

## ECONOMIC NEWS SUMMARY AUGUST 8 – AUGUST 14

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### ECONOMY & FINANCE

#### GDP<sup>1</sup> TO REACH 2.6%, CZK WILL APPRECIATE – 12. 8.

The economy will grow by 2.6% this year and slightly accelerate to close to the pace of potential output growth over the next 2 years. The CNB<sup>2</sup> also expects a gradual appreciation of the koruna. The forecast path of the exchange rate takes into account its broad stability since Q<sub>2</sub><sup>3</sup> 2018. The forecast expects the koruna to appreciate slightly to CZK<sup>4</sup>25.4 against the euro in Q<sub>3</sub> 2019. Consistent with the forecast is a modest rise in domestic market interest rates initially, followed by a decline in 2020.

#### MORE MONEY FOR MINISTRIES IN 2020 BUDGET – 13. 8.

The MF<sup>5</sup> Minister Schillerová says more money will be available to individual government departments than previously planned. The prognosis for expansion of GDP has improved while savings have also been made in servicing the state debt. Ms. Schillerová says the 2020 state budget could be up to CZK10bn<sup>6</sup> higher than previously projected. This will be clear by the end of August, she said. She has already agreed deals with a number of cabinet colleagues on their ministries' budgets for next year. The ČSSD<sup>7</sup> is pushing for more money for certain areas.

#### NEW MEASURES ON CORPORATE BOND MARKET – 13. 8.

The MF has published a document containing a summary of planned legislative measures, which should be applied between 2019 – 2023. The MF plans to regulate crowdfunding platforms and advertising bond portals, but is also considering the introduction of a mini-prospectus for all bond issuers. Comments on the document Public consultation - Planned legislative measures resulting from the Concept of Capital Market Development in the CR<sup>8</sup> 2019 - 2023 will be accepted by the MF until September 16, 2019.

#### CR IS SUCCESSFUL DESPITE GERMANY'S DROP – 14. 8.

According to analysts, the Czech economy did very well in Q<sub>2</sub> taking account of the q-o-q drop of the German economy. The economy is helped by domestic demand which softens the negative development abroad that will, however, affect CR to some extent in H<sub>2</sub>. GDP should grow by about 2.5% in 2019, compared to 3% reported for 2018, economists said. The Czech economy rose by 2.7% in Q<sub>2</sub>, growing by 2.8% in Q<sub>1</sub>, according to the CSO. GDP increased by 0.6% q-o-q. German GDP fell by 0.1% q-o-q, increasing by 0.4% y-o-y. Germany is CR's key trading partner.

<sup>1</sup> **GDP**: Gross domestic product, an aggregate measure of production equal to the sum of all resident and institutional units engaged in production in a period (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). GDP can be determined in three ways, all of which should, in principle, give the same result. They are the **production approach**, the **income approach**, or the **expenditure approach**.

The production approach sums the outputs of every class of enterprise to arrive at the total. The expenditure approach assumes the value of the total product must be equal to people's total expenditures in buying things. The income approach determines GDP by finding the sum of all producers' incomes.

GDP = GVA + Taxes on products - Subsidies on products

<sup>2</sup> **CNB**: Czech National Bank, is the central bank and financial market supervisor in the Czech Republic and a member of the European System of Central Banks. In accordance with its primary objective, the CNB sets monetary policy, issues banknotes and coins

For the 1<sup>st</sup> time in 18 months, the economic growth in CR exceeded Slovakia which reported a 1.9% increase in Q<sub>2</sub>.

Main threats to further development of the Czech economy involve the German economy, possible escalation of trade wars and unresolved Brexit, and some segments have already shown signs of the economic situation turning.

The sickness of the German economy, augmented by Brexit, might spread to CR in H<sub>2</sub>. So far the Czech economy has been helped by high employment and with that consumption, a key driver of the GDP growth.

The appetite for spending is still backed by fast wage growth and high consumer confidence. Government consumption also contributes to the economic growth.

Domestic demand is a driver of the economy, while the global economy can hurt Czech exports. There is a big possibility for the Czech economy to avoid the dramatic slowdown that is about to hit Germany thanks to the strong domestic demand. The economic growth will be lower in Q<sub>3</sub>, as it will be more affected by a drop in Germany's industrial production. There will be a small recovery of the German economy in 2020, which will make the Czech economy accelerate a little.

### AGRICULTURE & ENVIRONMENT

#### PRAQUE'S EMERGENCY DRINKING WATER SUPPLY – 10. 8.

Prague City Council has been mapping wells through the capital towards creating a drinking water supply network that can be in emergencies.

Experts have surveyed and tested some 12,500 wells, of which specialists have chosen 45 that could serve in cases of emergency, such as drought or contamination of the greater supply. Prague aims to have the system in place within 2 years.

#### BARK BEETLES ENDANGER KRKONOŠE PARK – 11. 8

Up 40,000m<sup>3</sup> of wood infested by bark beetles in the Krkonoše National Park may need to be felled this year, about 20% more than in 2018.

The bark beetle infestation affecting spruce forests throughout the CR in 2018 was said to have been the worst in the past 200 years.

Due to the infestation, the CR's largely coniferous forests face extensive felling of trees, which could negatively impact many animal species, including hawks and white-tailed eagles.

#### 2019 BURČÁK NOW ON SALE IN SOUTH MORAVIA – 13. 8.

The first burčák of 2019 has gone on sale in South Moravia. Among those offering the fermented young wine, this year's grapes were of high quality and in plentiful supply, meaning

and manages the circulation of the Czech koruna, the payment system and settlement between banks. It also performs supervision of the banking sector, the capital market, the insurance industry, pension funds, credit unions and electronic money institutions, as well as foreign exchange supervision.

<sup>3</sup> **Q<sub>2</sub>**: \* quarter of the year

<sup>4</sup> **CZK**: Czech Crown, the currency of the CR since 8 February 1993

<sup>5</sup> **MF**: Ministry of Finance

<sup>6</sup> **bn**: billion

<sup>7</sup> **ČSSD**: Czech Social Democratic Party, centre-left party

<sup>8</sup> **CR**: the Czech Republic, a nation state in Central Europe. The Czech Republic covers an area of 78,866 km<sup>2</sup> with a mostly temperate continental climate and oceanic climate. It is a unitary parliamentary republic, has 10.5 million inhabitants and the capital and largest city is Prague, with over 1.2 million residents.

that 2019 burčák is also good. The appearance of burčák, which is fizzy and can resemble fruit juice, is linked to the start of the country's grape harvesting season.

#### ☰ CZECH GRAIN HARVEST SET TO OUTDO 2018 – 13. 8.

The CR's grain harvest should be 8% higher this year than in 2018, according to the CSO<sup>9</sup>. When it comes to cereals, both yield per hectare and total area sowing area have increased on last year. By contrast the oilseed rape harvest is expected to fall by 15.3% this year. Earlier estimates for both crops had been higher.

### ENERGY & INDUSTRY & TRANSPORT

#### 🇸🇰 NUMBER OF CNG VEHICLES EXCEEDS 23,000 – 9. 8.

There are more than 23,000 CNG<sup>10</sup> vehicles on Czech roads, of which 1,370 are buses. Since 2017, the increase has reached 26%. This was stated by the Czech Gas Association adding that in July 2019 it registered 199 public CNG filling stations in operation. Under the National Action Plan for Clean Mobility developed by the MIT<sup>11</sup>, approximately CZK11bn was earmarked to support the purchase of alternative vehicles and infrastructure construction. Several hundred buses using compressed natural gas, several dozens of electric buses and trolleybuses were purchased.

#### ☰ REGIOJET TO LAUNCH TRAIN SERVICE TO BUDAPEST – 9. 8.

Private rail company RegioJet has announced it will begin operating trains between Prague, Budapest, and Vienna as of June 2020, via the Czech city of Brno.

In doing so, the rail operator will directly compete with the Czech and Austrian national carriers.

RegioJet said train ticket prices would be comparable to those of "bus prices" and therefore cheaper than what Czech Railways charges now.

#### 🇸🇰 LINE PRAGUE – CHICAGO – 9. 8.

American Airlines will launch a new seasonal line between Prague and Chicago on May 8, 2020. The airline will use aircraft Boeing 787-8 Dreamliner for the line, which will be available for passengers 5 times a week until October 24, 2020. The Airport Prague estimates that the new line will be used by over 48,000 passengers in both directions in the 1<sup>st</sup> season. It will be possible to buy air tickets for the line beginning August 12, 2019.

#### 🇸🇰 ŠKODA, HYUNDAI, TPCA PAY OUT DIVIDENDS – 12. 8.

Czech automakers paid out dividends exceeding CZK78bn to their parent companies in 2018.

Škoda Auto<sup>12</sup> paid a total of CZK31.8bn (2017:CZK18.9bn) from its 2018 profit to the concern VW<sup>13</sup> and also CZK38.5bn from its retained profits. Hyundai<sup>14</sup> pays to its parent the entire net profit for the year 2018 in the amount of CZK7.22bn. The parent company will also get CZK2.05bn from retained profits. One year earlier, the company paid out the 2017 profit in the volume of CZK6.69bn and CZK908.23mn<sup>15</sup> from retained profits.

TPCA<sup>16</sup> pays CZK139.36mn to each of its partners for the year 2018. The company paid CZK121.25mn to each partner for the year 2017. Dividends formed 95% of company's profit. The remaining 5% were transferred to a reserve fund.

#### 🇸🇰 EASYJET TO OPEN LINE TO LONDON-LUTON – 12. 8.

Airline easyJet will start the operation of a direct regular line between Prague and London on October 28, 2019. The new connection to the airport London Luton will be operated daily and the airline will use airplanes Airbus A320 Family. The information was published by the Prague Airport.

#### ☰ MAJOR INVESTMENT PLANNED FOR RAILWAY STATIONS – 14. 8.

The RIA<sup>17</sup> is set to invest almost CZK10bn in renovations of railway stations around the CR in the next 5 years. This year alone it is carrying out more than 50 major projects to spruce up stations. The RIA said that its officials had selected 350 locations for renovation work between now and 2024. The organisation would spend around CZK900mn this year alone on improving railway station buildings. The CR has one of Europe's densest rail networks.

### INVESTMENTS & TRADE & SERVICES

#### 🇸🇰 ŠKODA AUTO REPORTS HIGHEST JULY SALES – 14. 8.

Škoda Auto delivered 102,700 cars to its customers worldwide in July, which is 3.1% more annually and the best July result in the company's history.

Škoda Auto is pleased by the high demand for SUVs<sup>18</sup>, which proves its strategy right.

Deliveries in Western Europe increased by 12.3% to 45,600 cars. Škoda Auto sold 18,600 vehicles in Germany, its largest market in Europe, which is a rise of 16.2%.

Sales in CE<sup>19</sup> rose annually by 11.2% to 17,500 units. The number of deliveries in CR went up by 12.1% to 8,000.

Eastern Europe, excluding Russia, reported a 18.4% rise in sales hitting 4,900 vehicles. Sales in Russia added 10.4% to 7,300 units.

Sales in China, Škoda Auto's biggest market, decreased by 15.7% to 21,100. The Chinese passenger car market is still reserved and uncertain, Škoda Auto said.

<sup>9</sup> CSO: Czech Statistical Office, is the main organization which collects, analyses and disseminates statistical information for the benefit of the various parts of the local and national governments of the CR. It accomplishes this goal through the management of the Czech Statistical Service.

<sup>10</sup> CNG: Compressed natural gas

<sup>11</sup> MIT: Ministry of Industry and Trade

<sup>12</sup> Škoda Auto: is a Czech automobile manufacturer founded in 1895 as Laurin & Klement. It is headquartered in Mladá Boleslav, Bohemia, Czech Republic. The car manufacturer was acquired by Škoda Works in 1925 and became a wholly owned subsidiary of the Volkswagen Group in 2000, positioned as the entry brand to the group. Škoda Auto supplied 1.2mn cars to clients in the whole world in 2017. It has 3 production plants in the CR and produces cars also in China, Russia, Slovakia, Algeria, India, Ukraine and Kazakhstan. The company employs more than 35,000 people and is active on over 100 markets.

<sup>13</sup> VW: Volkswagen is a German car manufacturer headquartered in Wolfsburg, Lower Saxony, Germany. Established in 1937, Volkswagen is the top-selling and namesake marque of the Volkswagen Group, the holding company created in 1975 for the growing company, and is now the second-largest auto maker in the world

<sup>14</sup> Hyundai CZ: Hyundai Motor Manufacturing Czech based in the Industrial Zone of Nošovice was founded in 2006.

<sup>15</sup> mn: million

<sup>16</sup> TPCA: Toyota Peugeot Citroën Automobile Czech (TPCA) is an automobile manufacturing company in Kolín, Czech Republic. It is a joint venture between Toyota Motor Corporation of Japan and PSA Peugeot Citroën of France.

<sup>17</sup> RIA: Railway Infrastructure Administration (also SŽDC in Czech), is the national railway infrastructure manager in the Czech Republic. Its main customers include passenger train operator České dráhy and its cargo subsidiary ČD Cargo. It manages 9,478 km of tracks in the Czech Republic - all main lines and almost all regional lines.

<sup>18</sup> SUV: a sport utility vehicle or suburban utility vehicle, a vehicle classified as a light truck, but operated as a family vehicle. They are similar to a large station wagon or estate car, usually equipped with four-wheel drive for on- or off-road ability. Some SUVs include the towing capacity of a pickup truck with the passenger-carrying space of a minivan or large sedan.

<sup>19</sup> CE: Central Europe, views on which countries belong to Central Europe are vastly varied, the region includes Hungary, Poland, Slovakia, Czech Republic, Slovenia, Croatia, Austria, Germany, Lichtenstein, Switzerland. Depending on context, CE countries are sometimes grouped as Eastern, Western European countries, collectively or individually

## ČEZ SALES ROMANIAN ASSETS – 13. 8.

ČEZ<sup>20</sup> sees the sale of its Romanian assets coming after the deal to sell its Bulgarian assets. ČEZ is currently in the process of selling its Bulgarian subsidiary, which includes 1 of the 3 power distribution companies in Bulgaria. The buyer is Eurohold, a financial firm (dealing mostly in insurance), which offered €335mn. The deal is currently pending approval by the Bulgarian competition authority.

The ČEZ's investment strategy envisages the sale of assets in non-core markets, which means assets in Romania, Poland and Turkey as well. The sale of ČEZ's Bulgarian assets has been delayed because of local authorities, which didn't let the initial deal, with another local buyer, go through. This could have a direct impact on ČEZ shareholders, because during the announcement of 2018 results earlier this year, ČEZ said it could distribute additional dividend when assets in CEE<sup>21</sup> markets are sold.

## ČEK CZECH COMPANIES MAY LOSE DUE TO NO-DEAL BREXIT – 13. 8.

Czech companies could lose some CZK30bn in case of a no-deal Brexit, and the economy would lose tens of billions of crowns more due to lower corporate investment, the CI<sup>22</sup> said. Britain's PM Boris Johnson wants the country to leave the EU by October 31. It will be without a deal if Brussels does not say yes to Britain's request for a change in the withdrawal agreement.

Companies are the most worried about a drop in contracts because of the weaker British pound, worse economic situation in Britain and the introduction of non-tariff barriers. Other issues involve customs duties and transport of goods. ČS<sup>23</sup> has estimated the overall impact of a no-deal Brexit at 1.1% of Czech GDP, which the CI considers optimistic.

CR is linked to the EU market and oriented to the car industry, which means the effect will be bigger, the CI said.

Britain leaving the EU will slow the Czech economy down by a few tenths of%, according to estimates of the CCC<sup>24</sup>, which expects impacts of a no-deal Brexit to hit mainly in the first half of 2020. The situation will stabilise within 12 months after Brexit, which means it will cause a short-term swing which alone cannot lead to a recession in CR, the CCC said.

<sup>20</sup> ČEZ: ČEZ Group is a conglomerate of 96 companies (including the parent company ČEZ, a.s.), 72 of them in the CR. Its majority shareholder is the Czech government, owning 70% of shares. It is involved in the electricity generation, trade, distribution and heat, as well as coal mining. ČEZ is the biggest electricity supplier in the Czech Republic.

<sup>21</sup> CEE: Central and Eastern Europe, is a generic term for the group of countries in Central Europe, Southeast Europe, Northern Europe (Baltic countries), and Eastern Europe

<sup>22</sup> CI: Confederation of Industry, Svaz průmyslu a dopravy, is an employer association in the Czech Republic founded in 1990. It is non-governmental, independent organization that influences the economic and social policy of the government and acting on the creation of optimal conditions for doing business. It defends the interests of employers in European and world organizations, especially as a member of the Confederation of European Business. The Association brings together 31 sectoral professional or regional associations and associations, 126 individual member companies and 6 observers, 11,000 companies employing 1.3 million workers.

<sup>23</sup> ČS: Česká spořitelna, is the biggest Czech bank measured by the number of clients (4.7 million) with headquarters in Prague. It is a part of the Erste Group, Austria.

<sup>24</sup> CCC: Czech Chamber of Commerce (also HK ČR in Czech), is an organisation which represents the business community in the Czech Republic and is an essential part of the Czech business environment. The chamber's competencies are defined by Act No. 301/1992 Coll., on the Czech Chamber of Commerce and the Czech Chamber of Agriculture. It is organised into two sections - region and industry-based chamber networks. The region-based network is broken down into district, area and Region chambers of commerce. The industry-based network is made up of business communities divided into four professional associations: Retail and tourism; Industry and transport; Business services and other; and Construction, technical crafts and technical equipment. It protects the interests of its members - small, mid-sized and large companies that are in the region-based chamber network and business communities. The Czech Chamber of Commerce has over 13,000 members organised in 65 regional

According to the CCC's latest data, only 3% of companies are getting ready for uncertainties accompanying Brexit, Diro said. A mere 20% of direct exporters and importers have taken steps helping cushion Brexit's impacts on their business. For November 1, 2019, the CCC expects a drop in trade between the EU and Britain. Czech companies export to Britain goods and services amounting to CZK210bn a year. ČS estimates indirect exports at another CZK120bn.

## ČIA ČEZ GROUP'S NET PROFIT UP TO CZK11.2BN – 14. 8.

ČEZ posted a net profit of CZK11.2bn for H1<sup>25</sup> 2019, up 45% y-o-y<sup>26</sup>. EBITDA<sup>27</sup> totalled CZK32.1bn (+ 19%). ČEZ said operating revenues reached CZK100bn and increased by CZK13.8bn. Electricity generation from traditional sources increased by 4% to 30.8TWh<sup>28</sup>.

Nuclear sources produced 0.3 Wh more. New energy production reached 1.2TWh (+ 19%). Investment in fixed assets increased by CZK2.6bn to CZK11.6bn. The largest amount (CZK4.4bn) was invested in the distribution network in the CR. ČEZ anticipates net profit of CZK17-19bn and EBITDA of CZK57-59bn for 2019.

## ČIA PILSNER URQUELL RAISED NO. OF TANK PUBS ABROAD – 14. 8.

Prazdroj<sup>29</sup> has a total of 144 foreign tank beer pubs in nine European countries, up 56 on 2017.

The most tank pubs with Pilsner Urquell beer are in Slovakia (78). Germany comes second (21).

The brewery plans to increase the number of establishments mainly in Germany, Sweden, Italy and Poland. The brewery is also considering opening the 1<sup>st</sup> tank pub in Romania.

## LABOUR & HEALTH & SOCIAL

### UNEMPLOYMENT FELL TO 2.7 % IN JULY – 9. 8.

In July 2019 the share of unemployed persons fell y-o-y to 2.7 % from 3.1 % and grew m-o-m<sup>30</sup> from 2.6 %.

On July 31, 2019 the LO<sup>31</sup> had 205,120 job applicants on file, down 26,445 persons y-o-y. Of the total number of unemployed persons, 186,198 were reachable applicants.

The number of young people without work fell by 945 persons to 7,861. They accounted for 3.8 % of overall unemployment.

and 83 industry subdivisions. Membership of the Czech Chamber of Commerce is voluntary.

<sup>25</sup> H: Half of year

<sup>26</sup> Y-o-y: year on year, compared , compared with the corresponding month of preceding year

<sup>27</sup> EBITDA: a company's earnings before interest, taxes, depreciation, and amortization; an accounting measure calculated using a company's net earnings, before interest expenses, taxes, depreciation and amortization are subtracted, as a proxy for a company's current operating profitability, i.e., how much profit it makes with its present assets and its operations on the products it produces and sells, as well as providing a proxy for cash flow.

<sup>28</sup> TWh: terawatt-hour, a measure of electrical energy, 10<sup>12</sup> watt-hours

<sup>29</sup> Plzeňský prazdroj a.s.: a Czech brewery founded in 1842 and headquartered in Plzeň, CR. It is the 1<sup>st</sup> brewery to produce pilsener blond lager style beer, branded Pilsner Urquell, making it the inspiration for more than 2/3 of the beer produced in the world today, which are named pils, pilsner and pilsener. Both Plzeňský Prazdroj and Pilsner Urquell can be roughly translated into English as "the Fountainhead at Pilsen" or "the original source of Pilsner". With about a 45% market share, it is the largest beer making group in the CR. Its brands include Pilsner Urquell, Gambrinus, Velkopopovický kozel, Radegast, Birell and cider Kingswood. Plzeňský Prazdroj sold a total amount of 10mn hectolitres of beer in 2015, roughly the same amount as in 2014. Pilsner Urquell sales on the domestic market and abroad topped 2mn hectolitres. Direct exports of the premium lager were 4.5% higher at 792,000 hectolitres. The company was taken over by Japan's Asahi in March 2018.

<sup>30</sup> M-o-m: month on month, compared with preceding month

<sup>31</sup> LO: Labour Office; an administrative authority of the Czech Republic is subordinated to the Ministry of Labour and Social Affairs, its main activity is to provide information in the field of labour market not only in the Czech Republic but also in the European Union, to register job seekers and vacancies.

CALL FOR RISING HEALTH SPENDING – 12. 8.

TUs<sup>32</sup> and organisations of hospitals, medics and doctors have called for health spending to be increased to 9% of GDP. At present less than 7% of the CR's GDP goes toward the healthcare sector.

The groups in question have also called for CZK25bn from the reserves of the CR's health insurers to be put into healthcare in 2020. However, the MH<sup>33</sup> Minister Vojtěch has described this as a short-term solution that would only suffice for 1 year.

CR FACES CHRONIC LACK OF SKILLED CRAFTSMEN – 14. 8.

The CR is facing a chronic lack of skilled craftsmen, according to the ASMP<sup>34</sup>, which notes a steady drop of trainees in a number of fields in recent years.

The ASMP said the biggest drop has been recorded in the masonry and painting. While in 2005 more than 700 masons were being trained in the CR, last year there were only 250. The corresponding number of carpenters is similar.

Schools are looking to attract more young people to such professions by introduction of a new school subject, called technical practice. Dozens of elementary schools plan to add it to their curriculum as of September.

MISCELLANEOUS

OTHER STATE LIKELY BEHIND HACKING OF MINISTRY – 13. 8.

An attack on the computers of the MFA<sup>35</sup> was most likely carried out by another state, according to the NCISA<sup>36</sup>. The NCISA informed the Senate's Committee for Defence and Security of its findings and committee members called on the Cabinet<sup>37</sup> to ensure that NCISA devoted all the necessary attention and resources to the issue.

Daily Deník N reported that a cyber-attack on MFA carried out in June was most probably the work of Russia's military intelligence service, the GRU. The news website said this had been confirmed to it by a number of very well placed sources.

CALL CR LAGS BEHIND NATO ALLIES IN CYBER DEFENCE – 14. 8.

A group of former high-ranking state officials say a recent cyber-attack on the MFA underscores the need to bolster state security measures, which will require adopting new legislation.

Unlike other NATO<sup>38</sup> allies, the CR has not done enough to build a cyber defence system, the group said. They warn that vital cyber-infrastructure, including in financial, energy, transport, healthcare sectors, is insufficiently protected.

Among the signatories to the statement are General Petr Pavel, who served as Chairman of the NATO Military Committee, former deputy defence minister Daniel Košťoval, and diplomat Petr Kolář, a former ambassador to Russia and the USA.

<sup>32</sup> TU: Trade union, around 1/6 of all employees are union members in the CR.

<sup>33</sup> MH: Ministry of Health

<sup>34</sup> ASMP: Association of Small and Medium-Sized Enterprises and Crafts in the CR (Asociace malých a středních podniků a živnostníků České republiky), provides an open, apolitical platform for small and medium-sized enterprises, self-employed persons and their organisations across the Czech Republic.

<sup>35</sup> MFA: Ministry of Foreign Affairs

<sup>36</sup> NCISA: the National Cyber and Information Security Agency, NÚKIB (Národní úřad pro kybernetickou a informační bezpečnost), is the central body of state administration for cyber security, including the protection of classified information in the area of information and communication systems and cryptographic protection. It is also in charge of the public regulated service of the Galileo satellite system. It was created on August 1, 2017 on the basis of Act No. 205/2017 Coll., amending Act No. 181/2014 Coll., on the Cyber Security and on the Amendments of the Related Acts (Cyber Security Act).

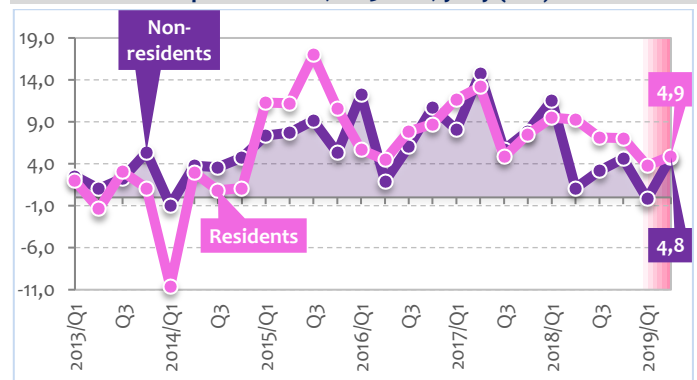
STATISTICS

TOURISM – 8. 8.

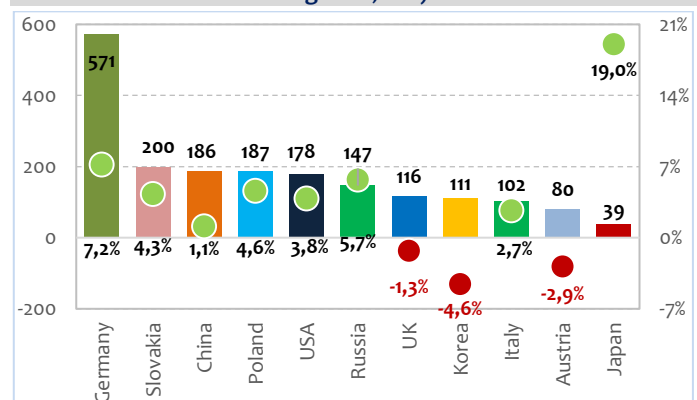
In the Q<sub>2</sub> 2019, the total number of guests in collective accommodation establishments increased by 4.9%, y-o-y; the number of overnight stays grew by 3.8%. The number of guests has been continually growing for the 6<sup>th</sup> year already; the growth dynamics as for guests from the CR and from abroad equalised.

The highest number of non-residents (foreign guests by citizenship) came, as usually, from Germany. In the surveyed establishments, Germans made almost a 1/5 of guests from abroad (571,000 arrivals). Compared to the corresponding period of the previous year, their number increased by 7.7%. The 2<sup>nd</sup> most numerous group of visitors came from Slovakia in the Q<sub>2</sub> 2019 (200,000); it was 4.5% up, y-o-y. Guests from Poland ranked 3<sup>rd</sup> (187,000 arrivals; 4.8% up, y-o-y). Dynamics of arrivals from China (compared to the last year's double-digit increase) decreased in the Q<sub>2</sub> 2019; only by 1.1% more guests came to Czech and Moravian establishments in that period compared to the corresponding period of the previous year. On the contrary, a lower number of guests came from the UK (▲1.3%) and from South Korea (-4.4%).

Graph 1: Tourism, 2013-2018, y-o-y (in %)



Graph 2: Tourism, TOP 10 countries + Japan, Q2 2019 (in thousands of guests, in %)



<sup>37</sup> Cabinet: The Government of the Czech Republic exercises executive power in the Czech Republic. The members of the government are the Prime Minister of the Czech Republic (Chairman of the Government), the deputy ministers and other ministers. It has its legal basis in the Constitution of the Czech Republic. The government is led by the Prime Minister, who selects all the remaining ministers. Government of the Czech Republic is responsible to the Chamber of Deputies of the Czech Republic. The Prime Minister is appointed by the President of the Czech Republic. The current Prime Minister is Andrej Babiš.

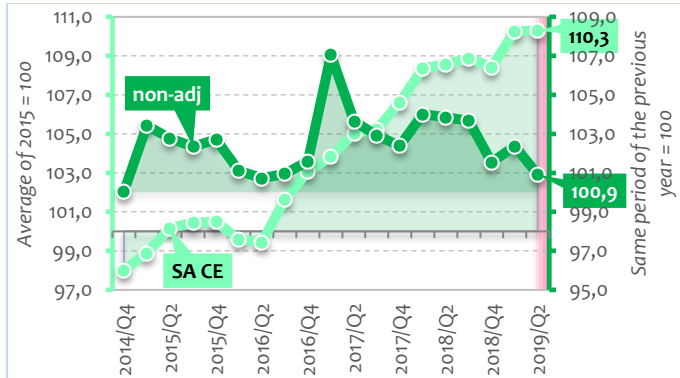
<sup>38</sup> NATO: the North Atlantic Treaty Organization, also called the North Atlantic Alliance, is an intergovernmental military alliance based on the North Atlantic Treaty which was signed on 4 April 1949. The organization constitutes a system of collective defence whereby its member states agree to mutual defence in response to an attack by any external party.



SERVICES – 8. 8.

In the Q<sub>2</sub> 2019, CoP<sup>39</sup> SA<sup>40</sup> CE<sup>41</sup> sales in services increased by 1.4%, y-o-y; non-adj<sup>42</sup> sales increased by 0.9%, y-o-y. SA sales stagnated, q-o-q<sup>43</sup>.

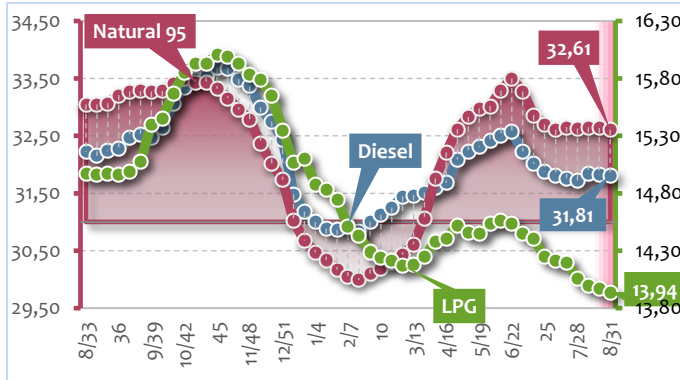
Graph 3: Services, indices, 2014-2018 (in %)



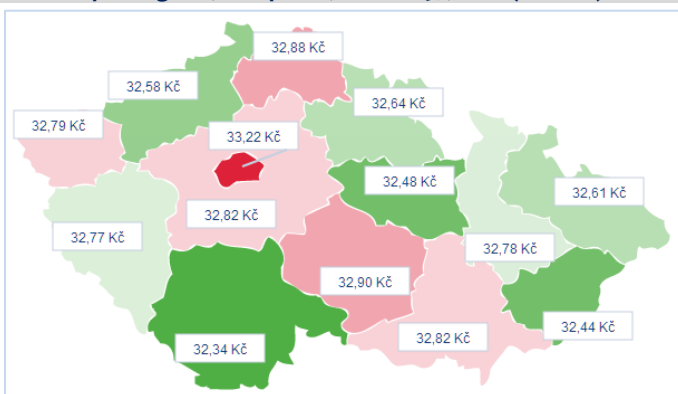
FUEL PRICES – 9. 8.

Natural 95 decreased by ▲3h<sup>44</sup> to CZK32. 61/l<sup>45</sup> over the past week. Diesel oil decreased by ▲1h to CZK31.81/l.

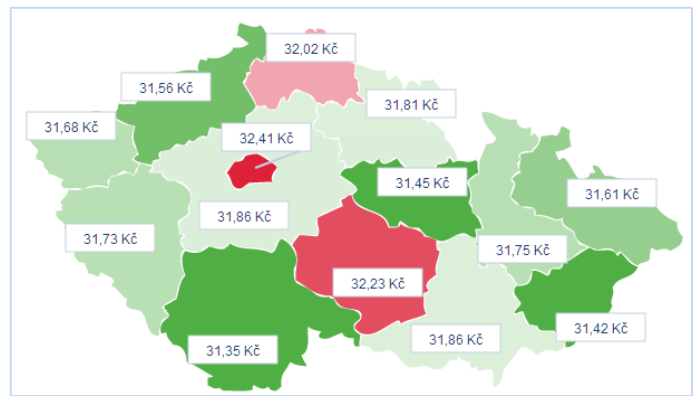
Graph 4: Average prices<sup>46</sup>, 2018 – 2019, Month/Week (in CZK/l)



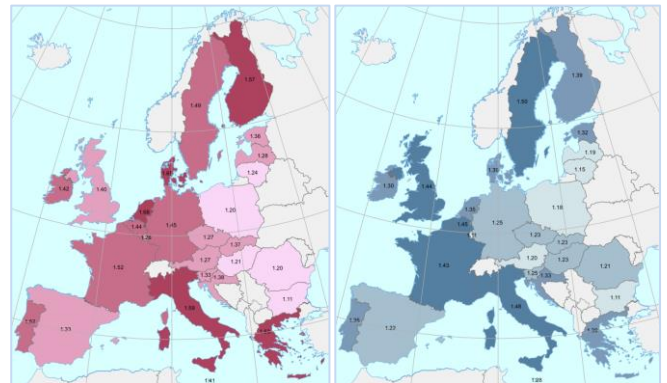
Map 1: Regions, fuel prices, Natural 95, 11. 8. (in CZK/l) <sup>47</sup>



Map 2: Regions, fuel prices, Diesel, 11. 8. (in CZK/l)



Map 3: EU, Average fuel prices, Natural 95, Diesel, 5. 8. (in €/l)<sup>48</sup>



CONSUMER PRICE INDICES – 12. 8.

Consumer prices in July increased by 0.4% compared with June. This development came primarily from prices increase in 'recreation and culture'. The y-o-y growth of consumer prices accelerated to 2.9% in July, which was 0.2pps up on June.

The m-o-m rise in consumer prices in 'recreation and culture' came primarily from price increase in seasonal prices of package holidays by 24.8%. In 'housing, water, electricity, gas and other fuels', prices of actual rentals for housing went up by 0.5%. In 'miscellaneous goods and services', prices of financial services went up by 2.3%. The price rise in 'restaurants and hotels' was influenced by price increases of catering services by 0.3% and accommodation services by 1.3%. In food, especially prices of bread and cereals went up by 0.6% and prices of pork by 1.5%.

The decrease in overall consumer price level in July came from prices in 'food and non-alcoholic beverages'. Prices of vegetables were lower by ▲3.9%, of which prices of potatoes dropped by ▲15.6% (after 9 months of growth) and reached value CZK22.60 per kg. Prices of fruit went down by ▲2.6%, prices of oils and fats by ▲2.5%, poultry by ▲1.4%. In 'clothing and footwear', prices of garments and prices of shoes and other footwear went down identically by ▲2.5%.

Prices of goods in total went down by ▲0.5%, whereas prices of services went up by 1.7%.

<sup>39</sup> CoP: constant prices are used to measure the true growth of a series, i.e. adjusting for the effects of price inflation. Constant series show the data for each year in the value of a particular base year

<sup>40</sup> SA: State Attorneys, a legal representative of the public prosecutor's offices, criminal justice bodies attached to the judiciary but separate from the courts. The prosecution is the legal party responsible for presenting the case in a criminal trial against an individual accused of breaking the law. Typically, the prosecutor represents the government in the case brought against the accused person.

<sup>41</sup> CE: adjusted for calendar effects, the pre-adjustment for calendar effects involves removing from the time series calendar effects such as working days/trading days effect, leap year effect and moving holidays effects.

<sup>42</sup> Non-adj: non-adjusted

<sup>43</sup> Q-o-q: quarter on quarter, compared with preceding quarter

<sup>44</sup> h: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

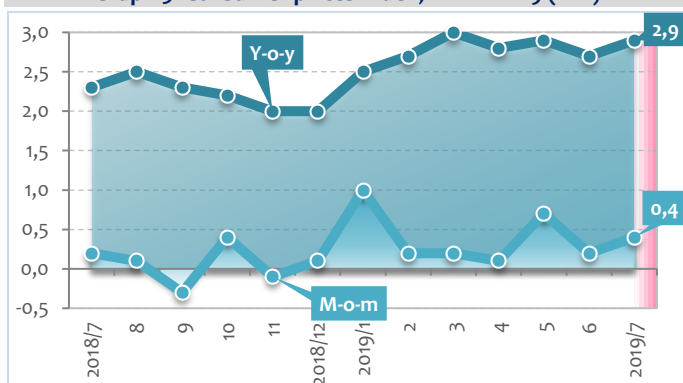
<sup>45</sup> l: litre, is an SI accepted metric system unit of volume equal to 1 cubic decimetre (dm<sup>3</sup>), 1,000 cubic centimetres (cm<sup>3</sup>) or 1/1,000 cubic metre.

<sup>46</sup> Consumer price indices calculated from the weekly price survey are not qualitatively adjusted and thus do not express the net price development applied at inflation measurement, data issued by the CSO

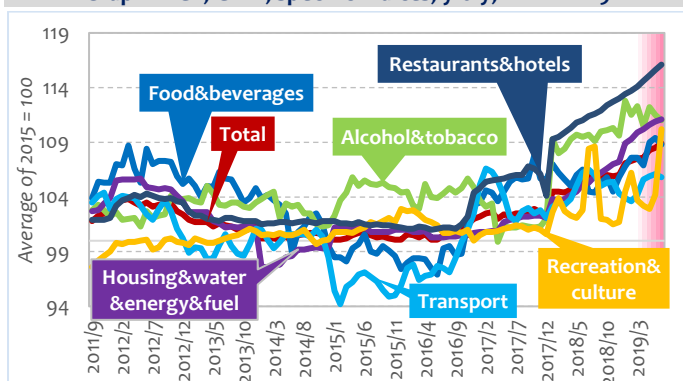
<sup>47</sup> data issued by the mBenzin.cz; <https://www.penize.cz/ceny-benzinu-a-ceny-nafty>

<sup>48</sup> data issued by the EC; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

Graph 5: Consumer prices Index, 2018 – 2019 (in %)



Graph 6: CR, CPI<sup>49</sup>, specific indices, y-o-y, 2011 – 2019



In terms of the **y-o-y** comparison, in July, the consumer prices rose by 2.9%, i.e. 0.2ppps<sup>50</sup> up on June. This development was affected mainly by prices in 'food and non-alcoholic beverages', where a number of foods accelerated y-o-y price growth.

Prices of vegetables were higher by 34.1% in July (22.7% in June), of which prices of potatoes were higher by 65.7% (51.7% in June). Prices of meat went up by 4.5% (3.9% in June), sausages and smoked meat by 7.0% (5.0% in June), cheese and curd by 5.0% (3.0% in June).

In 'restaurants and hotels', prices of catering services accelerated to 4.5% (4.4% in June). In 'transport', the drop in prices of fuels and lubricants for personal transport equipment deepened, which was by ▲1.4% lower in July (▲0.3% in June) y-o-y.

The biggest influence on the growth of the y-o-y price level in July came, as before, from prices in 'housing, water, electricity, gas and other fuels', where prices of actual rentals for housing went up by 4.0%, water supply and sewage collection identically by 2.6%, electricity by 10.4% and natural gas by 3.6%. 2<sup>nd</sup> in order of influence were prices in 'food and non-alcoholic beverages' (+ 4.1%).

The impact on the price level increase had also prices in 'restaurants and hotels (+4.2%). In 'miscellaneous goods and services', prices of insurance rose by 4.2% and prices of financial services by 5.6%.

<sup>49</sup> CPI: Consumer Price Index

<sup>50</sup> Pps: percentage points

<sup>51</sup> Inflation rate: the increase in the average consumer price index in the 12 months to May 2018 compared with the average CPI in the previous 12 months

<sup>52</sup> Eurostat: Eurostat is a Directorate-General of the European Commission. Its main responsibilities are to provide statistical information to the institutions of the EU and to promote the harmonisation of statistical methods across its member states and candidates for accession as well as EFTA countries.

<sup>53</sup> HICP: Harmonized Index of Consumer Prices

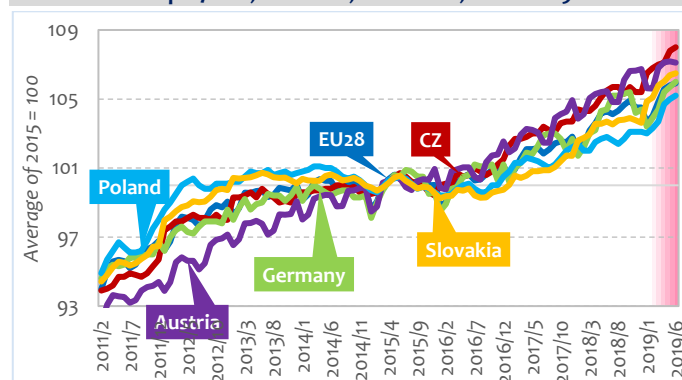
<sup>54</sup> EU28: 28 member states of the EU, which are party to the founding treaties of the union and thereby subject to the privileges and obligations of membership

A reduction in the price level in July came from prices in 'clothing and footwear' due to prices of garments, which were lower by ▲3.0%. In 'transport', prices dropped by ▲0.7% and in 'communication' by ▲1.4%.

Prices of goods in total and services went up (2.4% and 3.8%, respectively). The overall consumer price index excluding imputed rentals for housing was 102.7%, y-o-y.

Inflation rate<sup>51</sup> amounted to 2.6% in July.

Graph 7: EU, Inflation, Countries, 2011 - 2019



According to preliminary data of Eurostat<sup>52</sup>, the y-o-y change in HICP<sup>53</sup> in the EU28<sup>54</sup> member states amounted to 1.6% in June as well as in May. The rise in prices was the highest in Romania (3.9%) and the lowest price increase was in Greece (0.2%). Prices in Slovakia were higher by 2.7% in May and June. In Germany, prices increased by 1.5% (1.3% in May)

According to preliminary calculations, the m-o-m change in the HICP in the CR in July amounted to 0.4% and the y-o-y growth was 2.6%.

The MUICP<sup>55</sup> flash estimate for the EA<sup>56</sup> in July 2019 amounted to 1.1%, y-o-y.



**GDP PRELIMINARY ESTIMATE – 14. 8.**

**In the Q<sub>2</sub> 2019, according to a preliminary estimate, the GDP was 0.6% up, q-o-q, and 2.7% up, y-o-y.**

Final consumption expenditure supported mainly by household consumption was the dominant growth factor of the GDP in the Q<sub>2</sub> 2019. External demand also significantly contributed to the GDP growth.

On the contrary, investment activity gradually decreased its growth dynamics. Favourable economic development continued in most of the economic activities of Czech economy.

The highest contribution to the growth of the GVA<sup>57</sup> came from a group of economic activities of trade, transportation and storage, and accommodation and food service activities. Employment remained unchanged in the Q<sub>2</sub> 2019, q-o-q. Compared to the corresponding quarter of 2018 it was 0.8% up.

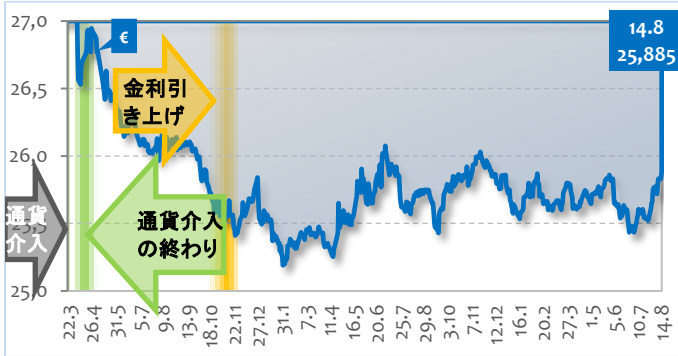
<sup>55</sup> MUICP: Monetary Union Index of Consumer Prices

<sup>56</sup> EA: Eurozone, officially called the **euro area** is a monetary union of 19 European Union (EU) member states that have adopted the euro (€) as their common currency and sole legal tender.

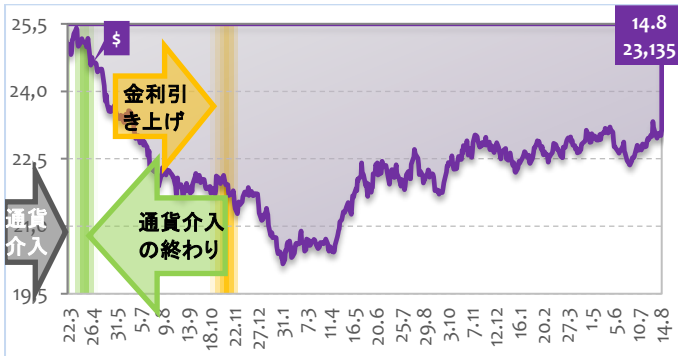
<sup>57</sup> GVA: Gross Value Added, is a measure in economics of the value of goods and services produced in an area, industry or sector of an economy. In national accounts GVA is output minus intermediate consumption; it is a balancing item of the national accounts' production account.

GVA = GDP - Taxes on products + Subsidies on products =

Graph 8: Exchange rates, CZK/€, 22. 3. 2017 – 14. 8. 2019



Graph 9: Exchange rates, CZK/\$, 22. 3. 2017 – 14. 8. 2019



Graph 10: Exchange rates, CZK/100¥, 22. 3. 2017 – 14. 8. 2019



News outside the time span of this News summary  
Excerpt

**CEEMarketWatch**, is a subscription-based analytical service, covering the emerging regions of Central and Eastern Europe, Euro zone periphery, Middle East, Africa and Latin America.

**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. CTK is a public corporation and is governed by the law on CTK number 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. **LO**, Labour Office of the CR (Úřad práce České republiky); an administrative authority of the Czech Republic is subordinated to the Ministry of Labour and Social Affairs, its main activity is to provide information in the field of labour market.

**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.