

ECONOMIC NEWS SUMMARY AUGUST 22 – AUGUST 28

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ECONOMY & FINANCE

MD'S BUDGET TO BE HIGHER – 22. 8.

The budget of the MD¹ for 2020 will be CZK²1.2bn³ higher than originally proposed and will total CZK75.5bn. All these means will be headed to investments in army modernisation. The planned projects include purchasing helicopters and infantry's combat vehicles.

ME AND MJ TO GET EXTRA MONEY – 23. 8.

The MF⁴ will provide extra CZK250mn⁵ for the budget of the ME for 2019. The money is intended to cover projects to fight drought and the effects of climate change. The MJ⁶ will get CZK31.05bn from both national and EU⁷ sources in 2020. Compared to the material of the prepared state budget from May 2019, this is CZK251mn more. The Prison Service will receive CZK200mn from the agreed amount and CZK50mn will go to the completion of the Na Míčánkách Judicial Complex.

MLSA TO GET ADDITIONAL BUDGET – 23. 8.

The MLSA is to receive an additional 5.9 bn crowns in state funds in 2020, MLSA Minister Maláčová said following marathon talks on money matters with MF Minister Schillerová.

Extra money for IT projects, as requested by the MLSA minister is still to be debated.

The draft budget for the MLSA was originally set at CZK676.4 bn, a sum that Ms. Maláčová said was woefully inadequate for the tasks at hand. She had originally requested an additional CZK11bn.

MH TO GET EXTRA BUDGET – 27. 8.

The MH⁸ has agreed with the MF to increase the budget for 2020 by CZK220mn compared to the original proposal. Of this, CZK100mn will be spent on support for residential positions for young doctors and CZK100mn to reform psychiatric care. A further CZK20mn was added to the subsidy program for organizations that focus on long-term

¹ MD: Ministry of Defence

² CZK: Czech Crown, the currency of the CR since 8 February 1993

³ bn: billion

⁴ MF: Ministry of Finance

⁵ mn: million

⁶ MJ: Ministry of Justice

⁷ EU: European Union, is a politico-economic union of 28 member states that are located primarily in Europe. It has an area of 4,324,782 km², and an estimated population of over 510mn. The EU has developed an internal single market through a standardised system of laws that apply in all member states. EU policies aim to ensure the free movement of people, goods, services, and capital within the internal market, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries, and regional development. Within the Schengen Area, passport controls have been abolished. A monetary union was established in 1999 and came into full force in 2002, and is composed of 19 EU member states which use the euro currency.

⁸ MJ: Ministry of Justice

⁹ MA: Ministry of Agriculture

¹⁰ EU Funds: financial tools set up to implement the regional policy of the EU (CP – Cohesion Policy and CAP – Common Agricultural Policy), funds under CP consist of the Structural Funds (the ERDF – the European Regional Development Fund and the ESF – the European Social Fund), and the CF – the Cohesion Fund. Funds under the CAP, consist of the EAGF – the European Agricultural Guarantee Fund, the EAFRD – the European Agricultural Fund for Rural Development, and the EFF – the European Fisheries Fund.

¹¹ MP: Member of Parliament

illnesses. MF Minister Schillerová said that the MA⁹ will be managing CZK7.5bn in 2020. Including European money, it will have almost CZK9.2bn.

MISTAKES IN DRAWING EU FUNDS – 27. 8.

Mistakes related to drawing EU funds¹⁰ since Czech accession in May 2004 total CZK38.4bn and almost 300 legal complaints have been filed over the errors, MF Minister Schillerová said. Financial corrections worth CZK36.4bn were made in cohesion policy, which aims to reduce differences in the development of various regions, and worth CZK2bn in the common agriculture policy, she said.

The government has entrusted MJ Minister Benešová with checking how the legal complaints were handled.

Opposition MPs¹¹ have demanded to see the MF data with regard to the EC¹² draft audit report on the PM¹³ Babiš's suspected conflict of interest regarding the drawing of EU subsidies.

GDP TO GROW 2.4% IN 2019 – 27. 8.

The MF has adjusted its estimate for the CR's¹⁴ economic growth in 2019 to 2.4%. Growth should total 2.2% in 2020. In July, the MF predicted 2.5% for 2019 and 2.3% for 2020. GDP¹⁵ grew 3% in 2018.

MF AND MIT PACKAGE FOR ENTREPRENEURS – 28. 8.

The MF and the MIT¹⁶ have presented a sole-trader package that should relieve entrepreneurs of excess bureaucracy. It contains ten intentions, including specific steps related to them and their deadlines, some of which have already been fulfilled, according to the MF.

AGRICULTURE & ENVIRONMENT

LARGER BUDGET TO COMBAT DROUGHT – 23. 8.

The ME¹⁷ is to receive an additional CZK250mn from the state budget next year to fight drought, bringing the ME's 2020 budget to CZK16bn, ME Minister Brabec said following talks with MF Minister Schillerová. The additional funds are to be used for long-term landscape changes, the construction of

¹² 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.

¹³ PM: Prime Minister, the Czech Republic is a parliamentary representative democracy, with the Prime Minister acting as head of government and the President acting as head of state. The first Prime Minister of the Czech Republic was Václav Klaus, who served as the second President from 7 March 2003 until 7 March 2013. The current and 12th Prime Minister is Andrej Babiš, leader of the ANO 2011, who was appointed by the President on 6 December 2017.

¹⁴ CR: the Czech Republic, a nation state in Central Europe. The Czech Republic covers an area of 78,866 km² 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.

¹⁵ 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

¹⁶ MIT: Ministry of Industry and Trade

¹⁷ ME: Ministry of the Environment

artificial water basins, wetland restoration and support for water saving projects.

Scientists from the CULS¹⁸, who conducted a study into the possible future impacts of drought on the Czech economy, said that the state should spend at least CZK25 bn annually in order to contain water in the country's soil.



MINISTRY FIGHTS DROUGHT SINCE 2015 – 25. 8.

The MA has allocated CZK30bn to address the drought-related issues since 2015, MA Minister Toman said.

The lack of water because of lower precipitation intensity has become visible in the past 4 years in particular. That is why the CR needs some water efficiency programmes, Toman said. People must get used to climate changes, he added.

"The CR had 47 days with a tropical temperature last year, a level we should have reached after 2070 according to an estimate," Toman said.

Irrigated agricultural land covers 65,000ha¹⁹ in the CR. Investments are made in irrigation systems and in building single purpose tanks where the water is retained and used during periods of dry weather, Toman said.

This year's harvest is comparable to the average figure for the past 10 years, with cereals production growing by 8% y-o-y, said the ACCR²⁰. It is better compared to previous years when farmers received compensation from the state for damage caused by drought.

No larger water reservoirs have been built in the country over the past 25 years, PM Babiš said.

The state is planning construction of a Senomaty dam in central Bohemia. "Having a sufficient amount of water ... is our priority. We've been doing our best to achieve it and are aware of our responsibility to future generations," Babiš said. CULS's rector Sklenička said scientists were working on a pilot smart landscape programme dealing with measures to fight drought and floods.



AGRICULTURAL TRADE DEFICIT – 25. 8.

The Jan-June deficit of agricultural foreign trade increased by 10.5% annually to CZK23.7bn and it can possibly exceed CZK40.3bn, a record figure reported for last year.

The annual deficit for 20 years until 2016 reached some CZK25bn on average. The CR's agricultural foreign trade gap for 2017 surpassed CZK30bn.

The situation stays the same in the long run, with ½ of the deficit to blame on a wide gap in trade in meat, ranking the highest among all the agricultural commodities.

The negative balance in trade in meat was higher y-o-y²¹ in the Jan-June period, coming closer to CZK12bn. Meat imports are

on the rise and the deficit in trade in meat keeps deteriorating, while in the EU the situation is improving, said Burdova.

Czech exports of agricultural products amounted to CZK95.9bn in H1, which was 7% more y-o-y, with imports adding 7.6% to CZK119.6bn, according to data from the MA. Import coverage by exports went down annually by 0.5pps to 80.2%.

Rape and rapeseed oil, apples and beer reported the biggest improvement in Jan-June, while tobacco substitutes, potatoes, maize and pork had worse results y-o-y, the ministry said.

The CR's foreign agricultural trade showed its last surplus in 1993, and has been in the red ever since.



CZECHS WANT STRICTER FOOD QUALITY PARAMETERS – 27. 8.

A total of 97% of Czech consumers want quality parameters of food products to be stricter, with 91% desiring tougher requirements that would entail a restriction of cheap food imports, SCS²².

According to poll, as many as 90% of domestic consumers consider different composition of products in different countries to be unfair practise. More than 80% of respondents consider the CR the "dustbin of Europe".

According to SCS, the state should introduce stricter conditions for food quality assessment. "The problem lies in our country, not in Brussels," he said.

In May, the Cabinet²³ approved draft legislation under which products sold in the same packaging will be obliged to have the same composition in the CR as in other European countries. A failure to meet this obligation would be considered unfair business practice that would be subject to a fine of up to CZK50mn.



LČR'S PROFIT DROPS – 28. 8.

LČR²⁴ saw its gross profit fall to CZK169mn in H1²⁵ 2019 from CZK1.77bn a year ago, mainly due to the bark beetle calamity and a steep drop in wood prices.

LČR's sales decreased by CZK1bn to CZK3.68bn.

"The drop in wood prices and the sale of lower-quality wood had a fundamental impact on the business results. At the same time, the costs of logging increased by CZK319mn and the costs of afforestation by CZK242mn," LČR said.

ENERGY & INDUSTRY & TRANSPORT



AGC MANUFACTURING GLASS FOR PORSCHE – 23. 8.

AGC is producing at its plant in Chudeřice the smallest glass of the past several years for model Porsche 513 Taycan. Its

¹⁸ CULS: Czech University of Life Sciences Prague (Česká zemědělská univerzita, ČZU), is a university of agricultural education and research in Prague, the Czech Republic, established in 1906. Currently the university has more than 18 000 students across its bachelor, masters and doctoral programmes, 6 Faculties (Faculty of Economics and Management; Faculty of Agrobiological, Food and Natural Resources; Faculty of Engineering; Faculty of Forestry and Wood Sciences; Faculty of Environmental Sciences; Faculty of Tropical AgriSciences) and 1 Institute (Institute of Education and Communication).

¹⁹ ha: hectare is a non-SI metric system unit of area equal to 10,000 m²

²⁰ ACCR: Agrarian Chamber of the Czech Republic, associates majority of entrepreneurs in agriculture, forestry and food processing industry. It provides advisory, consultation and legal services for its members. The Agrarian Chamber is non-governmental agricultural professional organization representing interests of more than 100 000 farmers, foresters, food processors, beekeepers etc.

²¹ Y-o-y: year on year, compared, compared with the corresponding month of preceding year

²² SCS: Czech Consumer Association (Sdružení českých spotřebitelů), is a civic association (NGO) established in 1990; it sees its priorities in the development of

activities which focus on supporting a precautionous approach and system tools in the field of consumer protection. The topics include safety of products, market surveillance, standardization, accreditation, quality infrastructure etc. and SCS is a member of number of advisory and consultative groups on national and EU level.

²³ 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.

²⁴ LČR: Forests of the Czech Republic, state enterprise based in Hradec Kralove founded by the Ministry of Agriculture. LČR main activity is the management of the majority of forests (over 1.3 million ha), which are owned by the CR. Furthermore, the company is in charge of nearly 20,000 kilometres of small watercourses.

²⁵ H: Half of year

production was preceded by development in cooperation with Porsche and modifications of the production lines. The electromobile has two synchronous engines with an output of 440kW and a travel distance of up to 500 km. The automaker plans to produce 24,000 of these vehicles per year.

 **ŠKODA HAS OPENED A PAINT SHOP – 23. 8.**

Škoda Auto opened a new paint shop at its main plant in Mladá Boleslav. As many as 168,000 bodies will be painted on site per year, thus increasing the paint capacity to 812,000 units per year. Škoda Auto invested €214.5mn into the new facility. It will thus create more than 650 new jobs. A number of work operations will be taken over by robots.

 **ARAKO WANTS TO INCREASE SALES – 26. 8.**

Opava-based Arako wants to increase its annual revenues to CZK1.5bn within 10 years. The producer of industrial reinforcement for nuclear energy production, chemical and petrochemical industry currently has 200 employees and sales of about CZK300mn. Arako has been a part of Atomenergomash of Rosatom²⁶ since 2007. The growth in sales will require also an expansion of production capacities and number of employees. In the area of nuclear energy, the biggest project is a construction of Indian nuclear power plant Kudamkulam.

 **CZECH COAL COMMISSION MEETING – 26. 8.**

The newly established Coal Commission will meet for the 1st time to discuss coal's future role in the CR's energy mix and address how to manage its reduced production and use. ME Minister Brabec announced the creation of the Coal Commission this March.

The 19-member advisory board is co-chaired by Brabec and MIT Minister Havlíček. It also includes experts appointed by relevant stakeholders, including industry, TUs²⁷, NGOs²⁸ and local communities.

Brabec said the main goal is to conduct a structured national debate on the transition from fossil fuels towards renewables and nuclear against the backdrop of combatting climate change.

The CR is the 5th biggest polluter in Europe and the 20th in the world in terms of CO₂ emissions and the key reason is coal-fired power plants.

Last year, brown coal-fired power plants produced the most electricity in the national energy mix (43%), followed by nuclear power plants (33%) and RES²⁹ (11%).

The Coal Commission had agreed to the creation of 3 subcommittees to deal with the overall timing of the phaseout, the legislative measures to accompany it, and the regional impact mitigation policies needed in the CR's 3 main regions where coal mining is carried out.

Havlíček added that a plant-by-plant evaluation would be carried out as part of the overall evaluation of the phaseout timetable.

²⁶ **Rosatom:** Rosatom State Atomic Energy Corporation, a state corporation (non-profit organization) in Russia, established in 2007, the regulatory body of the Russian nuclear complex. It is headquartered in Moscow. Rosatom is the only vendor in the world able to offer the nuclear industry's entire range of products and services. It runs all nuclear assets of the Russian Federation, both civil and weapons. Along with commercial activities which move forward nuclear power and nuclear fuel cycle facilities, it acts as a governmental agent, primarily in the field of national security (nuclear deterrence), nuclear and radiation safety, basic and applied science.

The Coal Commission is an advisory body built on the model of its German counterpart in a move aimed at updating the CR's long-term energy policy, last revisited in 2015. That plan relies on coal generating between 11% and 21% of the country's electricity in 2040, with a final phaseout not seen before 2050.

 **CABINET TO EXTEND SUNDAY BAN ON TRUCKS – 27. 8.**

The Cabinet is planning to ban trucks from Czech roads on Sundays from midnight until 10 pm. Such restrictions are in place in other European countries. Trucks that are already on the road at midnight will be permitted to complete journeys within the CR.

PM Babiš announced the change after talks with the MI³⁰ Minister Hamáček, MT Minister Kremlík, and the head of the police Švejdar.

At present trucks are allowed to use the road system until 1 pm on Sundays. Road transport has been the focus of attention due to major problems with the main D1 motorway.

 **SOUTH KOREAN NEXEN TIRE OPENS PLANT – 28. 8.**

Nexen³¹ opened its 1st European plant in the Triangle³², where it will invest up to CZK22bn.

The plant currently employs 800 people, which will grow to 1,300 once the investment is completed. At the end of this year, Nexen may have 850-900 employees.

The premises include a technology development centre.

The annual capacity of the plant will be 11 million tyres. The company plans to export three million tyres by the end of this year.

CR's location is strategic for Nexen, as its main clients are in Germany, France and Britain. Nexen has created a base thanks to which it can respond more flexibly and promptly to demand, CEO Travis Kang said.

Nexen was first considering an investment in CR in 2013.

Construction of the first phase was delayed but the company believes it will not be an issue in the second phase, Kang said.

Once the extension is completed, the premises will cover 65 hectares.

The only thing Nexen is worried about is CR's low unemployment because it may cause problems with trying to get the best employees, Kang said.

In 2016, Nexen said it would invest CZK22.8bn and create about 1,380 jobs in CR. The state promised Nexen a CZK3.6bn investment incentive which it will get provided its investment plan is carried out by 2023.

CR appreciates that Nexen brings modern technology to the region and that the new plant includes a technology centre, MIT Deputy Minister Očko said.

The country is happy to help with further technology development, Očko said.

The Nexen investment, the 3rd largest project in CR, creates employment and investment opportunities for the town of Žatec. Nexen is an important partner that motivates other companies, Zatec mayor Hamousová said.

²⁷ **TU:** Trade union, around 1/6 of all employees are union members in the CR.

²⁸ **NGO:** non-government organisation

²⁹ **RES:** renewable sources

³⁰ **MI:** Ministry of the Interior

³¹ **Nexen:** Nexen Tire Corporation is a tire manufacturer, headquartered in Yangsan, South Gyeongsang Province, and Seoul in South Korea.

³² **Triangle:** an industrial zone near Žatec, Czech Republic

Nexen plans to create a fund to support environmental projects.

INVESTMENTS & TRADE & SERVICES

HUAWEI WINS CONTRACT OF THE MF – 28. 8.

Huawei³³ has gained a contract for supplies of technologies for DWDM optic network extension to the MF, server Lupa.cz said.

Huawei gained the contract worth CZK9.66mn without VAT through its Czech partner Huatech.

The other bidders in the public tender were Anect, TTC Marconi, 3S.cz and Your System. Huawei won thanks to submitting the lowest price bid.

Huawei and Huatech will supply the DWDM technologies to four buildings that are used by the Finance Ministry and are interconnected by optic network.

Several months ago, the NCISA³⁴ issued a warning against Huawei. The MF has said it took the warning into regard and has assessed the potential risks.

Huawei's DWDM technologies are also used at data centres of semi-state power utility ČEZ³⁵, where they were supplied by the Chinese firm's partners Huatech and AMI Praha.

Huawei has also won network building contracts for the ŘSD³⁶, the MI, the Police Presidium, the MC and the public ČT³⁷.

LESS FIRMS WILL RECEIVE INVESTMENT INCENTIVES – 19.8.

Less firms will be able to receive financial support from the state. Newly, only firms which have proof of investments in development or cooperation with universities or research and scientific organizations will be able to apply for incentives.

EXPORT UP 2% TO 771,519 VEHICLES – 22. 8.

According to the CEA³⁸, Czech carmakers' sales on foreign markets increased by 2% y-o-y between January and July 2019. A total of 771,519 vehicles were exported. Of these, Škoda Auto exported 458,547 cars (+2.6%), Hyundai³⁹ 178,952 cars (▲1.3%) and TPCA⁴⁰ 134,020 vehicles (+4.5%). Domestic sales dropped by 4.8% to a total of 65,251 vehicles.

MPO PREPARES MEASURES TO SUPPORT INDUSTRY – 23. 8.

Within the framework of the National Economic Strategy 2030, which the government will present at the turn of the year, the MIT is preparing measures against the decline of industry.

The MIT earmarked CZK70mn for increased support of exporters, while the lack of employees will be solved by an increased quota of up to 40,000 Ukrainians per year and 10,000 workers from other countries outside the EU. Research, development and innovation will be supported by CZK37bn in 2020.

MIT also expects that in the period 2021-2027 it will be possible to redistribute at least CZK100bn from EU funds to companies.

CHANGES TO THE EMPLOYMENT OF FOREIGNERS – 23. 8.

The number of government programs for the employment of foreigners in Czech companies will be halved as of September 1, the CCC's⁴¹ President Dlouhý said.

The present 6 programs will be reduced to 3 and the conditions for including workers and employers in the program will be unified.

The MIT will only handle employers' applications for highly qualified employees or researchers, while the CCC will assist companies with all other employee applications.

In the transformed Qualified Employee Program, the Chamber will accept applications from companies for

PIRATES FILE LAWSUIT TO SEE INVESTMENT PLAN – 28. 8.

Czech opposition Pirates' deputy group head Michálek has filed a lawsuit demanding that PM Babiš release the National Investment Plan, Michálek said, adding that he did so after failing to make Babiš release the document within a regular parliamentary procedure.

Babiš previously refused the plan's public release, arguing that it is an internal document.

According to Michálek, there are no legal reasons to prevent its release to the public. People and municipalities have the right to know what projects the investment plan includes, he said.

Babiš presented the plan's framework last year. He told media that it comprises more than 17,000 projects worth CZK3,450bn for the period from 2019 to 2030. It reckons with projects worth CZK1,226bn being financed by 2022.

³³ **Huawei:** Huawei Technologies Co. Ltd. is a Chinese multinational networking and telecommunications equipment and services company headquartered in Shenzhen, Guangdong. It is the largest telecommunications equipment manufacturer in the world,

³⁴ **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).

³⁵ **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.

³⁶ **ŘSD:** Road and Motorway Directorate, is an organization established by the Ministry of Transport. Its basic task is the exercise of state ownership rights to the immovable property formed by motorways and roads of the first class, and maintenance of their administration, repair, and modernization.

³⁷ **ČT:** Czech Television (Česká Televize), is the public television broadcaster in the Czech Republic, broadcasting six channels. It is based on Czech Television Act (Act No. 483/1991 Coll.) as a television service for the citizens of the Czech Republic. Česká televize is funded through television licence fees (larger part of revenue) and from advertising, which may not exceed 0.5% of the daily broadcasting time for each program.

³⁸ **CEA:** China Eastern Airlines Corporation Limited is an airline headquartered in Shanghai. It is a major Chinese airline operating international, domestic and regional

routes. Its main hubs are at Shanghai Pudong International Airport and Shanghai Hongqiao International Airport, with secondary hubs at Kunming Changshui International Airport and Xi'an Xianyang International Airport. China Eastern Airlines is China's second-largest carrier by passenger numbers.

³⁹ **Hyundai CZ:** Hyundai Motor Manufacturing Czech based in the Industrial Zone of Nošovice was founded in 2006.

⁴⁰ **TPCA:** Toyota Peugeot Citroën Automobile Czech (TPCA) is an automobile manufacturing company in Kolin, Czech Republic. It is a joint venture between Toyota Motor Corporation of Japan and PSA Peugeot Citroën of France.

⁴¹ **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 and 83 industry subdivisions. Membership of the Czech Chamber of Commerce is voluntary.

workers from Ukraine, Montenegro, Serbia, the Philippines, India, Kazakhstan, Moldova and Mongolia. The government sets individual annual quotas for each country.

From September the quota for workers from Ukraine will also be gradually increased to 40,000 per year. So far it has been 19,600 people.

SYSTEM OF INVESTMENT INCENTIVES TO CHANGE – 26. 8.

The Cabinet approved a proposal changing the system of investment incentives and making firms with higher value-added projects dealing with research and development issues eligible for the aid, MLSA⁴² Minister Maláčová said.

The new system will back investments in regions with economic problems and will also boost Czech businesses, she said.

A firm to get the incentive will have to pay a wage equivalent to an average wage in the region at least, Maláčová added.

The measure is in line with the adopted innovation strategy that serves as a basis for the national economic strategy, MIT Minister Havlíček said previously.

Investment incentives are to cost the state budget CZK3.14bn a year at most compared to the current amount of CZK4.35bn, according to the MIT. All the incentives will be subject to the cabinet's approval.

Instead of the current 6 programmes, the CR will have 3 foreign employment programmes as of September focused on scientific, highly skilled and skilled labour.

It modified quotas for employment of foreign workers and extended a list of countries in the programmes managing labour migration. The programmes started to be introduced in the CR in 2012.

Some 23,000 workers found a job at 1,100 firms in 2018 thanks to the programmes, PM Babiš said.

THE COUNTRY FOR THE FUTURE AT THE IEF – 26. 8.

The main theme of the IEF⁴³ (7.-11.10. 2019) is Industry 4.0 and the Digital Factory, in other words, the digitalization of production, which is one of the main directions of the innovation process.

The CR newly presents its economic potential under the brand "CR: The Country for the Future". 13 state institutions

⁴² **MLSA:** Ministry of Labour and Social Affairs

⁴³ **IEF:** International Engineering Fair held in Brno since 1958 (MSV: Mezinárodní strojírenský veletrh), serves as the business meeting point in the Central European EU-member states with annual participation reaching more than 1500 exhibitors and 75000 visitors from 59 countries worldwide.

⁴⁴ **MFA:** Ministry of Foreign Affairs

⁴⁵ **CzechInvest:** Business and Investment Development Agency CzechInvest, is an agency of the Ministry of Industry and Trade. Established in 1992, the agency contributes to attracting foreign investment and developing domestic companies through its services and development programmes. CzechInvest also promotes the Czech Republic abroad and acts as an intermediary between the EU and small and medium-sized enterprises in implementing structural funds in the Czech Republic.

⁴⁶ **CzechTrade:** National trade promotion agency of the Ministry of Industry and Trade of the CR, established by the MIT in May 1997. The agency is an official contact partner for those foreign companies looking for qualified Czech-based suppliers of products, providers of services or investors. CzechTrade operates worldwide via 47 foreign representatives.

⁴⁷ **CEB:** Czech Export Bank, a specialised, directly and indirectly state-owned banking institution. Established in 1995, it forms one of the pillars of the government's pro-export policy system. Its mission is to support Czech exports and the renown of the Czech Republic as a well-established international exporter, and thus promote the overall competitiveness of Czech products throughout the world. CEB focuses on financial services related to exports.

⁴⁸ **CDA:** Czech Development Agency, a state organization under the authority of the Ministry of Foreign Affairs of the Czech Republic and an implementing body of the development cooperation of the Czech Republic. The main aims of the Czech Development Agency include reducing poverty, improving quality of life and supporting sustainable development. The Agency was established on January 1, 2008. Its founding

will present themselves jointly for the first time at the IEF: MIT, MFA⁴⁴, MD, CzechInvest⁴⁵, CzechTrade⁴⁶, CEB⁴⁷, CDA⁴⁸, CMZRB⁴⁹, EGAP⁵⁰, TACR⁵¹, IPO⁵² and ETI⁵³.

MPO WANTS TO SUPPORT FAMILY BUSINESSES – 27. 8.

The MIT is preparing more support for family businesses and independent shops in rural areas; the support should be launched in 2020. MIT Minister Havlíček said the government anchored, based on the initiation by the ASMP⁵⁴ and activities of the MIT the official definition of family businesses. Therefore, the MIT has set up a working group that should submit its report in November 2019. About CZK300m would be enough to start the group with.

LABOUR & HEALTH & SOCIAL

SHARE OF PEOPLE CHANGING JOB DROPS – 22. 8.

The past 6 months saw 17% of Czechs change jobs, against 20.5% reported to do so early in 2019, with 4.4% of people searching for a job actively and 17.3% occasionally.

About 12% of respondents (twice as many women as men) cited a strong need to change careers. People working in food production, hotel and restaurant services, chemical industry, and telecommunications and postal services constituted a majority of those changing jobs.

68% of Czech employees said they were satisfied with their current employer. The job-switching rate was 17.6% for women and 16.4% for men, the highest share of those changing a job being, as usual, in the 18-24 and 25-34 age groups, 33.3 and 32.3%, respectively.

Better working conditions (41%), dissatisfaction with the employer (29%) and personal reasons (25%) were cited most frequently as a cause for a job change, the survey showed.

The number of workers dissatisfied with their employer was 10% higher compared with the previous period. Therefore, if employers want to keep their workers, they should be more attentive to their requirements, which involves pay and benefits but also workplace atmosphere and work tasks.

As much as 6.4% of women are actively looking for a job against 2.5% of men.

The number of actively-looking people has been in decline for two years, and the situation is unlikely to change, Honsova

entity is the Ministry of Foreign Affairs of the Czech Republic. The Agency reports to the Ministry. Since July 1, 2010 the Agency was formally re-established by the Act on Development Cooperation and Humanitarian Assistance.

⁴⁹ **CMZBR:** Czech Moravian Guarantee and Development Bank acts as the manager of loan and guarantee schemes funded from structural funds (ERDF), state budget, regional budgets or other sources and, in case of loan facilities, also through CMZBR's co-financing. The schemes are included in the Operational Programme Enterprise and Innovation (OPEI) or are operated separately as national facilities

⁵⁰ **EGAP:** Export Guarantee and Insurance Corporation is a credit insurance corporation insuring credit connected with exports of goods and services from the Czech Republic against political and commercial risks uninsurable by commercial insurance. EGAP was founded in 1992 as a joint stock company fully owned by the state. The Czech Republic exercises its shareholder rights through the Czech Ministry of Finance, the Czech Ministry of Industry and Trade, the Czech Ministry of Foreign Affairs and the Czech Ministry of Agriculture. Its activities are governed by the Insurance Law and the Act No. 58/1995 Coll., on insuring and financing state supported export.

⁵¹ **TACR:** The Technology Agency of the Czech Republic is an organizational unit of the stat that was founded in 2009 by the Act No. 130/2002 Coll. on the support of research, experimental development and innovation.

⁵² **IPO:** the Industrial Property Office. is a central body of state administration of the Czech Republic

⁵³ **ETI:** Engineering Test Institute (Strojírenský zkušební ústav); Testing, inspection and certification organisation, offering services in assessing conformity, placing products on the market, competent surveillance, testing, inspection, certification, and training.

⁵⁴ **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.

said. This means employers need to be more inventive and use other options than traditional job adverts to recruit new staff.

The number of people satisfied with their employer dropped mildly in quarterly terms, men being slightly more satisfied than women. The share of workers highly afraid of losing their job declined to 4%, with men fearing more than women, mostly in the 55-67 and 18-24 age groups. People working in telecommunications and postal services, construction, manufacturing and traffic are relatively most afraid.

☰ PEOPLE LIVING IN “MODERN SLAVERY” IN THE CR – 25. 8.

According to the Global Slavery Index, there are currently over 30,000 people living in “modern slavery” in the CR, Czech Radio reported. Offenders use them mainly for seasonal work or in construction. The CR presently ranks 108th out of 167 countries on the Global Slavery Index. The country sentenced 16 people for human trafficking last year, according to data released by the MI.

The victims are mostly people from socially disadvantaged groups and foreigners, mainly from Ukraine, Bulgaria, Romania or Vietnam.

MISCELLANEOUS

☰ JOUROVÁ TO SERVE CONSECUTIVE TERM IN EC – 27. 8.

The Czech government approved the nomination of Věra Jourová to serve a 2nd term as a European Commissioner.

Jourová has served as European Commissioner for Justice, Consumers and Gender Equality as a part of the Juncker Commission since October 2014. PM Babiš is hoping that she can secure an economic portfolio. Jourová said she is interested in digitization, the internal market, trade and transport. She is due to meet the incoming EU Commission president, Ursula von der Leyen, on August 28.

☰ ZAORÁLEK APPOINTED MC MINISTER – 27. 8.

Mr. Zaorálek has been named MC ⁵⁵ Minister. His appointment brings to an end a political crisis surrounding the post that arose when President Zeman rejected the ČSSD's⁵⁶ previous nominee for the post.

Mr. Zeman had also initially refused to accept the resignation of the previous MC Minister Staněk.

Mr. Zaorálek has said that his priorities will include dealing with leadership positions at key public institutions where his predecessor made changes.

The new minister is a veteran figure in the Social Democratic Party and headed the Ministry of Foreign Affairs from 2014 to 2017.

☰ ANO WOULD WIN ELECTIONS ON 29.5% – 27. 8.

The ANO⁵⁷ would have won elections earlier this month with 29.5%, suggests the Median⁵⁸. That is an increase in the

⁵⁵ MC: Ministry of Culture

⁵⁶ ČSSD: Czech Social Democratic Party, centre-left party

⁵⁷ ANO: ANO 2011, centre-right party

⁵⁸ Median: a research agency in the area of market research, media and public opinion.

⁵⁹ Pirates: The Czech Pirate Party is a political party in the Czech Republic, founded in 2009. It is a member of the European Pirate Party. The main topic of the Pirate Party is information and its fundamental meaning in modern society. The Pirates are focused mainly on civil liberties, sharing of information, effective use of technologies and privacy protection.

⁶⁰ ODS: Civic Democratic Party, Liberal conservative, centre-right party, soft Eurosceptic party

⁶¹ SPD: Freedom and Direct Democracy, an eurosceptic, and pro-direct democracy political party in the CR. The party was founded in May 2015 by Tomio Okamura and

party's backing compared to a survey by the same organisation in July. The Pirates⁵⁹ on 14.5% and the ODS⁶⁰ on 13.5% also did better than in the previous Median monthly poll.

Some 8.5% of respondents said they would cast their ballots for SPD⁶¹, 8% would back the KSČM⁶² and 6.5% would support the ČSSD, the survey indicates.

☰ ALMOST ALL OF PRAGUE'S REPLICA CARS FAIL TESTS – 27. 8.

The vast majority of replica open-top old cars offering rides to tourists in Prague failed checks carried out by City Hall. Only 3 of 58 such vehicles tested were deemed to reach correct technical standards.

The others were found to lack vehicle identification numbers, spare tyres, compulsory equipment and seat belts. The deputy mayor for transport Scheinhher, said that some of the would-be vintage cars had been found to have broken lights, amateur welding and motorcycle rear-view mirrors.

There are around 120 such vehicles in the Czech capital.

☰ ASSURANCES OVER CZECHS IN POST-BREXIT UK – 28. 8.

The PM Babiš, says his UK counterpart Boris Johnson has assured him that there is nothing to worry about regarding the status of Czech citizens and firms in Great Britain with regard to Brexit. Mr. Babiš said on Twitter on Tuesday that he had invited Mr. Johnson to Prague for a meeting that could also be attended by the other Visegrad Four heads of government. The Czech PM said the British leader told him his country and the CR were allies, he knew the country and had relationships with people there.

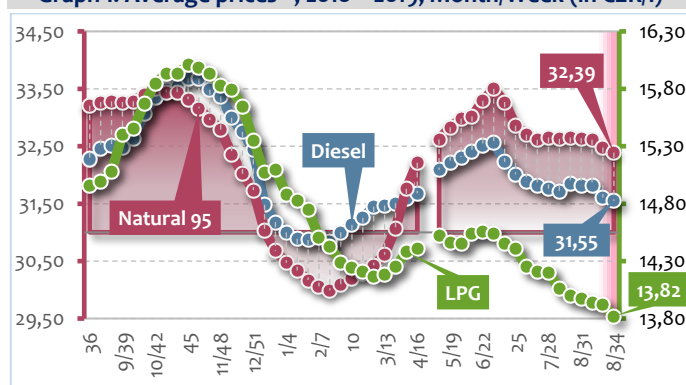
Mr. Johnson insists the UK will leave the EU by the end of October, regardless of whether or not a Brexit deal is in place.

STATISTICS

☰ FUEL PRICES – 23. 8.

Natural 95 decreased by ▲9h⁶³ to CZK32.39/l⁶⁴ over the past week. Diesel oil decreased by ▲6h to CZK31.55/l.

Graph 1: Average prices⁶⁵, 2018 – 2019, Month/Week (in CZK/l)



Radim Fiala after a split of a few MPs from the Dawn of Direct Democracy, now Dawn - National Coalition

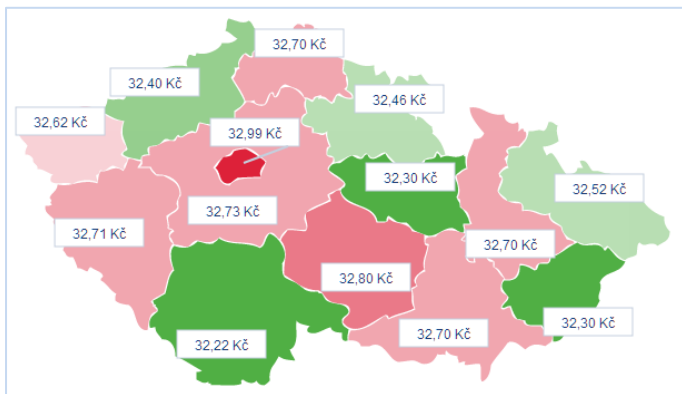
⁶² KSČM: Communist Party of Bohemia and Moravia, far-left party

⁶³ 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.

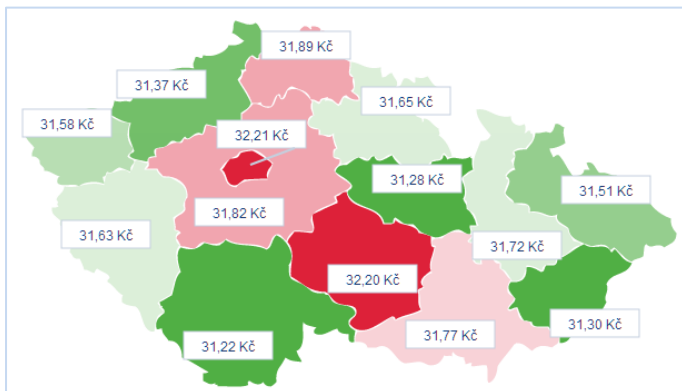
⁶⁴ l: litre, is an SI accepted metric system unit of volume equal to 1 cubic decimetre (dm³), 1,000 cubic centimetres (cm³) or 1/1,000 cubic metre.

⁶⁵ 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

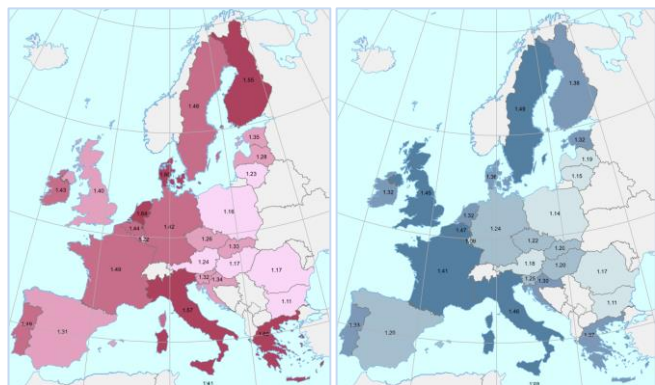
Map 1: Regions, fuel prices, Natural 95, 25. 8. (in CZK/l)⁶⁶



Map 2: Regions, fuel prices, Diesel, 25. 8. (in CZK/l)



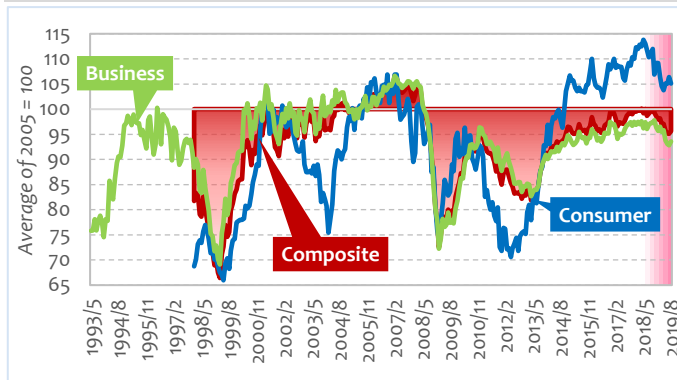
Map 3: EU, Average fuel prices, Natural 95, Diesel, 19. 8. (in €/l)⁶⁷



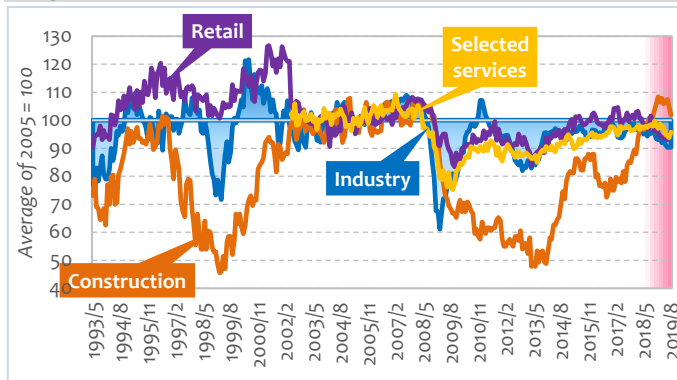
BUSINESS CYCLE SURVEY – 26. 8.

Overall confidence in economy increased slightly. The composite confidence indicator⁶⁸ increased slightly by 0.5 points to 95.6 compared to July. Confidence of entrepreneurs increased slightly by 0.8 points to 93.6, m-o-m⁶⁹. Consumer confidence indicator decreased by 1.3 points to 105.1, m-o-m. Composite confidence indicator, entrepreneurs confidence indicator and consumer confidence indicator are lower compared to August 2018.

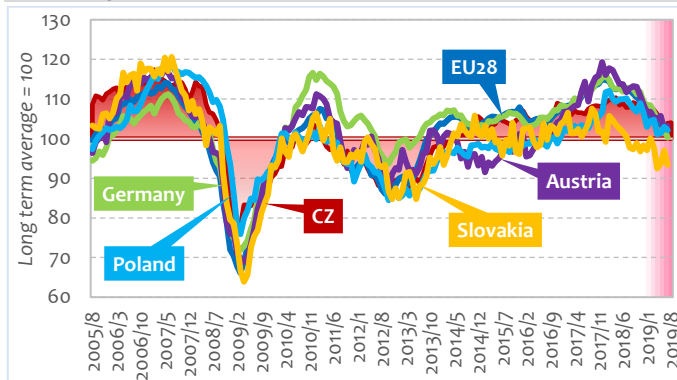
Graph 2: Confidence Indicators, SA, Overall, Basic Indices, 1993 – 2019



Graph 3: Confidence Indicators, SA, Sectors, Balances, 1993 – 2019

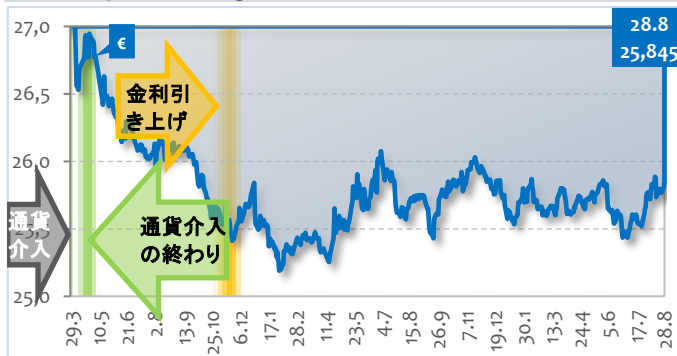


Graph 4: Confidence Indicators, Countries, 2005 – 2019



CZKvs €, \$, ¥ – 28. 8.

Graph 5: Exchange rates, CZK/€, 29. 3. 2017 – 28. 8. 2019



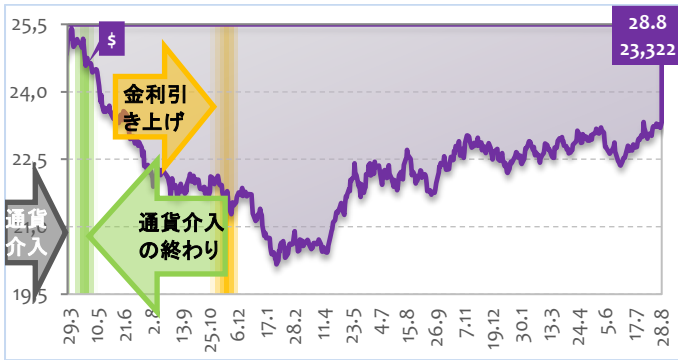
⁶⁶ data issued by the mBenzin.cz; <https://www.penzize.cz/ceny-benzinu-a-ceny-nafty>

⁶⁷ data issued by the EC; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

⁶⁸ economic sentiment indicator, stated by basic indices

⁶⁹ M-o-m: month on month, compared with preceding month

Graph 6: Exchange rates, CZK/\$, 29. 3. 2017 – 28. 8. 2019



Graph 7: Exchange rates, CZK/100¥, 29. 3. 2017 – 28. 8. 2019



News outside the time span of this News summary

Excerpt



BusinessInfo.cz; is a internet portal of the CzechTrade agency and the Ministry of Industry and Trade. The purpose of the portal is to provide a system of information and services, intended primarily for entrepreneurs and exporters. It also provides information on business environment standards. In 2013, the Mladá Fronta took over the content section.



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.



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



MH, Ministry of Health of the Czech Republic (Ministerstvo zdravotnictví České republiky)



MIT, Ministry of Industry and Trade of the Czech Republic (Ministerstvo průmyslu a obchodu České republiky)



Právo Daily; a Czech daily newspaper by Borgis. jsc. owned by Zdeněk Porybný; Centre-left, social democrat, pro-Social Democratic Party view.



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.