

ECONOMIC NEWS SUMMARY SEPTEMBER 12 – SEPTEMBER 18

注:本報告は、チェコ政府公表資料、新聞、インターネット等報道資料をとりまとめたもの。
詳細情報については、それぞれの情報ソースを参照願いたい。

ECONOMY & FINANCE

CR'S CURRENT ACCOUNT RUNS SURPLUS – 13. 9.

The current account of CR's balance of payments ended in a CZK33.6bn surplus in the Q2 2019, the CNB¹ said. In Q1, the current account showed a CZK43.9bn surplus, according to refined data, which is CZK760m less compared to the June information, the CNB said. The current account surplus for H1 is CZK77.5bn. The current account surplus amounted to 0.7% of GDP on annual basis, and surplus of the balance of goods and services reached 6.3% of GDP, the CNB said. Goods and services showed a surplus of CZK116.8bn, adding CZK11.4bn year on year mainly thanks to a trade surplus increase of CZK9.9bn. The services surplus rose by CZK1.5bn. The primary income deficit became CZK6.1bn lower and reached CZK81bn in Q2, which was thanks to growth in volume of profits reinvested by domestic owners in foreign subsidiaries, the CNB said. Dividend on direct and portfolio investment paid abroad fell by CZK5.2bn to CZK92.8bn. The secondary income deficit decreased by CZK10.6bn to CZK2.3bn, which was chiefly because of an increase in net income from the European Union budget, the CNB said. The capital account ran a CZK8.3bn surplus in Q2 mainly because of bigger income from the EU, being in a CZK1.3bn deficit a year ago. The financial account recorded a net outflow of CZK47.6bn because assets grew faster than liabilities. Reserve assets went up by CZK28.3bn, adjusted for exchange rate differences, which was due to transactions for the CNB clients.

STATE BUDGET TAX REVENUES TO RISE – 13. 9.

State budget tax revenues, including social security payments, are expected to rise by 6% to CZK1,400bn next year, according to the MF's² report regarding the draft state budget for 2020. The compound tax quota is expected to grow to 35.9%, the highest level since at least 2015. The compound tax quota shows the share of taxes, duties and mandatory social security and health insurance payments in gross domestic product. According to the MF, the rise of the compound tax quota does not automatically mean that the tax burden of citizens will grow. Taxes are to bring CZK818.6bn to the state coffers next year, which is CZK49.7bn more than this year. VAT alone should generate CZK319.7bn next year, compared with CZK297.9bn planned for this year. Digital tax should bring CZK2.1bn. The MF has submitted a proposal to impose a 7% digital tax on Internet giants such as Facebook and Google to the

government recently. The new law may take effect in the middle of next year. The digital tax is expected to generate CZK5bn annually.

Mandatory social security payments should increase by CZK30bn to CZK586.4bn next year.

Total budget revenues are to amount to CZK1,578bn next year, while expenditures are to reach CZK1,618bn, with deficit at CZK40bn.

The ministry's proposal is based on August estimates under which the domestic economy should rise by 2.2% next year.

LAW ON CASH REGISTERS EXTENDED – 14. 9.

The lower house has approved a bill extending the law on electronic cash registers, in other words a duty to report sales electronically, to a category of firms that are not yet subject to it, among others to craftsmen, doctors, lawyers, hairdressers and taxi drivers.

The amendment will allow small businesses with sales of up to 600,000 crowns to record sales in off-line mode using paper receipts. At the same time some services and goods, such as, catering, cleaning services or home care will move to the lowest 10% VAT rate.

Opposition parties, which have criticized the law as a bureaucratic burden on entrepreneurs are preparing to file a complaint against it at the Constitutional Court.

The law on electronic cash registers was introduced in 2016 to counter the grey economy and tax fraud. PM Babiš claims it has brought results and increased state revenues.

STATE BUDGET UNPREPARED TO DEAL WITH RECESSION – 15. 9.

The state budget is even less prepared to deal with a period of recession than it was 10 years ago, according to a report by the Supreme Audit Office.

The report is critical of growing mandatory expenditures and a strong dependence on tax revenues, noting that even a slight recession would bring an increase in the state deficit.

The office says that last year mandatory expenditures rose to 1069 billion crowns, amounting to 75% of the state budget. The budget proposal for 2020 counts on a 40 billion crown deficit.

GOVERNMENT APPROVES DRAFT BUDGET FOR 2020 – 16. 9.

The government approved the draft budget for 2020 with a projected CZK40mn deficit.

The government session, attended by President Zeman, was preceded by a meeting of the tripartite at which trade unions and employers expressed support for the draft proposal, which counts on higher pensions, higher salaries for teachers, more money for social services and families with children and increased spending in the fields of research and investments.

President Zeman made it clear that he would sign the budget, once it is approved by the lower house of Parliament.

¹ 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 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.

² MF: Ministry of Finance

GOVERNMENT APPROVES DRAFT BUDGET – 17. 9.

On September 16, 2019, PM Babiš's government unanimously approved the draft bill on the CR's state budget for 2020 with a planned deficit of CZK40bn. Total expenditures should be CZK1,598.1bn and revenues should total CZK1,558.1bn. Capital expenditures from national sources should amount to CZK85bn. Together with EU sources, a total of CZK135bn will go towards investments.

CZK234.7BN PAID OUT FROM EU FUNDS BY JULY – 17. 9.

Since the beginning of the 2014-2020 programme period, 958 calls with an allocation of CZK745.3bn have been announced in all programmes. Until the end of July 2019, legal acts for support provision worth CZK443.3bn were issued. Beneficiaries have received CZK234.7bn in EU funding.

For 2020, the government counts on total state-budget income of CZK1.56tn, expenditures of CZK1.60bn and a deficit of CZK40bn. Capital expenditures from national sources will amount to CZK85bn.

AGRICULTURE & ENVIRONMENT

AN AMENDMENT TO THE HUNTING ACT – 16. 9.

The MA³ agrees with the Czech-Moravian Hunting Union (CMMJ) on the need for urgent preparation of an amendment to the Hunting Act. The MA will submit the amendment to the comment procedure by the end of this year.

MA Minister Toman said that he considers the solutions leading to the reduction of game in forests to be essential. Every year, hooved game causes damage not only to wooded areas but also to fields. The MA is therefore preparing an amendment to the Hunting Act, which will solve this problem. The amendment sets out hunting plans with regard to the state of ecosystems. The inspiration was the experience from Saxony.

LOWERING CARBON HURTS – 16. 9.

According to ME⁴ Minister Brabec, an electric car is not the best solution in terms of carbon footprint.

Hybrids or CNG vehicles could be a solution. Energy is stored in hydrogen superbly, but production source of hydrogen is important. According to the minister, hydrogen cars will catch up and overrun battery electric cars. The Germans are already returning to hydrogen technology, the first two commercial hydrogen filling stations will soon be in the CR. And this is a turning point, because then it is possible to start sell hydrogen cars. Blind bet only on electric vehicles is not a good idea.

NO NEED TO FIGHT CLIMATE CHANGE FANATICALLY – 17. 9.

The Czech PM says it is necessary to deal with the issue of climate change rationally, not to combat it in the manner of a fanatical religion. Babiš is due to attend the United Nations Climate Action Summit in New York next week. Speaking in Prague on Tuesday, he said the CR was committed to net-zero carbon emissions. However, related economic changes need to be effective in terms of cost and fair when it comes to sharing the burden among states, he said.

Mr. Babiš told MPs at a conference at the Czech lower house that there was no need to exaggerate the issue by saying climate change would mean people wouldn't have children or would become vegetarians. He reiterated that the CR regards nuclear power as the way forward.

PATH TO CARBON NEUTRALITY MUST BE FAIR S – 18. 9.

The CR must get ready for a climatic change. This was stated by Czech PM Babiš at the conference Climatic Change in the CR - Mitigation and Adaptation. According to his words, it is necessary to change the composition of woods, return balks and groves to the Czech landscape, renovate original riverbeds, etc.

The CR is committed to the goal of the carbon neutrality in 2050, however, it is concerned due to impact on the ability to compete of the industry, Mr. Babiš said. It is thus necessary to demand the path to the carbon neutrality to be fair in terms of the allocation of impacts and compensations to inhabitants.

Countries outside Europe must also join the process. In last 18 years, Europe was able to reduce its emissions by 20 million tonnes of CO₂, while the rest of the world raised its emissions by 1,050 tonnes.

ENERGY & INDUSTRY & TRANSPORT

LEO EXPRESS WANTS TO EXPAND IN CR AND SLOVAKIA – 12. 9.

Leo Express launches a train transport service in the Pardubice Region and the Zlín Region in December 2019. The company wants to buy vehicles also for the Olomouc Region or Prague. It considers expansion also to other regional railroads. It strives for lines in Slovakia, which are currently subject to public tenders.

A further expansion would be related with new trains Leo Express Sirius, which arrived in Europe on September 11, 2019. The new trains can be used on commercial and regional lines.

SHARE OF VACANT OFFICES IN CR DROPS TO 4.6% – 12. 9.

The total occupied area of offices in the CR increased by almost 47,000 m² and at the same time by about 52,000 m² of new office space in 2Q 2019.

The vacancy rate was 4.6%. In the same period of 2018, it was 6.7%. A record number of new office projects have emerged on the market over the last five years. Overall, the construction or reconstruction of 17 buildings has been and will be completed by the end of the year, in 11 cases these are brand new buildings.

NUCLEAR AS CLEAN ENERGY – 13. 9.

V4 countries have to convince the EC⁵ that nuclear energy is a source of clean energy. After a meeting of representatives of V4 and Western Balkan countries, this statement was made by PM Babiš who added that nuclear energy had to be titled a no-emission source within the EU. At the meeting with representatives of the Western Balkan countries, the PM said that V4 had been supporting their EU accession for a long time. He added that the renewed unification of Europe could not be completed without their region joining the EU which should be ready to accept additional states during the

³ MA: Ministry of Agriculture

⁴ ME: Ministry of the Environment

⁵ EC: 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.

next multiannual financial framework, i.e. before the end of 2027. No news in this category.

CR AND RUSSIA RESOLVE AIR TRAFFIC DISPUTE – 14. 9.

Air traffic between the CR and Russia will continue to operate without restrictions, and will even intensify next year, the Czech aviation authorities reported after successfully resolving an air traffic dispute with Russia.

The dispute pertaining to Russia's decision to severely limit the number of Czech flights over Siberia resulted in the cancellation of several flights in June of this year as the two countries revoked flight permits for each other's air carriers in a tit for tat move.

Both sides subsequently temporarily released operations until September to resolve the dispute.

Russia has long been one of the busiest destinations for traffic from the CR.

GOVT OKS SMART GRID DEVELOPMENT PROGRAMME – 16. 9.

The cabinet approved an updated national action plan for smart grids (NAP SG), it said on its website, adding that the preparatory phase that began in 2015 by adopting the plan is going to end this year.

Between 2020 and 2030, smart transmission and distribution infrastructure will be built.

The MIT⁶ said in the document that digitalisation of the energy system is one of the targets of the "Digital CR" strategy, with the state to provide aid in the form of pilot projects and analyses and studies.

The updated NAP SG plan aims to facilitate broader use of renewables, storage and electromobility, to raise reliability, quality and security of electricity supplies and to improve access to information in order to boost energy efficiency, the ministry said.

ČEZ TO USE PLATFORM DRIIVZ – 17. 9.

ČEZ will use a new IT system for the comprehensive management of a chain of public charging stations and the service of customers. It will be supplied and installed by Israeli Driivz. The solution is part of the construction of charging infrastructure financed from the programme Connecting Europe Facility (CEF). It is the first step in the change in the system of payments for power in the chain of ČEZ charging stations, which will take effect at the beginning of 2020.

MI BUYS ŠKODA VEHICLES – 17. 9.

The MI⁷ has published framework agreements on the supplies of 4x4 cars (police version). The values of the contracts closed with ŠKODA AUTO on September 6, 2019 are CZK210mn excluding VAT, CZK140mn excluding VAT, and CZK150mn excluding VAT.

GOVT APPROVES INCREASE IN SUBSIDIES FOR SES – 17. 9.

On September 16, 2019, the government of the CR approved a draft regulation to determine state-budget means according to the act on supported energy sources (SES) for 2020. As the submitter, the MIT proposes to increase subsidies for supporting electricity from renewable sources, secondary energy sources and high-efficiency electricity co-generation, and operational heat support to CZK27bn.

Compared to 2017, 2018 and 2019, this represents an increase by CZK815mn.

GOVT COULD CUT GREEN ENERGY AID BY CZK6BN – 17. 9.

The government could cut spendings on support of renewable sources by up to CZK6bn, PM Babiš said late last night, adding that MIT Minister Havlíček should propose a solution.

According to a draft resolution, state subsidies for green energy will rise by CZK815mn to CZK27bn next year. The remainder of about CZK46bn worth of aid that will not be covered by state subsidies will be mostly paid by consumers. "The sum increased because of ill-considered support for photovoltaic systems in the past, and next year we'll see an absolute peak," Havlíček said.

President Milos Zeman, who attended the cabinet's discussion on the draft state budget for next year, called on the government to cut the support.

Zeman and Babiš discussed the issue again at their talks in the Lany presidential chateau last night.

"Havlíček should come up with a concrete solution that we could submit to the EC. We believe that it is possible to cut the state aid by as much as CZK6bn," Babiš told journalists after the talks with Zeman.

Renewable sources are "overcompensated", Babiš said.

The support to green energy rose from about CZK1bn in 2006 to more than CZK40bn in the past five years. Last year, it amounted to CZK46.1bn, with state subsidies reaching CZK26.185bn.

Increased amounts of support are also planned for the years 2021 and 2022.

The subsidies for green energy make up a major part of the MIT's budget expenditures.

BRAND INNOGY REMAINS ON CZECH MARKET – 18. 9.

Energy provider Innogy will continue operating on the Czech market. This stems from the conditions set by the EC in its approval of assets exchange between RWE and E.ON. Innogy provides services to 1.6 million customers in the CR.

INVESTMENTS & TRADE & SERVICES

ARTIFICIAL INTELLIGENCE IS THE COUNTRY'S FUTURE – 12. 9.

Artificial intelligence is of immense importance to the CR since it is the future of the Czech industry, PM Babiš said at a conference on artificial intelligence and ethics organised by the Czech Academy of Sciences in Prague.

Mr. Babiš said that the process of robotization, which was already underway, would in time help resolve the ongoing labour shortage which is holding back many Czech companies.

He said the CR was one of the leaders in artificial intelligence and was up to the challenge of hosting a European artificial intelligence centre in Prague.

The PM added that the idea had received support from the other Visegrad Four states.

A final decision is expected at the start of next year and the centre is expected to start operating within a matter of months.

⁶ MIT: Ministry of Industry and Trade

⁷ MI: Ministry of the Interior

AERO VODOCHODY ASKS FOR SUPPORT – 12. 9.

Aero Vodochody is currently applying in the opened tender for the support from the European Defence Fund for a further development of the aircraft L-39NG. The company would like to use the money to continue in the development of its armed version. On September 10, 2019, the company presented its project of the new training fighter to the EC commissioner for internal market Elżbieta Bieńkowska.

HOME CREDIT TRANSFERRED TEAM TO HONG KONG – 13. 9

At the start of summer 2019, Home Credit International situated a team of roughly 30 consultants in Hong Kong; the team's task is to support the sharing of know-how among individual countries on highly competitive markets.

The reason is the increase in the volume of loans in the region of Southeast Asia and China. Basic headquarter functions such as central management of the Home Credit group strategy, risk management, the technology platform and finances with roughly 250 people, remain in Prague. The headquarters is thus newly split between Prague and Hong Kong.

LOOKING FOR CITIES THAT WANT TO BE SMART – 14. 9.

The competition organized by the MIT in cooperation with the MRD⁸ will select cities where 5G technology will be tested. Cities and municipalities from all over the CR will be able to apply. In order to prepare everything best, the ministries are now finding out what self-governments are interested in becoming smart cities as soon as possible.

The deadline for completing the form, which is the first prerequisite for participating in the 5G Network Testing Competition, is September 30, 2019.

The MIT wants to announce the competition in the autumn. In cities and municipalities that will succeed in the competition, they will be able to test 5G technologies and their applications thanks to the state. These are crucial to the development of local governments, as are innovation and modern information and communication technologies as such.

A NEW CALL FOR INTERNET COVERAGE – 14. 9.

By the end of 2023, people should have high-speed internet available throughout the CR. The MIT is taking all the necessary steps. It is currently preparing a third call, from which it will be possible to draw a total of one billion crowns to build the necessary infrastructure in remote areas. Currently there are more than seven thousand so-called white spots in the CR, ie residential areas without high-speed internet, which is one third of all municipalities and their parts. The upcoming call is to target, among other things, approximately 3,000 white spaces. The state also supports broadband internet in other ways, for example, it is possible to use advantageous financial credits in the Expansion program through the Czech-Moravian Guarantee and Development Bank (ČMRZB). And there are other forms of support.

⁸ MRD: Ministry of Regional Development

⁹ ČMKOS: a dominant union confederation in the CR, which had almost 400,000 members in 2011. ČMKOS is the Czech successor of the Czech and Slovak union

REVENUE FROM INCOMING TOURISM GROWS – 17. 9.

Revenue from incoming tourism totalled CZK82bn in H1 2019. This represents an annual growth by 2.8%. The information was provided by the state agency CzechTourism quoting data on the development of the balance of payments published by the CNB. The share of tourism of the GDP reached 2.9% and its share of employment reached 4.5%. Foreign visitors spend an average of CZK3,165/person/day on a holiday in the CR. This represents a growth by CZK800 y-o-y.

KOYO BEARINGS WILL INVEST ALSO IN ROBOTS – 18. 9.

Koyo Bearings will invest nearly CZK200mn primarily in the automation, robots, and digitisation in the fiscal year ending on March 31, 2020. The company has already acquired for instance two automatic assembly robots and invested in automatic measuring stations, modernisation of grinders or the purchase of new lathes.

The company planned to install an automatic packaging process at selected lines, visual video surveillance, or virtual reality in a training room by the end of the fiscal year. The company also plans to buy solar panels and run autonomous logistic trains for the transport of material.

LABOUR & HEALTH & SOCIAL

RULING COALITION AGREES ON SALARY HIKE – 13. 9.

The ruling coalition has reached agreement on a hike in salaries for public sector employees in 2020.

All public sector employees will receive an additional 1,500 crowns a month in tariffs; the lowest tariff table, which applies to the lowest-paid professions, such as social services employees, will be abolished.

Negotiations are still underway on a 10% hike for teachers.

The head of the ČMKOS⁹ Středula welcomed agreement calling it a good compromise.

“Those who are the worst off will get the biggest hike, and it’s a substantial increase. I think this is a fair deal,” Středula said.

TRADE UNIONS TO DEMONSTRATE FOR HIGHER WAGES – 15. 9.

Some 1,500 trade unionists from all over the CR are planning to go to Prague on September 17 to demonstrate in support of higher wages ahead of tripartite talks.

The ČMKOS will make public its demands for next year, based on a study on bringing Czech earnings closer to the average income in the old EU member states.

The planned demonstration is part of a trade union campaign aimed at ending cheap labor in the country.

There are approximately 3.1mn people working in the private sector, where the average wage is CZK33,321.

The public sector employs 640,700 people who get an average wage of CZK35,437.

MANDATORY EXPENDITURES MAY RISE – 15. 9.

Mandatory expenditures of the Czech state budget may rise by 7.3% to CZK885.1bn, according to a budget draft to be discussed by the cabinet on Monday.

Mandatory expenditures make up more than a half of total budget expenditures.

confederation. It has separate affiliated member unions divided broadly on an industry basis, of which the largest are the metalworkers union, OS KOVO, with some 140,000 and the teachers’ union, ČMOS PŠ, with around 50,000 members.

The MF proposes state budget expenditures at CZK1,618bn and revenues at CZK1,578bn next year, with the deficit at CZK40bn.

Expenditures set by law that include unemployment and social benefits, subsidies for the home-building savings scheme and payments to political parties are projected at CZK832.5bn, 7.3% more yr/yr.

Spending arising from contracted commitments such as payments to the EU budget and international organisations will reach CZK52.6bn.

Table 1: Mandatory expenditures in 2012-2020 (CZKbn):

2012	2013	2014	2015	2016
665.085	682.947	699.820	703.436	710.323
2017	2018	2019	2020	2017
730.027	770.907	825.015	885.123	730.027

HOUSING 9.5 TIMES HIGHER THAN IN 1989 – 15. 9.

Housing costs including water, energy and fuel totalled CZK654.6bn in CR last year, growing 9.5 times compared to 1989, the price level was 5.5 times higher and the average wage increased about tenfold over the period, according to the CSO.

Household equipment and furnishings showed a sixfold rise, the the CSO said.

Housing costs (water, energy, fuel) amounted to CZK68.7bn early in the 1990s, BH Securities analyst Stepan Krecek told CTK. They grew more significantly compared to other costs, he said.

Household spending including housing costs and expenditure on food, drinks, health care, transport, sport and leisure activities, education and services totalled CZK2,490bn last year, which was seven times more than in 1989. Housing costs amounted to 26.3% compared to total spending, against 19.3% in 1989.

People spend more money on housing in real terms than in the past but, taking into account wage growth, their living standards have improved markedly, said Krecek.

A total of 55,073 flats were built in CR in 1989, the figure being almost 40% lower last year. With 41,649 flats built, the pre-crisis year 2007 was a record year over the past 30 years.

Over 40,000 flats were built at the beginning of the 1990s, while last year it was almost 34,000 flats, which was the best figure since 2010, said Krecek.

A lack of new flats is sending prices on the property market higher. In Prague, for instance, prices of new flats have soared by about 90% over the past four years, said Krecek.

Still, however, it can be said that it is easier to buy a new flat nowadays than early in the 1990s, the positive factors being a developed mortgage market, the system's legal stability and much lower interest rates, said Krecek.

TU RECOMMEND PUSH FOR RISES OF UP TO 7% – 17. 9.

Czech trade unions have recommended that negotiators push for pay rises of 6 to 7% next year. The ČMKOS made the call at a conference attended by over 1,500 union delegates in Prague.

¹⁰ 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

The umbrella organisation also said that it would push for reduced working hours without pay decreases and for longer holidays.

The CCC¹⁰ said employers were planning an average pay increase of 6% in 2020 in any case, regardless of pressure from workers.

OVERALL EMPLOYMENT 1.3% HIGHER YEAR-ON-YEAR – 17. 9.

The level of economic activity of the CR's population in the productive age (15-64 years) has been growing for the tenth consecutive year and totalled 76.6% in 2018 (+0.7 pp y-o-y).

The activity level in the CR exceeded the EU's level by 2.9pps. Total employment was 1.3% higher y-o-y.

The rate of general unemployment was 1.8% for men and 2.8% for women. The average gross monthly wage was CZK31,868 and was 7.5% higher.

STAFF RECRUITMENT TO SLOW DOWN IN Q4 – 17. 9.

Czech employers plan hiring new employees in Q4 as well, albeit at a slower pace compared to the previous quarter, according to the latest Manpower survey among 750 employers in the Czech private and public sectors.

The survey showed that 4% of employers plan hiring new employees, while 2% expect lowering their number. As much as 93% of respondents said that they did not plan any changes in Q4.

Therefore, the net employment outlook is +2% against +5% in the third quarter.

The Czech unemployment rate remains the lowest in Europe, and firms in all industries find it difficult to fill vacancies.

However, recruitment is expected to slow down in Q4 according to the survey, with 21% of large firms planning to hire new staff against 35% in Q3.

The automotive industry, a key employer in CR, exercises greater caution in particular, Rezlerova added.

Global results for Q4 show that employers plan hiring new staff in 43 out of 44 countries and territories.

EMPLOYERS TO INCREASE WAGES BY MORE THAN 6% – 18. 9.

According to the CCC, employers intend to increase wages in 2020 on average by CZK2,088 gross per month, i.e. by more than 6%. In 2019, pay checks were on average CZK2,358 higher. The average gross wage will thus exceed CZK36,300. After deducting inflation, the average employee net income in 2020 would grow more than CZK70,000 compared to 2016. The highest increase will affect wages of employees with lower qualifications.

INEQUALITIES PREVAIL IN CR – 18. 9.

The Czech branch of the NGO Social Watch, an international anti-poverty advocacy group, has criticized the CR for cheap labour, gender pay gaps and inequality in access to education. In its annual report for 2019 released on Wednesday, the group also criticizes the Czech government for not adopting any measures to reduce the effects of climate change.

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

According to the report, the CR is lacking long-term strategies to solve these problems and any improvement of the situation would be due to external influences rather than by the Czechs' efforts.

MISCELLANEOUS

V4 SATISFACTION WITH NEW EC PORTFOLIOS – 12. 9.

At a summit of the Visegrad Group states in Prague, the PMs of the CR, Slovakia, Poland and Hungary praised the outcome of negotiations on the set-up of the new EC, saying the V4 had been given important portfolios and would have a strong voice in the EU.

The Prague summit was also attended by representatives from Western Balkan states, the aim of the joint meeting being to strengthen cooperation between the two regions. The Visegrad group states approved a joint declaration stating support for the EU's expansion to the Balkans. Kosovo cancelled participation at the summit in reaction to President Zeman's statement in Belgrade that he would try to persuade Czech top officials to retract the country's recognition of an independent Kosovo.

PM Babiš said at a press briefing after the talks that he saw no reason to change the CR's position on Kosovo, although he was open to debating the matter with the president.

HALTING FRAUD INVESTIGATION INVOLVING CZECH PM – 13. 9.

The Prague State Attorney's Office has halted a 4-year-long investigation into suspected fraud by the country's PM, Babiš, and members of his family.

Babiš was suspected of having illegally acquired EU subsidies to the tune of €2mn by changing the status of his Stork's Nest farm and conference centre. The subsidies were intended to support small and medium-sized businesses, while the Stork's Nest farm was originally part of Babiš's multi-billion crown business empire Agrofert.

Chief State Attorney Martin Erazim justified the decision to halt the investigation by saying that at the time of receiving the subsidy the Stork's Nest centre fulfilled the respective conditions to meet the grant.

The decision may still be reversed by the country's Supreme State Attorney Pavel Zeman.

He thus upheld an earlier decision by lower-instance State Attorney Jaroslav Šaroch who made a U-turn on the case and proposed halting the investigation two weeks ago.

YOUNG GENERATION NOT HAPPY – 14. 9.

A poll targeting young people born after the fall of communism in 1989, suggests that they are not happy with the political situation and housing accessibility, while placing great emphasis on the environment and EU membership. Respondents in the under 30 age group stressed the importance of being able to travel freely and expressed concern with regard to climate change.

55% of them consider housing accessibility to be problematic. Only 10% are happy with the political situation. Compared to the older generation, they are also more tolerant of immigrants.

¹¹ 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.

¹² l: litre, is an SI accepted metric system unit of volume equal to 1 cubic decimetre (dm³), 1,000 cubic centimetres (cm³) or 1/1,000 cubic metre.

CR RANKS 24TH IN WORLD IN QUALITY OF LIFE – 18. 9.

The CR ranks 24th out of 149 states in terms of quality of life, according to a survey conducted by consultants Deloitte in cooperation with the non-profit Social Progress Imperative. The country climbed two places compared to last year's Social Progress, even though it received fewer points than in 2018.

The CR made most progress in economic indicators. It finished ahead of the USA in the survey, in which Norway ranked first, followed by Denmark and Switzerland.

HALTING PM'S INVESTIGATION IS LEGALLY BINDING – 18. 9.

The decision to halt an investigation into suspected fraud by PM Babiš and members of his family is legally binding, since no one has lodged a complaint against it, a spokesman for the Prague State Attorney's Office announced on Wednesday. However, it may still be reversed by the country's Supreme State Attorney, Pavel Zeman, who has three months to make a decision. The anti-government protest movement A Million Moments for Democracy on Wednesday urged the Prague State Attorney's Office to make public the full text of the decision. According to its leader Mikuláš Minář, the movement still insists on Mr Babiš's resignation. Another public protest against the government is due to take place at Prague's Letná plain on November 16.

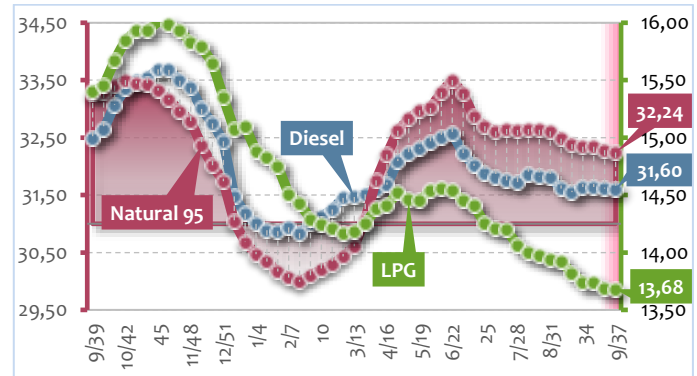
STATISTICS



FUEL PRICES – 13. 9.

Natural 95 decreased by ▲4h¹¹ to CZK32.24/l¹² over the past week. Diesel oil decreased by ▲1h to CZK31.60/l.

Graph 1: Average prices¹³, 2018 – 2019, Month/Week (in CZK/l)



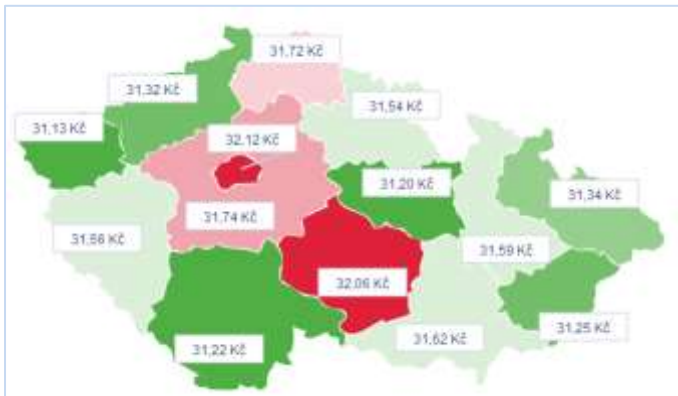
Map 1: Regions, fuel prices, Natural 95, 15. 9. (in CZK/l)¹⁴



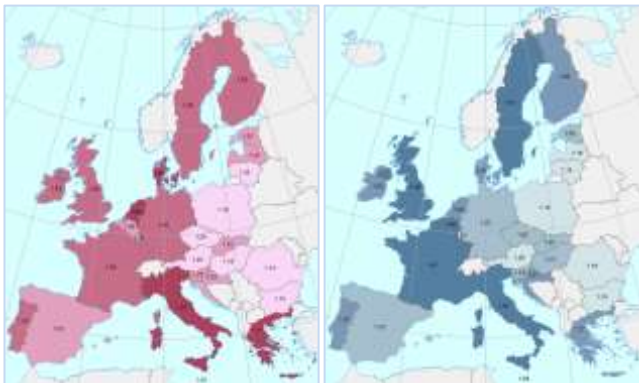
¹³ Consumer price indices calculated from the weekly price survey are not qualitatively adjusted and thus do not express the net price development applied at inflation measurement, data issued by the CSO

¹⁴ data issued by the mBenzin.cz; <https://www.penize.cz/ceny-benzinu-a-ceny-nafy>

Map 2: Regions, fuel prices, Diesel, 15. 9. (in CZK/l)



Map 3: EU, Average fuel prices, Natural 95, Diesel, 9. 9. (in €/l)¹⁵



PRODUCER PRICE INDICES – 16. 9.

Industrial producer prices (+0.1%), construction work prices (+0.3%) and service producer prices in the business sphere (+0.4%) went up, m-o-m. Agricultural producer prices went down by ▲6.0%. From the y-o-y perspective, agricultural producer prices (+4.1%), industrial producer prices (+2.1%), construction work prices (+3.8%) and service producer prices in the business sphere (+2.7%) increased.

M-o-m comparison:

Prices of industrial producers increased by 0.1%. Prices went up in ‘transport equipment’ (+0.5%), thereof ‘parts and accessories for motor vehicles’ (+0.8%). Prices grew in ‘chemicals and chemical products’ (+0.8%) and ‘electrical equipment’ (+0.5%). Lower were prices in ‘coke, refined petroleum products’. Prices fell in ‘food products, beverages, tobacco’ (▲0.1%), thereof ‘dairy products’ (▲0.7%), ‘grain mill products, starches and starch products’ (▲1.0%), on the other hand, prices rose in ‘preserved meat and meat products’ (+0.5%).

Y-o-y comparison:

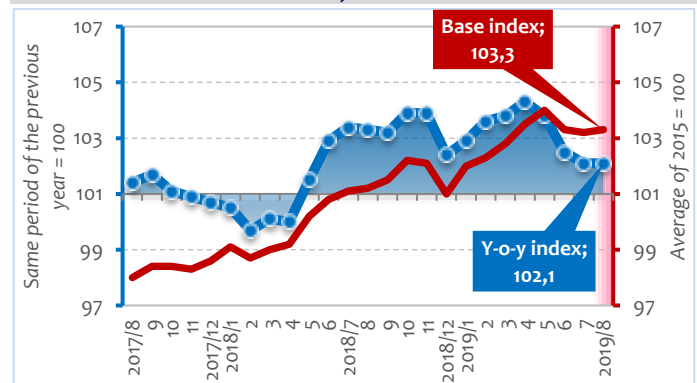
Prices of industrial producers rose by 2.1%, like in July. Prices were higher particularly in ‘electricity, gas, steam and air conditioning’ (+7.7%). Prices grew in ‘food products, beverages, tobacco’ (+3.7%), thereof ‘preserved meat and meat products’ (+9.6%). Prices increased in ‘furniture, other manufactured products’ (+4.2%), ‘rubber and plastic products, other non-metallic mineral products’ (+3.0%) and ‘mining and quarrying’ (+6.8%). Prices decreased significantly in ‘coke, refined petroleum products’. Lower were prices also in ‘chemicals and chemical products’ (▲2.2%).

¹⁵ data issued by the EC; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

¹⁶ **Base index:** In the base index the price of the calculation period is always compared with the base period. In the base index weights are usually changed less often than yearly, for example, at intervals of five years.

Among the main industrial groupings, prices of ‘non-durable consumer goods’ (+3.5%) and ‘energy’ (+3.4%) were higher especially.

Graph 2: Industrial producer price indices, 2017-2019, Y-o-y (in %)^{16,17}



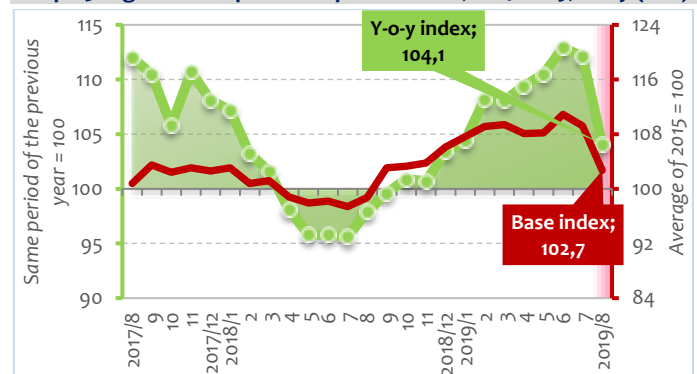
M-o-m comparison:

Agricultural producer prices fell by ▲6.0%. Prices of potatoes (▲19.0%), oleaginous crops (▲12.0%), vegetables (▲11.5%), cereals (▲6.3%), poultry (▲2.8%), cattle for slaughter (▲1.4%) and milk (▲1.1%) decreased. Prices of pigs for slaughter increased by 1.6%.

Y-o-y comparison:

Agricultural producer prices rose by 4.1% (in July they increased by 12.1%). Prices in the crop production grew by 2.8%. Prices of potatoes (+75.9%), fruit (+22.3%), vegetables (+18.4%) and cereals (+1.8%) went up. Prices of oleaginous crops dropped by ▲1.6%. Prices of animal products grew by 5.7%. Prices of pigs for slaughter (+25.0%) and milk (+4.5%) increased. Prices for eggs (▲8.6%), poultry (▲3.2%) and cattle for slaughter (▲2.7%) decreased.

Graph 3: Agricultural producer price indices, 2017-2019, Y-o-y (in %)



M-o-m comparison:

Service producer prices in the business sphere went up by 0.4%. Prices for ‘advertising and market research services’ (+6.0%), ‘warehousing and support services for transportation’ (+0.4%) and ‘legal and accounting services’ (+0.2%) grew. Prices for ‘management consulting services’ (▲1.3%) and ‘employment services’ (▲0.4%) fell. Service producer prices in the business sphere, excluding advertising services, remained stable.

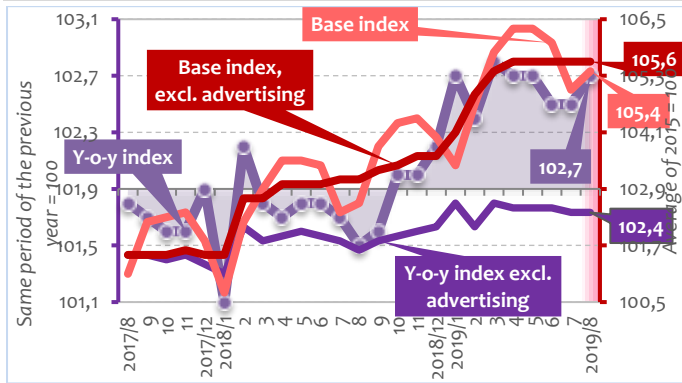
Y-o-y comparison:

Service producer prices in the business sphere were higher by 2.7% (in July they increased by 2.5%). Prices for ‘employment

¹⁷ **Base year:** Base year refers to the base point in time of a time series. Normally, years divisible evenly by five are used as base years. In releases base year is noted, for example, as 2000 = 100 or 2015 = 100. The mean of the index point figures of a base year is 100. For example, in monthly indices the index point figures of the months of the base year disclose the distribution of an examined variable between different months.

services' (+9.8%), 'insurance, reinsurance and pension funding services, except compulsory social security' (+6.6%) and 'advertising and market research services' (+5.9%) went up. Furthermore, prices were higher for 'management consulting services' (+4.4%) and 'land transport services' (+2.2%). Prices of 'warehousing and support services for transportation' were lower by ▲0.8%. Service producer prices in the business sphere, excluding advertising services, grew by 2.4% (the same way as in July).

Graph 4: Market services price indices in business sphere, 2017-2019, Y-o-y (in %)



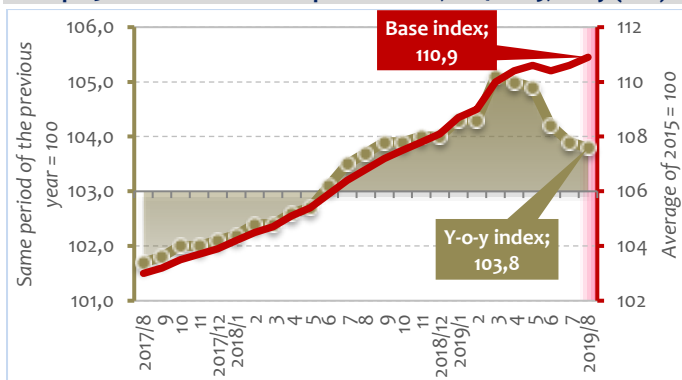
M-o-m comparison:

According to an estimate, **construction work prices** were higher by 0.3% and prices of construction material and products input remained stable.

Y-o-y comparison:

According to an estimate, **construction work prices** rose by 3.8% (in July they increased by 3.9%) and prices for construction material and products input grew by 3.2% (in July they increased by 3.1%).

Graph 5: Construction work price indices, 2017-2019, Y-o-y (in %)



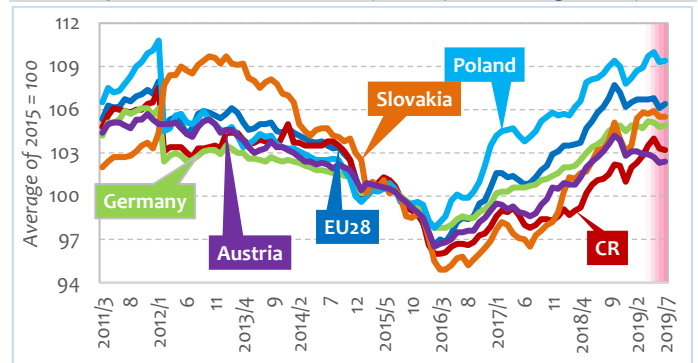
Industrial producer prices in the EU:

According to the Eurostat, **industrial producer prices** industrial producer prices increased in July by 0.3% (▲0.7% in June) in EU28, m-o-m. The highest increase in prices was recorded in Cyprus (+1.7%). Prices rose in Germany, Austria and Poland (+0.1% all), remained stable in Slovakia and fell in the CR (▲0.1%). The largest decrease was observed in Belgium (▲1.0%).

Industrial producer prices were higher in July by 0.6% (+0.9% in June) in EU28, y-o-y. The highest increase in prices was recorded in Romania (+6.2%). Prices rose in Slovakia (+2.2%),

the Czech Republic (+2.1%), Germany (+1.3%) and Poland (+1.1%) and decreased in Austria (▲0.3%). The largest decrease was observed in Denmark (▲3.0%).

Graph 6: Industrial producer price indices, International comparison, 2011-2019, monthly data (2015 average = 100)

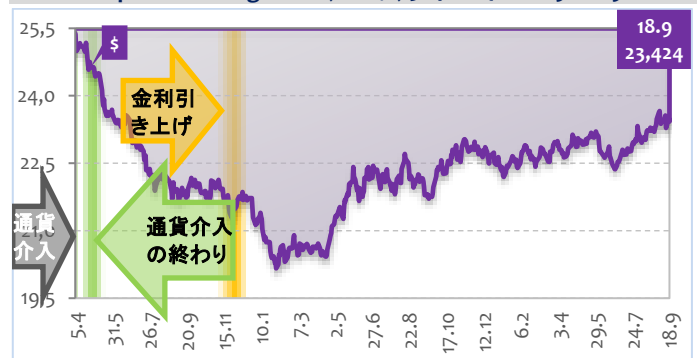


CZK vs €, \$, ¥ - 18. 9.

Graph 7: Exchange rates, CZK/€, 5. 4. 2017 - 18. 9. 2019



Graph 8: Exchange rates, CZK/\$, 5. 4. 2017 - 18. 9. 2019



Graph 9: Exchange rates, CZK/100¥, 5. 4. 2017 - 18. 9. 2019



EXCERPT



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.



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.



CCC, Czech Chamber of Commerce (HKČR, Hospodářská komora ČR); an organisation which represents the business community in the Czech Republic, its competencies are defined by Act No. 301/1992 Coll.



Euclid Infotech's News service provides news from various countries. Focusing primarily on tenders and procurement news, it presents, to its readers, business development opportunities from the private and public sector, as well as subcontracting opportunities. Updated daily, it covers several countries across the world.



MF, Ministry of Finance of the Czech Republic (Ministerstvo financí České republiky)



Office of the Government of the Czech Republic (Úřad vlády České republiky) 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.