn worth of debts back and recovering CZK471m. Former CEO of the administration Martin Janecek was repeatedly criticised for the practice, and parliament asked the clerks to use the orders only in justifiable cases.

**GOVT OKS HIGHER TAXES ON SPIRITS, CIGARETTES AND
GAMBLING - 27.5.**

The excise duty on cigarettes and tobacco should go up by some 10% and the excise duty on alcohol by about 13% next year, according to the Finance Ministry's proposal approved by the government today.

The proposal also envisages a rise of tax on gambling games and lotteries.

The bill is yet to be passed by the Parliament and signed by the head of state.

As a result of the proposed tax rates hike, the tax burden for a pack of cigarettes would rise by CZK12-13, according to information CTK obtained from tobacco companies.

According to the Finance Ministry, the minimum rate would increase the price of a pack of cigarettes by CZK5.4.

The changes are expected to bring over CZK10bn to public budgets in 2020 and 2021 annually, according to the ministry. The ministry said earlier the bill was a reaction to the increased availability of addictive substances resulting from the growing living standards.

Representatives of spirits and tobacco producers and lottery companies said earlier the price hike would only lead to extension of the black market.

As regards gambling, the ministry plans to increase the tax on odds betting, tombolas, small tournaments and totalizer games from 23 to 25% and the tax on lotteries, bingo games and live games from 23 to 30 percent.

At present, the tax on all types of gambling games except technical games is 23 percent, while that on technical games is 35 percent.

The ministry is not planning to raise the tax on technical games.

The bill also proposes that incomes from gambling and lotteries over CZK100,000 should be subject to a 15-percent withholding tax. At present, wins are exempted from income tax.

According to representatives of gambling games and casinos operators and lottery companies approached by CTK, the raised gambling tax will not bring more money to the state coffers. The taxation of gambling in Czechia is already one of the highest in Europe, they said.

"The gambling industry in Czechia has been regulated strongly in recent years and we see no reason for further

changes. Such pressure on legal operators is unbearable," David Huspeka of the Rebuy Starts casino group said.

"We disagree with the government's step, as it contradicts expert addictology survey conducted both at home and abroad," Sazka lottery company spokesman Vaclav Friedmann said.

The surveys have shown clearly that numerical lotteries, such as Sazka's Sportka, are the least socially dangerous games on the market, he added.

According to Synottip executive manager Petr Mikoska, excessive taxation will lead to liquidation of legal operators and support the growth of the illegal market.

"The tax burdening of odds bets is one of the highest in Europe and we do not think that there is space for its further increase. Excessive regulation can have a contrary effect," Association of Odds Betting Operators (Apkurs) said.

Apkurs members are Tipsport, Fortuna and Chance.

In 2017, Czechs spent a record CZK224.1bn on bets, up 14.1% against 2016, and the volume of the paid wins increased by 17.3% to CZK184.3bn. Gross income of legal operators of lotteries and similar games reached CZK39.8bn, 1.1% higher than in 2016. Tax revenues from gambling for public budgets increased to CZK12.1bn.

Most of the money, CZK114.6bn, were spent on technical games, such as gambling machines. Odds betting came second, rising by 12.5% in annual terms and about 4.5 times in comparison with 2009.

The approved bill also proposes a change in the method of creation and tax deductibility of technical reserves of insurance companies so that even technical reserves created under the insurance law become tax deductible. The change would have an impact on insurance companies on the Czech market, as their tax burden would increase.

Insurance companies disagree with the proposal and consider it a punishment for their cautious behaviour, according to reaction from the Czech Association of Insurance Companies.

Some insurers will lose two up to five years of profit due to this "sector tax", the association said.

The insurers themselves have proposed that they could put money in the national investment fund in which the four biggest banks are to contribute.

CTK CZECHS' DEBT GROWS BY CZK162BN TO CZK2,340BN IN Q1 – 27.5.

Czechs' debts totalled CZK2,340bn in the Jan-March period, going up by CZK161.5bn yr/yr, and the volume of debts with default risk sank by CZK4.1bn to CZK32.4bn, according to data from the banking and non-banking registers of client information.

The number of people having problems repaying consumer loans posted an annual decrease of 17% to 48,000. The number of those being in default on housing loans fell by 16% or 3,864 people and was below 20,000.

There were 233,000 people who failed to repay short-term obligations at the end of March, consumer loans in particular, their number falling by 48,000 yr/yr and by 72,000 compared to Q1 2017, when the figure was near an all-time high.

The number of people in debt default decreased by an annual rate of 17 percent, and the volume of unpaid short-term debt was 9.7% lower at CZK22.8bn.

The average size of short-term debt continued rising, said non-banking register director Jiri Rajl.

Endangered short-term debts are falling at a slower rate than the number of clients in debt default, he added.

The average size of endangered short-term debt reached CZK98,000 per client in March. It is a debt with non-repaid instalments for the three months running or a debt declared as due by a creditor.

Non-repaid housing loans went down by CZK1.7bn yr/yr to CZK9.66bn.

"The volume of housing debt increased, however, the share of debt in default kept falling ... to a minimum of 1.4% at the end of Q1," said banking register director Lenka Novotna.

In 2015, 3% of total housing loans were in default.

Housing debt went up by CZK124bn yr/yr because of a growth in the average size of mortgage and home-building savings loans, adding CZK115,000 yr/yr to CZK1.67bn. The number of people with a housing loan decreased by 2,817 or 0.3% in annual terms. The number of people with two or more housing loans keeps growing, said Novotna.

The number of clients in default on short-term consumer loans rose by 17,000 to 2.44 million, the average size of short-term debt adding CZK14,000 annually. Short-term debt grew by CZK37.6bn to a total of CZK481.2bn.

Short-term debt was growing faster than long-term debt at the end of Q1 for the first time in five years, the reason being a mild downturn in the housing loans market early this year, said Rajl.

The number of people with mortgage and home-building savings loans decreased in annual terms in most Czech regions at the end of March, rising only in Prague and Central Bohemia and Plzen regions, according to data from the registers.

In terms of short-term consumer debt, the number of people increased in the majority of regions, mostly in Prague, the data showed.

CTK PLZENSKY PRAZDROJ SELLS RECORD 11.5M HL OF BEER IN 2018 – 27.5.

Plzensky Prazdroj, the largest Czech brewer, sold a record 11.5 million hectolitres (hl) of beer in Czechia and abroad in 2018, up 4% yr/yr, and export amounted to a record 4.3 million hl, 4.5% more yr/yr, spokeswoman Jitka Nemeckova told CTK today.

Domestic sales were made public early in April. They grew by an annual rate of 3.8% to 7.2 million hl of beer. Sales in shops rose by 5% and draught beer sale saw a rise of over 2 percent. Direct export grew by nearly 13% last year, exceeding 1.7 million hl of beer. Export to almost all major destinations went up, and sales in Poland saw the biggest hike of over 30 percent, said Nemeckova.

The brewery markedly strengthens its position in European countries as well as in Russia and East Asia, said CEO Grant Liversage.

South Korea is the third largest export market for Plzensky Prazdroj which is also doing well in Japan, he said.

CTK CRUDE OIL FLOWING TO CR VIA DRUZHBA PIPELINE FROM NOON TODAY – 27.5.

Crude oil is flowing to Czechia via the Druzhba pipeline after a month, with Slovak supplies being restored at 12:00 today,

Radomira Dolezalova, spokeswoman for state-run oil pipeline operator Mero, has told CTK.

Klobouky pumping station near Brno in southern Moravia was restarted at noon, too, which put the Druzhba pipeline in Czechia into operation, she said.

Crude oil in Druzhba was tainted with organic chloride last month. Countries connected to the route, including Czechia, halted supplies of Russian crude.

Oil from state reserves started flowing to Unipetrol's refinery on May 1. The state provided Unipetrol with two loans, each for more than 100,000 tonnes of crude. After the loans about two-thirds of crude oil have remained in the state's emergency stocks.

CEZ TO DISTRIBUTE 80-100% OF ADJUSTED NET INCOME IN DIVIDEND -27.5.

Czech energy group CEZ is changing dividend policy and its board of directors decided today that the company will pay out 80-100% of net income adjusted for extraordinary effects instead of 60-100 percent, CEZ spokesman Ladislav Kriz told CTK.

The chief reason for the change is that CEZ is updating its strategy, not envisaging important acquisitions and investments in renewable energy sources abroad, Kriz said. CEZ's general meeting will decide about dividend payment and the company's new strategy on June 26.

In the middle of May, the company management proposed to pay out CZK24 per share dividend. CEZ would distribute 99% of adjusted net income, which is the highest share yet, CEZ head Daniel Benes said.

Last year's adjusted net profit of CEZ reached CZK13.1bn and CZK12.9bn would be distributed among shareholders, based on the proposal.

Analysts consider the proposal a disappointment because CEZ paid out CZK33 per share dividend last year.

CEZ's business results touched bottom last year, the company representatives have said. Its net profit fell by 45% to CZK10.5bn, which was due to one-off revenue from the sale of Hungarian oil and gas group MOL's shares in 2017. CEZ's revenues rose, in real terms, annually by nearly CZK11bn to CZK184.5bn.

The general meeting invitation said CEZ wants to focus more on the Czech market. Abroad, the company will concentrate mainly on services concerning modern decentralised energy systems.

CEZ, about 70% owned by the state via the Finance Ministry, is active in Czechia, Bulgaria, France, Germany, Poland, Romania, Slovakia and Turkey.

CEZ has been looking for a buyer of its Bulgarian assets, and daily Hospodarske noviny reported today that the company plans to sell also its Romanian and Turkish assets and considers selling Polish power plants. It wants to get tens of billions of crowns for the construction of renewables and new nuclear units, and modernisation of the grid.

CZECH GOVERNMENT NOT TO DEBATE 2020 BUDGET FIRST DRAFT ON FRIDAY - 29.5.

The Czech government will not approve the first draft of the 2020 budget by the end of May as the Friday special cabinet meeting PM Andrej Babis (ANO) mentioned last week will not be held, the Finance Ministry and government communications head Vladimir Vorechovsky told CTK today.

The government coalition parties agreed to only hold a meeting between the Finance Minister Alena Schillerova (for ANO) and Interior Minister and junior government Social Democrat (CSSD) chairman Jan Hamacek.

The Finance Ministry said that based on its result, it will do the final touches on the draft proposal of revenues and expenditures according to the individual chapters, so that the document would be ready to be passed to other ministries on the same day.

The Finance Ministry drafted the 2020 budget with a 40-billion-crown deficit, expenditures of 1,594 billion crowns and revenues of 1,554 billion. The same deficit was approved for this year's budget.

The draft reckons with an increase in investments to 135 billion crowns in 2020 from this year's 122.3 billion.

Pensions should rise by 900 crowns a month next year, the same increase as in 2019.

The government negotiated about the public sector wages with the social partners on May 27. Schillerova then said the Finance Ministry proposed a pay rise in the public administration and services by 2% and 10% for teachers as of next year.

While employers support the proposal, trade unions are against, asking for a 15-percent pay rise for teachers, 10% for non-teaching and medical staff and 8% for others.

On May 20, the cabinet passed a 80,000-crown rise of the parental benefit to 300,000 crowns as of next year for parents of newborns and children under four, who would be entitled to the benefit.

The Communists (KSCM), who prop up the ANO-CSSD cabinet, are still not sure whether they will support the 2020 state budget. They said in February that they would demand the deficit not to exceed 30 billion crowns.

AGRICULTURE & ENVIRONMENT

CZECH VETS CANCEL CHECKS OF BRAZILIAN MEAT IMPORTS AFTER TWO YRS - 24.5.

The Czech State Veterinary Administration (SVS) this week cancelled obligatory testing of Brazilian poultry meat imports for salmonella after about two years, SVS spokesman Petr Vorlicek told CTK today.

Checks revealed four problems with Brazilian meat last year, none of which concerned health. This year, there has only been one problem, Vorlicek said.

In 2017, there were 18 issues and salmonella was found in four cases.

All animal products from Brazil had to be tested from May 2017. The checks concerned only poultry meat and poultry semi-finished products from June.

Two years ago, the European Union and some other countries set a limit on or banned Brazilian meat imports after Brazil's authorities accused the country's largest meat processors and exporters of selling spoiled beef and poultry meat for years, bribing local health inspectors and politicians. There is almost no problem with Brazilian poultry shipments and the issues detected are rather administrative, which is why SVS has decided to cancel the measures that have served their purpose, SVS head Zbynek Semerad said.

Food from Brazil will be under standard supervision, he said. Over 1,000 tonnes of poultry meat a year were imported from Brazil to Czechia when the measures were in place.

KROKONOŠE NATIONAL PARK CLEARS AWAY FALLEN TREES IN FEAR OF BARK BEETLE INFESTATION – 25.5.

Krkonoše National Park in the north-west of the CR is trying to clear away fallen trees left in the park after winter in fear of bark beetle infestation. The park's administration is offering people the chance to come and process the timber on their own for a symbolic price.

The situation in Krkonoše National Park is not as serious as in other parts of the country, thanks to a colder and more humid climate. The park has also been successful in replacing the coniferous monocultures and renewing the traditional mixed forests, where diseases don't spread so easily.

The CR has faced a serious bark beetle calamity for several years in a row. According to experts, the current situation is the worst in the history of Czech forestry, with seven of the country's 14 regions currently suffering infestations. They also warn the situation is likely to get even worse in the future.

AGRICULTURE MINISTRY READIES ANOTHER LAW ON DOUBLE QUALITY OF FOOD – 27.5.

Minister of Agriculture Miroslav Toman (ČSSD) is preparing another bill dealing with double quality of foodstuffs. This was stated by minister Toman in Czech Television's political discussion show Otázky Václava Moravce. The readied norm follows up on the previous ban on identical packaging for foodstuffs with different composition. The amendment to the Act on Major Market Strength in the Sale of Agricultural and Food Products and its Abuse, readied by the Ministry of Agriculture, should prevent large producers from prohibiting top quality goods to CR.

INVESTMENTS & TRADE & SERVICES

DEPUTY PRIME MINISTER HAVLÍČEK SIGNS COOPERATION AGREEMENT WITH BANGLADESH – 23.5.

Czech Minister of Industry and Trade Karel Havlíček (representing ANO) has signed an agreement on support for trade and economic cooperation between the Government of the CR and Bangladesh. The agreement lists the main areas of possible cooperation and establishes a joint body, the Joint Trade and Economic Cooperation Commission, to be managed at the level of Deputy Ministers. In addition, K. Havlíček discussed current projects in which Czech companies could participate, such as the planned construction of a 600 MW CCGT power plant in southern Bangladesh.

FINANCE MINISTRY SUBMITTED DRAFT OF NEW EXPORT SUPPORT ARRANGEMENT – 24.5.

The Finance Ministry of the CR submitted for an external comments proceeding the draft of the new institutional arrangement of state export support. The material recommends the ownership consolidation of the Czech Export Bank (ČEB) as a subsidiary of the Export Guarantee and Insurance Company, which will be a 100% shareholder of ČEB.

HK ČR: COMPANIES HEAD FOR CANADIAN-CZECH BUSINESS FORUM – 28.5.

On May 28, 2019, a business delegation of the Czech Chamber of Commerce (HK ČR) comprising ten companies active in healthcare services, IT, nanotechnologies or engineering will go to the Canadian-Czech Forum held in Ottawa, Toronto and Halifax. They will be accompanying the speaker of the Chamber of Commerce, Radek Vondráček (ANO). CR exports primarily synthetic rubber to Canada, as well as motor vehicle components and construction materials for railway or tramway tracks. In 2018, exports of goods to Canada amounted to CZK 7.78bn. Canadians imported products and services to the CR for CZK 8.47bn, mostly helicopters, cars, medicines, and cosmetic products.

ENERGY & INDUSTRY & TRANSPORT

ELECTRICITY CONSUMPTION DROPS, PRODUCTION GROWS IN Q1 – 23.5.

Czech electricity consumption fell annually by 1.3% to 20.4 terawatt hours in the first quarter of this year but the output grew by 3.4% to 23.8 terawatt hours, according to data the Energy Regulatory Office (ERU) published today.

Natural gas consumption decreased by 6.2% annually to 3.1 billion cubic metres, which was due to warm weather, ERU said.

Brown-coal plants accounted for 44% of the power production and nuclear plants made up 32 percent. Renewable energy sources generated 11% of the volume and natural gas sources produced 5 percent.

Wind farms registered the biggest annual production increase of 35.5% in Q1, thanks to launching new sources, and the volume of energy produced by combined-cycle power plants rose by 35 percent, according to ERU.

Small hydroelectric power plants made 2.8% more electricity, and large facilities raised their output by 50.7 percent.

The average temperature in Q1 was 2 degrees Celsius, which is 1.8 degrees above the long-term normal.

SLOVAK TRANSPETROL CONFIRMS RENEWAL OF OIL SUPPLIES VIA DRUZHBA – 23.5.

Slovak pipeline operator Transpetrol renewed Russian oil supplies via Druzhba on Wednesday, its PR agent Ivana Kolarikova Havranova told CTK today.

Slovakia and other countries halted the shipments in April because Russian crude contained high levels of organic chloride which can damage the equipment in refineries.

Transpetrol's spokesperson said in the afternoon that oil was supplied to customers in the standard regime in both terms of quantity and quality.

Oil supplies via Druzhba pipeline were resumed on Wednesday, at 18:00 CEST, Reuters agency said.

In Belarus, Druzhba is divided into two routes - northern heading to Poland and Germany and southern heading to Hungary, Slovakia, and Czechia via Ukraine.

"Czech supplies via Druzhba pipeline have not been resumed to date," said Radomira Dolezalova, spokeswoman for state-run Czech pipeline operator Mero. Russian crude should start flowing to the country again by the end of the month, she added.

Pavel Svagr, chairman of the Czech State Material Reserves Administration, said earlier that clean oil via Druzhba should reach Czechia next week at the latest.

After halting the supplies in April, Slovak refinery Slovnaft launched revision of the equipment, which it planned earlier and during which it is processing a smaller amount of crude oil. That is why it had stocked up on petroleum products.

CZECH ZETOR TRACTORS HAS CZK149M LOSS IN 2018 AFTER 8 YRS OF PROFITS – 23.5.

Zetor Tractors made a CZK149m loss in 2018 while in previous eight years it was in the black, and the Brno-based firm produced 685 tractors fewer yr/yr, its sales amounting to CZK2.3bn, the management said in a press release.

Delayed launch of some of the models in the first half of last year is to blame for the results, said managing director Marian Lipovsky. The postponement was caused by the need to adapt the new models to comply with a new European directive, he added.

The firm was also faced with a difficult situation on the tractor market that has been falling since 2012. Conditions worsened notably in H2 2018 because of the extreme drought in a major part of Europe. It had an adverse impact on the economic situation of farmers. The firm's major markets - Czechia and Poland - recorded a drop of 21 and 20 percent, respectively, said Lipovsky.

Given the situation, Zetor's management decided to dismiss 145 people or a fifth of the workforce in January this year.

For 2019, the firm plans to lower its stocks and the amount of final products, which is crucial for its stabilisation, and to raise its share in key markets, said Lipovsky.

Zetor exports 87% of the output to countries such as Slovakia, Poland, Lithuania, Ireland, Germany, Great Britain, France, USA, and Bulgaria.

Zetor Tractors' performance in 2014-2018

Year	No. of tractors sold	Profit/loss (CZK mn)	Sales (CZK bn)
2014	4,178	275	3.8
2015	3,773	144	3.7
2016	3,144	102	3.2
2017	2,765	117	2.9
2018	2,080	-149	2.3

CIA ŠKODA AUTO WILL BUILD A PLANT IN TURKEY OR BULGARIA – 24.5.

The general shareholders meeting and board of trustees of concern Volkswagen have confirmed concrete talks about the construction of a new multi-brand plant of the ŠKODA company. This was stated by the chairman of the Company Board, Jaroslav Povšík. A decision is currently being made about where it should be located. The final choices are according to J. Povšík Turkey and Bulgaria. Thanks to the new plant the automaker could increase the capacity of its production as domestic plants are already at maximum capacity. The chairman of the board of directors of ŠKODA AUTO, Bernhard Maier, stated that roughly 100,000 vehicles that the company could sell to customers if it had the necessary production capacity will be missing in 2019.

CIA TENZA: HOT WATER PIPELINE FROM TEMELÍN TO ČB UNDER CONSTRUCTION – 24.5.

The hot water pipeline project from the Temelín power plant (NPP Temelín) to České Budějovice, which started in mid-March 2019 is now being implemented. At present, the overlying layer of the first and second stage has been almost completely removed, and the work continues on the next. At the end of April, the implementation team launched excavation work. The final transfer of the CPS2 station to the hot water pipeline is planned after commissioning of the thermal feeder in 3Q 2020.

CIA ŠKODA PRESENTED FIRST ELECTRIFIED CARS SUPERB IV AND CITIGOE IV – 24.5.

ŠKODA AUTO has debuted in Bratislava the first fully electrified serial vehicles and its modernised flagship car, the SUPERB. The CITIGOE iV model is fully electric, while SUPERB iV will for the first time be offered also as a plug-in hybrid. Board of directors chairman Bernhard Maier has stated during the event that the carmaker plans to offer more than 10 electrified models by the end of 2022. Electric vehicles should generate 25% of total brand sales by the end of 2025.

CIA TRADE UNIONS DETERIORATE TERMS FOR BUSINESS – 24.5.

Czech Chamber of Commerce's (HK ČR) president Vladimír Dlouhý has criticised trade unions for deteriorating conditions for doing business. Mr. Dlouhý said at the 31st national congress that the annual raising of the minimum wage, as wished by the trade unions, affects primarily companies that are not paying the minimum wage at all, as they have to scale the remuneration of their employees. Mr. Dlouhý has also condemned the cancelation of the waiting period or the government's inactivity in the preparation of the reception of qualified workers from abroad. On the other hand, the HK ČR president appreciated the government's steps in the preparation of the new building act. HK ČR has also informed at the congress about the launch of the Electronic Legal System, which will administer duties to the government on behalf of the entrepreneurs. According to the Chamber's calculations, the system has the potential to save the entrepreneurs up to CZK 43.2bn in costs of legal analyses and legal representation in administrative bodies and courts in disputes about the interpretation of individual legal norms.

CIA ERÚ: NET ELECTRICITY EXPORTS INCREASED BY 51% IN 1Q – 24.5.

In 1Q 2019 net electricity consumption in the CR fell to 20.4 TWh, down 1.3 % y/y. Household consumption fell by 3.6 %. Production of electricity increased to 23.8 TWh (+3.4 %). Especially production of large hydro power plants (+50.7 %), wind power plants (+35.5 %) and combined cycle power plants (+35 %) increased. The report by the Energy Regulation Authority (ERÚ) also shows that net exports increased by 1.1 TWh (+51 %). Consumption of natural gas fell by 6.2 % to 3.132m m3.

CEZ CHANGES STRATEGY, WANTS TO FOCUS MORE ON CZECH

MARKET – 24.5.

CEZ energy group changes its strategy and wants to concentrate more on the Czech market, while focusing on decentralised energy systems on foreign markets in the future, an invitation to a general meeting said.

CEZ shareholders will decide on the adoption of the new strategy at the general meeting that will take place on June 26.

The majority owner of CEZ is the state through the Finance Ministry which owns 70% of shares.

CEZ has reflected the increasing differences between conventional and new energy based on active customers and decentralised solutions in its current strategy valid since 2014. The strategy was built on three pillars, namely conventional energy, decentralised energy systems and growth in renewables.

In geographical terms, CEZ shifted the focus of its development strategy towards the CR and stable markets of Central and Western Europe, France and Germany in particular, the firm said in the documents for the general meeting.

The new strategy has four priorities: efficient operations and optimal use of the firm's production portfolio in Czechia, modern distribution and care of customers' energy needs, new energy development (renewables, complex energy services - ESCO) chiefly in Czechia, and development of energy services in stable European regions.

Apart from Czechia, CEZ has energy sources in Germany, Poland, Turkey, Romania, and Bulgaria. It will likely sell some of its foreign assets in the future. It has been seeking a buyer for its Bulgarian assets.

Some media reported recently CEZ might withdraw from the Romanian market.

The general meeting will also approve a dividend from last year's profit. The management said it would propose a CZK24 per share dividend or 99% of the profit adjusted for extraordinary effects. CEZ CEO Daniel Benes said it was a record ratio. Economists are disappointed, however, saying CEZ paid CZK33 per share last year.

CEZ said previously that 2018 saw the weakest results of the group. Net profit went down by an annual rate of 45% to CZK10.5bn due to a one-off income worth CZK7.5bn, mainly from the sale of shares of Hungary's MOL group in 2017. Sales totalled CZK184.5bn last year, which was a real growth of CZK11bn yr/yr. Adjusted net earnings, from which dividend is paid, declined by 37% yr/yr to CZK13.1bn.

ERÚ PUBLISHES DECISION RE REGULATED GAS PRICES – 28.5.

The Energy Regulatory Office (ERÚ) has published a price decision on regulated prices related to gas supplies. It covers the period 2020-2025. The prerequisites for pricing are the planned investments (CAPEX) of the transmission system operator, which are expected to reach CZK 1.41bn in 2020, and CZK 9.85bn in 2021. Total revenues are calculated at CZK 6.38bn in 2020 and at CZK 6.52bn in 2021.

DPP SIGNS CONTRACT FOR D METRO GEOLOGICAL SURVEY –

28.5.

The Prague Public Transport Company (DPP) signed contracts with the companies HOCHTIEF CZ, Metrostav and

Strabag for the geological survey of the metro D. The company signed a contract for geological monitoring and passportization with the trade association GTM Trasy I.D metra. DPP also gave contractors calls to take over construction sites. The geological survey itself should start on June 19, 2019. As ČIANEWS has already reported, the cost of exploration will reach CZK 1.58bn and will be spread over three years.

KONICA MINOLTA'S PROFIT IN CZECHIA UP 17% IN 2018 –

28.5.

Konica Minolta technology company raised its pre-tax profit in Czechia by 17% to CZK174m in 2018, and its turnover grew by over 6% to CZK2.34bn, with the growth being aided by IT services development and focus on new technology, company representatives said at a press conference today.

Konica Minolta started providing camera surveillance systems, and it introduced the Workplace Hub IT solution in Czechia, company head Pavel Curda said.

The company successfully tested its smart glasses, an augmented reality solution partially developed by the Brno centre, Curda said. It wants to release the AIRe Lens onto the market in the second half of this year.

Konica Minolta wants to strengthen its position of service integrator and partner in IT services and consulting, Curda said. It is looking for an investment opportunity to expand its product portfolio.

The group plans to acquire new companies, especially those focused on security camera systems and advanced video processing.

Revenues from IT services rose annually by 11% to CZK883m. It is partially due to the fact that KM BCZ and Konica Minolta IT Solutions Czech reported consolidated results, while it used to be done separately.

Last year, Konica Minolta made deals with companies including Erste Group, Husqvarna, Travel Service, Cesky Aeroholding, Cermat and Czech News Center. The contracts involved mainly document digitalisation and customised software and printing solutions, including servicing, KM BCZ sales head Pavel Stepan said.

Indirect sales accounted for 21.1% of the company's turnover, increasing annually by CZK10.6m to CZK411.5m.

ŠKODA AUTO TO DOUBLE SALES NETWORK IN INDIA – 28.5.

ŠKODA AUTO wants to double until 2022 the no. of cities in India where it has sales representation. The plan is part of Volkswagen's investment of over CZK 25bn into the group offensive on the Indian market. The carmaker has branches in 50 plus Indian cities. The information was confirmed to ČIANEWS by the spokesperson for ŠKODA AUTO, Zdeněk Štěpánek. The company has been selling ca. 17,000 cars p.a. on the Indian market in recent years.

ŠKODA BRAND DEALERS ACCEPT ORDERS FOR NEW SUPERB

– 29.5.

ŠKODA brand's authorised dealers in the territory of the CR have begun accepting reservations for the modernised SUPERB model. The Mladá Boleslav-based carmaker's flagship model is entering the market with design modifications and new equipment and functionality features. The ŠKODA SUPERB 1.5 TSI/110 kW ACT in Ambition equipment version starts at CZK 689,900, i.e. CZK 35,000 less

than previously. The carmaker has also stated that the ŠKODA 2020 model year specifications, which include the modernised SUPERB, will go into production in the 28th week of the 2019 calendar year.

CEEC: 41% OF COMPANIES HAD PROBLEMS PAYING R&D COSTS – 29.5.

Most companies from engineering industry (58%) used the option of tax deductions for research and development. Two fifths (41%) of companies encountered problems with the eligibility of tax costs in negotiations with Tax Administration (FS). This stems from a survey by CEEC Research. Companies evaluated negatively primarily FS' disunited approach to the review of individual research and development costs and noted also insufficient technical know-how of tax authorities. The respondents also supported the Ministry of Finance's editing duty in defining FS' unified procedure for tax eligibility of R&D spending.

LABOUR & HEALTH & SOCIAL

CTK CZECHIA HAD MOST ENCEPHALITIS CASES IN EU IN 2018 – 23.5.

The CR recorded more encephalitis cases than any other EU country last year, the highest number since 2011, Rastislav Madar said in a press release today, referring to the information from the European Working Group for Tick-Borne Encephalitis (TBE).

Globally, only Russia had more TBE cases, working group member Madar from the Avenir Vaccination and Travel Medicine centre added.

Among the other EU states, Germany recorded the second largest number of cases, followed by Sweden, Lithuania and Switzerland.

Ticks infected with encephalitis mostly live in moderate climatic zones on the Northern Hemisphere in Europe and Asia but experts say they are spreading to other areas. An example of this is Sweden and higher altitude areas in Switzerland, Madar said.

TBE cases do not appear in Spain, most of France, south Italy and other areas which are very dry and hot for most of the year.

The number of cases in the CR doubled in the past three years with 251 infected in 2015 and 712 in 2018. Prior to that, there were 861 cases in 2011 and over a thousand in 2006.

The experts issued their TBE warning in early March already this year due to the warm weather.

People can get infected with encephalitis within two hours, while it takes 24 hours for the Lyme disease, which is also spread by ticks.

Encephalitis patients suffer from fever, headache, aching joints and muscles. If they rest, the disease lasts for some two to seven days. Otherwise, it can develop into meningitis.

Lyme disease patients are tired and have fever. About a half of them have the typical red mark, sometimes pale in the middle, around the tick bite. In the second phase, joints, nervous system and heart may be affected.

There is no protection against bacterium-caused Lyme disease but it can be treated, while the experts advise immunisation against TBE. This is not part of the compulsory free vaccination but is state-subsidised in the CR.

CEC TRIPARTITE DISCUSSED SALARY HIKES IN PUBLIC SERVICES – 28.5.

The Council of Economic and Social Consent of the CR discussed on its session on May 27, 2019, the raising of salaries in public services and administration in relation to the preparation of the 2020 state budget. The Ministry of Finance anticipates flat increase of salaries in public services and administration by 2% in 2020. The salary hike for teachers is foreseen at 10% next year and additional 9% in 2021. The social partners have agreed at the tripartite session to further discuss the salary hikes.

MISCELLANEOUS

CTK TWO FIFTHS OF CZECHS NEED INTERNET FOR WORK – 23.5.

A total of 43% of Czechs are dependent on the Internet in their work and another 22% need the Internet for work but would be able to do without it, according to a survey conducted by the STEM/MARK agency in May.

About 15% of Czechs do not need or use the Internet at work. Of them, 1.6% of respondents said they do not use the Internet at work even if it could be helpful, the survey has shown.

As many as 61% of respondents with university education would not be able to perform their work without the Internet. On the other hand, 28% of respondents with elementary education do not need the Internet at work.

"It is clear that there is still a lot of space for innovative solutions in the area of digital working tools and their support among more than 15% of Czechs who still do not use the Internet at work," Vodafone Idea of the Year contest founder Martin Kesner said.

CTK NO. OF FOREIGN FIRMS PROTECTING INVENTIONS IN CR ON THE RISE – 26.5.

The number of foreign firms protecting their inventions in Czechia has increased, and the Industrial Property Office recorded a rise of 29% to 7,054 patents last year from some 5,000 in 2015, Josef Dvornak, the office's deputy chairman, has told CTK.

Foreign patent owners see Czechia as a technologically advanced country suitable for business activities, which is why they are seeking protection of their new products and technologies on the Czech market, said Dvornak.

Based on mth/mth figures, he estimates the number of patents to be 1,000 higher this year.

Czech firms lag behind their Western counterparts in terms of patent numbers, more frequently registering national trademarks. It is a piece of good news that the number of Czech applications filed with European and US patent offices keeps rising, said Dvornak. In 2008, Czech enterprises were granted 48 US patents, their number soaring by 83% to 284 in 2017.

As regards Czechia, the number of applications remains more or less the same. Last year saw 678 applications, mainly in measurement, optics, nuclear energy, health and entertainment. It takes up to five years to get a patent, with about a half of the applicants being successful, said Dvornak. The office granted 512 national patents last year, 89% of them being Czech ones. Over a quarter of applications were filed by Czech universities and research institutes, most active being the Academy of Sciences' Institute of Organic

Chemistry and Biochemistry. Thanks to patents of Antonin Holy, the institute's chemist, HIV and hepatitis B drugs have been produced, for example. Nearly 8,000 national trademark applications were registered last year, 91% of them filed by Czech entities. "A total of 1.5 million trademarks are valid in Czechia, 75% of them being valid for the entire EU," said Dvornak.

NATIONAL SECURITY COUNCIL FOCUSES ON CYBER SECURITY – 27.5.

The Czech National Security Council (RBS) debated the information on cyber security in the CR in 2018 and the amount of money the ministries should contribute to this area, the Government Office said in a press release today. The RBS also debated the current NATO and EU issues and received last year's report on cyber security.

"The report offers the 2018 overview of the fulfilment of the goals in building cyber security in the CR, including cyber threats, cyber espionage, cyber attack targets, cyber security provisions, international cooperation, exercises and education," the Government Office said. The RBS also began to deal with the document in which the Czech Cyber and Information Security (NUKIB) outlined the money spent on cyber security at the individual ministries based on a survey. The BRS members received the annual report on the controls regarding the export of military material, small arms for civilians and dual-use goods and technologies in the CR. The BRS was informed about the fulfilment of the 2020 police development plan in 2018.

INTERNATIONAL DEFENCE AND SECURITY TRADE FAIR OPENS IN BRNO – 29.5.

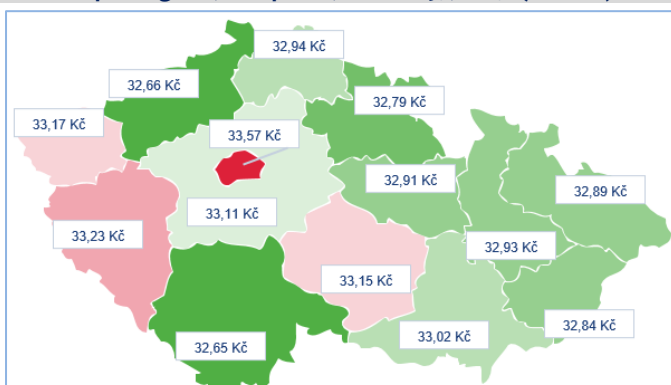
A major security trade fair has got underway in Brno. Over 500 firms from 35 countries are taking part in the International Defence and Security Technologies Fair (IDET). The opening of the event was attended by Czech Prime Minister Andrej Babiš and Defence Minister Lubomír Metnar, as well as the chief of the general staff of the Czech Army, Aleš Opatava.

IDET runs until Friday. Taking place alongside it are the related trade fairs PYROS, which is focused on fire-fighting technology, and ISET, which is dedicated to security technology and services.

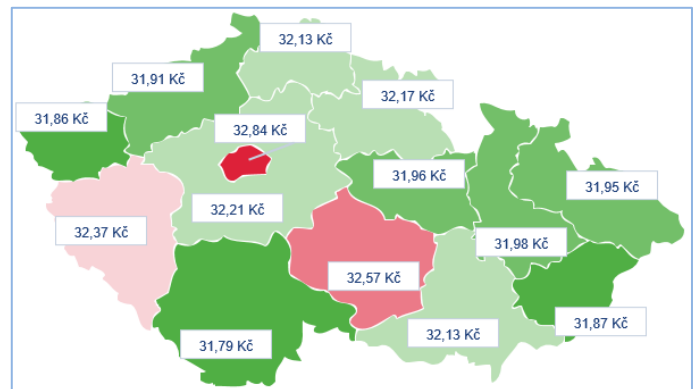
STATISTICS

FUEL PRICES IN THE CR – 26. 5.

Map 1: Regions, fuel prices, Natural 95, 26. 5. (in CZK/l) ¹

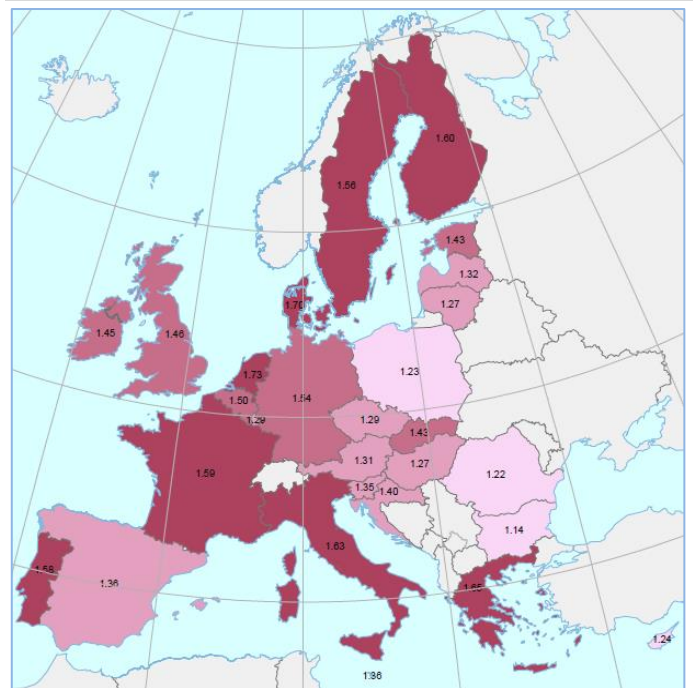


Map 2: Regions, fuel prices, Diesel, 26. 5. (in CZK/l)

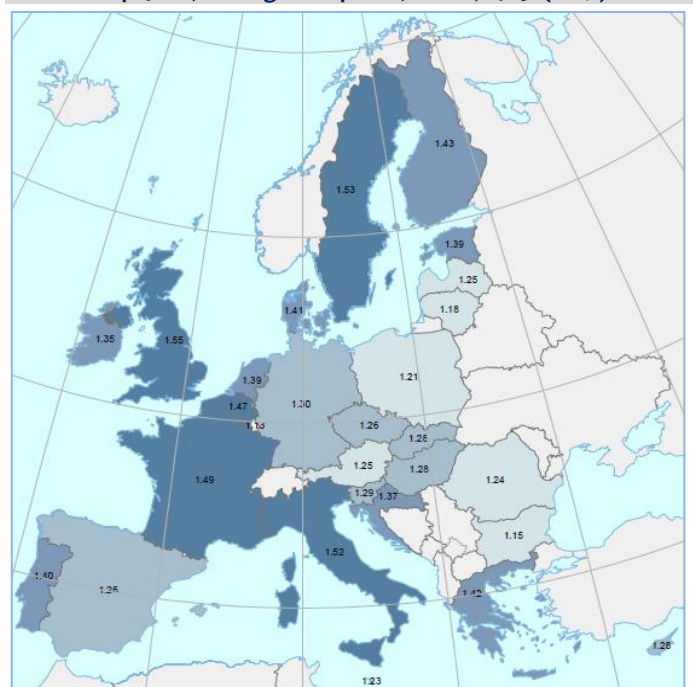


FUEL PRICE IN THE EU – 27.5.

Map 3: EU, Average fuel prices, Natural 95, 27. 5. (in €/l) ²



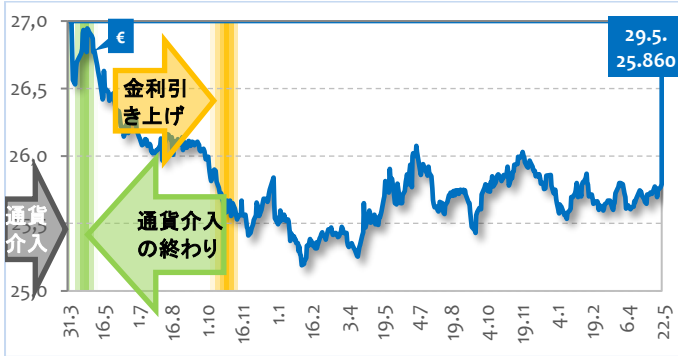
Map 4: EU, Average fuel prices, Diesel, 27. 5. (in €/l)



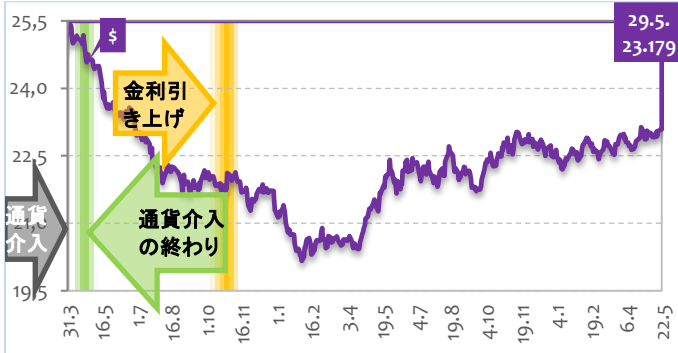
¹ data issued by the mBenzin.cz; <https://www.penize.cz/ceny-benzinu-a-ceny-nafty>

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

Graph 1: Exchange rates, CZK/€, 31. 3. 2017 – 29. 5. 2019



Graph 2: Exchange rates, CZK/\$, 31. 3. 2017 – 29. 5. 2019



Graph 3: Exchange rates, CZK/100¥, 30. 3. 2017 – 29. 5. 2019



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.

CNB, 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.

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 number 517/1992 Coll.



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.



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.