

## ECONOMIC NEWS SUMMARY OCTOBER 31 – NOVEMBER 6

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### ECONOMY & FINANCE

#### **CNB: CZECH HOUSEHOLD DEBT GROWS TO CZK1,721BN IN SEPT – 31.10.**

The amount of money Czech households owed to banks and credit unions grew by CZK8.7bn to CZK1,721bn in September mth/mth, rising by CZK101.4bn in annual terms, according to data published by the Czech National Bank (CNB) today.

Debt of non-financial companies rose by CZK8.7bn to CZK1,153bn on the month and by CZK37bn on the year, the bank said.

Household debt has been rising since February 2016. Housing loans make up about three quarters of the total figure in the long run.

"Consumer loans totalled CZK258bn at the end of September, adding 0.6% in mth/mth terms," the CNB said.

"The debt rate development follows the trend of taking loans for the purchase of homes. The toughening of conditions for housing loans, resulting from the CNB's new legislation, has led to a moderate slowdown of the debt growth, but the continuing decline of interest rates remains a sufficient motivation for people, so the market keeps growing. As the central bank is expected to keep cutting rates further, this trend can be assumed to continue," Fincentrum & Swiss Life Select analyst Jan Macek said.

Debts of companies have risen this year except February and June, which saw a drop mth/mth.

"We have not yet registered a deterioration of payment discipline or increased delinquency in payment of loans. Despite this, we recommend being cautious when taking on further loans," debt collection agency EOS KSI executive Vladimir Vachel noted.

The CNB releases debt data every month, based on information of monetary financial institutions, including the central bank, commercial banks, Czech branches of foreign banks, money market funds and credit unions.

#### **STATE BUDGET DEFICIT DROPS TO CZK19.6BN IN OCTOBER – 1.11.**

The state budget deficit dropped to CZK19.6bn in October from September's CZK21bn, while a year ago the state budget ran a CZK5.7bn surplus, the Finance Ministry said in a press release today.

The state budget approved for this year envisages a deficit of CZK40bn.

The annual comparison was partly affected by the extraordinary sum of CZK21bn received from the EU in early 2018 as one of the last payments relating to the EU's 2007-2013 programming period.

Without this extraordinary income, the deficit would be CZK4.2bn higher.

Adjusted for the general influence of funds from the EU and financial mechanisms (both revenues and expenditures), the state budget showed a deficit of CZK10.9bn in October. In the same period a year ago, there was a CZK2.4bn surplus, which means annual deterioration of CZK13.3bn.

Total state budget revenues amounted to CZK1,221bn at the end of October, while total expenditures reached CZK1,240bn.

"In general, both tax revenues and expenditures are lower than planned. The result for this year will therefore depend on the amount of investments, which is growing gradually. If the plan for investments is not fulfilled, the spared funds would offset the weaker tax collection and the state budget would achieve the planned deficit of CZK40bn," analyst Frantisek Taborsky of Raiffeisenbank said.

Excluding the influence of funds from the EU and financial mechanisms and privatisation proceeds that were transferred to revenues in March (CZK18bn), state budget revenues grew by CZK68.8bn year on year.

Individual income tax collected from employees ranked among the most dynamically growing tax revenues. Its 12.3% rise, along with an 8% growth of social security payments, raised state budget revenues annually by CZK45.5bn.

Individual income tax collected from sole traders rose by 41.2% on the year.

Corporate income tax collection increased by 6.9%, its growth reflecting positive economic results of businesses.

Value added tax (VAT) collection generated CZK239.8bn, up by 4.4% on the year.

Total expenditures were CZK113.5bn, or 10.1%, higher than in the same period a year ago. The y-o-y rise was influenced mainly by social allowances worth CZK37.8bn.

#### **CNB: AVERAGE RATE ON CORPORATE LOANS UP TO 3.07% - 1.11.**

The interest rates on new loans to non-financial corporations (excluding overdrafts, revolving loans and credit cards) increased to 3.07% on average in September 2019. The rate on loans of up to CZK7.5m increased to 4.42%. The average rate for loans of CZK7.5m to CZK30m fell to 3.37%. The rate on new loans of over CZK30m increased by 0.32 pp to 2.96%. The interest rate on overdrafts, revolving loans and credit card loans increased to 3.96%. The overdraft rate also rose to 4.17%.

#### **RECORD 17,000 FIRMS TO CEASE TO EXIST IN CR IN 2019 – 3.11.**

Almost 17,000 firms are going to wind up their business this year, which is much more compared to previous years and the highest number since 1989, and some 31,000 new firms will be set up, according to an estimate of CRIF company's www.informaceofirmach.cz server.

The latter's number will be 2% lower yr/yr and 4% lower compared to the record year 2017 which reported 32,500 new companies. Still, however, it will be the third largest number since the 1989 overthrow of the Communist regime in former Czechoslovakia, the server said.

Almost 12,000 businesses ended their operations in Czechia in January to September, a drop of 1,500 compared to last year. An estimate for the rest of the year is another 5,000 firms ceasing to exist, which would make the aforementioned 17,000, said CRIF analyst Vera Kamenickova.

The number of companies ceasing to do business keeps rising. More than 3% of registered firms will be dissolved this year, which will be for the first time since 1989. The rate had settled around 1.5% until 2014.

A growth in the number of dissolved companies along with a modest decrease in the number of new firms is lowering the number of new firms per one dissolved company. The number of new companies will be below 15,000 in the country for the first time over the past 14 years, said Kamenickova. At the same time, there will be fewer than two new firms per one dissolved firm, also for the first time in modern history, which means the number of businesses keeps rising but at a slower rate than in the past few years, Kamenickova said.

When it comes to bankruptcy proceedings, the number of companies' bankruptcies will rise modestly for the first in five years in 2019, but it will be lower than in 2017, CRIF said.

**CIA FINMIN: STATE BUDGET DEFICIT REACHED CZK19.6BN BY OCT - 4.11.**

On October 31, 2019 total state budget income had reached CZK1,221.1bn, expenditures totaled CZK1,240.6bn and the deficit totaled CZK19.6bn. This was reported by the Ministry of Finance of the CR, according to which more than 95% of the budget was paid out to self-governments and contributory organizations. So far this year, 93.5% of the planned sum has been contributed to the EU budget.

**AGRICULTURE & ENVIRONMENT**

**CIA LESY ČR EVALUATES BIDS FILED IN CZK7BN TENDER - 31.10.**

Lesy České republiky began evaluating 213 bids submitted by 32 bidders for forestry activities and timber sales between 2020 and 2024. The estimated volume of wood to be awarded in the tender is 8.5 million m3 (on 195,633 ha). Harvesting of 1.97 million m3 of wood and afforestation of 2879 ha are expected every year. Services related to the purchase of wood amount to CZK6.99bn. The tender is divided into 54 contracts divided into three categories: calamity, post-calamity and non-calamity.

**CIA SENATE APPROVES AMENDMENT TO FORESTRY ACT - 1.11.**

The Senate approved on October 31, 2019 a government amendment to the Forestry Act. The bill extends financial contributions to non-state forest owners to address bark beetle calamity. It also includes approved parliamentary amendments restricting the possibility of alienating state forests or facilitating the rebuilding of forests and enhancing their biodiversity.

**CTK NKU: CZECHIA LACKS MEASURES TO FIGHT DROUGHT - 4.11.**

Czechia lacks fundamental measures to fight drought and it also has no relevant legislation, the Supreme Audit Office (NKU) said today referring to the outcome of checks at the Agriculture and Environment Ministries.

Existing subsidy programmes are not well prepared for the fight against drought and new programmes have not been launched except Destovka project, NKU said.

Destovka is a new programme of grants launched by the Environment Ministry to encourage households to save water.

The ministries do not agree with NKU's findings.

Environment Minister Richard Brabec resolutely rejected the report. He told journalists before a cabinet meeting that NKU should assess economic aspects not strategies of the government.

According to him, it is not the first story in which the office plays the role of an auditor and at the same time that of an "arbiter of government strategies," for which it has no capacity as it lacks drought experts.

Damage caused by a drought reached CZK24bn last year, the office said.

In 2015, the government set 49 tasks to deal with drought and water scarcity, however, most of the plans have not been implemented, which applies to building reservoirs and interlinking water management systems, for example, the office said.

There has also been no change to an approach to growing agricultural crops for energy purposes, which was part of the cabinet's concept. The area of rape fields increased by 45,000 hectares in 2015 to 2018, NKU said.

The Environment Ministry said it has taken thousands of measures.

"We have invested nearly CZK11bn in more than 14,000 drought projects since 2014," the ministry said.

"We have set up the National Coalition Against Drought where the existing as well as proposed programmes are being discussed with academicians and practitioners," Brabec said.

The Environment Ministry dismissed as untrue the statement that the ministries failed to create new subsidy programmes. "Besides thousands of projects financed from EU funds, we have modified the National Programme Environment to suit the fight against drought whose part is a very successful project to build new sources of drinking water for municipalities," the ministry said.

New sources have been built for over 400 municipalities and nearly 200,000 people now have access to quality drinking water, it added.

There is also a new precipitation management programme for towns.

The Agriculture Ministry said it launched a programme in 2016 within which it has provided aid for reconstruction and construction of over 530 municipal ponds.

The ministries provide aid within 37 subsidy programmes, having distributed nearly CZK38bn to fight drought and water shortage in 2017 and 2018, NKU said. In a majority of cases, however, those are long-term programmes that are not adapted to suit this fight. They did not comprise specific measurable targets and that is why it was impossible to assess the real impacts of the aid, NKU said.

Auditors also said cooperation of the two ministries was not optimal, but Brabec said their cooperation was very good. The Agriculture Ministry shared this opinion.

Deputy agriculture minister Jindrich Fialka said the information in the NKU report was quoted out of context. He said it was not true that the ministries' cooperation would not work. He backed Brabec's statement, saying both ministries did cooperate in taking individual steps and that there was also cooperation within the government.

Some time ago, the ministries stated clearly what their powers were to avoid any interference in one another's

programmes and they also cooperate in drafting relevant legislation.

## INDUSTRY & ENERGY & TRANSPORT

### CTK SKODA AUTO'S NEW SUPERCOMPUTER TO HELP SIMULATE AERODYNAMICS – 31.10.

Czech car manufacturer Skoda Auto put the most powerful commercial supercomputer in the CR into operation today, company representatives told journalists.

Thanks to its high computing capacity, the supercomputer is able to optimise aerodynamics simulations and help with the development of new safety features and future engines.

The computer is able to perform up to two quadrillion computing operations per second and its capacity is expected to increase up to 15 quadrillion operations per second.

"By installing the new high-performance computer, Skoda Auto is further expanding the largest commercial computing centre in the CR. We are thereby continuing to press ahead on our path to becoming a digital company and are creating an important technical prerequisite for maximising the use of current as well as future technologies and thus, for example, making development processes as efficient and economic as possible," board member Klaus-Dieter Schurmann said.

Skoda Auto's IT department keeps looking for new employees, including AI experts and data analysts.

Skoda Auto delivered 1.25 million cars across the world last year.

Skoda Auto runs three production plants in Czechia and also assembles cars in China, Russia, Slovakia, Algeria and India, mostly via partnerships, and in Ukraine and Kazakhstan, where it makes cars in cooperation with local partners.

The car maker is active on more than 100 markets.

### CTK ATC SPACE OPENS PLANT TO PRODUCE PARTS FOR ARIANE 6 LAUNCHERS – 1.11.

The CR will take part in the production of the ARIANE 6 launch vehicle via company ATC Space, a producer of component parts for the space industry, which opened a new plant worth EUR19m (about CZK485m) in Klatovy today.

The plant, whose headcount is to rise from the current 25 employees up to 55-60 people by the end of next year, will produce auxiliary engines that help carry the rocket to the orbit.

According to Transport Minister Vladimir Kremlík, the plant will produce the engines for 20-30 years, depending on the development of Ariane 6.

"We have launched the production of individual pieces, which we will supply for the first launch that is due in late 2020," ATC executive Pavel Dobes said.

"It is the most sophisticated production in our industrial zone," Klatovy mayor Rudolf Salvetr said.

ATC Space is a subsidiary of Germany's Aerotech Peissenberg, a producer of aircraft engines and gas turbines.

According to Dobes, there is a chance that a development centre will be set up in Klatovy.

"The CR is very successful in space technologies as well as applications," the Transport Ministry's space activities head Vaclav Kobera said.

The country has more than 40 companies engaged in the space industry, Kobera noted.

The government approved the country's space programme until 2025 several weeks ago.

Eleven years ago, the CR became part of the European Space Agency (ESA), Kremlík noted.

Czechia is to send CZK1.5bn to ESA next year. The funds return in the form of contracts and international cooperation. ESA has provided EUR15m for the new plant, while the remainder has been covered by the parent company.

The plant building will be owned by ESA as long as the plant produces the Ariane 6 parts, Dobes said.

Aerotech, which assembles parts of aircraft engines, had produced Ariane 5 component parts from 2014.

ATC Space won the contract for the production of acceleration engines following the government's and the Transport Ministry's decision to join the Ariane 6 programme in 2016.

### GIA MOODY'S RAISED PRAGUE AIRPORT'S RATING TO AA3 – 1.11.

Moody's Investors Service upgraded Prague Airport's credit rating by one level from current A1 with a positive outlook to Aa3 with a stable outlook. The upgrade occurred in connection with the same rating increase for the CR.

### CTK CONDITIONS IN CZECH MANUFACTURING SECTOR GET WORSE IN OCT – 1.11.

October saw a further, albeit slower, deterioration in the health of the Czech manufacturing sector, and the Purchasing Managers' Index (PMI) was 45 points, against 44.9 points in September, but still it was one of the lowest values since mid-2009, IHS Markit company said today.

The 50-point level sets the difference between growth and fall.

The index follows production, new orders, employment, delivery times and inventories.

"The Czech manufacturing sector remained firmly in the doldrums at the beginning of the fourth quarter of 2019, with overall operating conditions deteriorating strongly," said IHS Markit economist Sian Jones.

"The decline was underpinned by further marked decreases in new business and foreign client demand. Firms highlighted a challenging environment for those in the automotive industry, and the knock-on effects of weakness in the German manufacturing sector," she said.

"Most worrying was a worsening picture across the labour market and forward-looking indicators," Jones added.

"Firms registered the fastest decline in employment for almost a decade and business confidence turned negative (falling below 50 pts) for the first time in almost seven years," said Jones.

"Lacklustre sales volumes and reports of little sign of improvement in demand in the coming months drove pessimism," she noted.

"Inflationary pressures remained subdued, as input costs rose only fractionally amid reduced input buying across the manufacturing sector. Nonetheless, firms' pricing power improved as charges rose for the first time since July despite muted new business volumes," Jones said.

The index's values have been below 50 points since the beginning of the year, currently standing at levels last seen during the 2009 financial crisis. Such development is not consistent with real economy data, Raiffeisenbank analyst Eliska Jelinkova told CTK.

Domestic economy is resistant to a downturn abroad and even potential recession in Germany is having no major impact on its performance for now, she said.

New car models released into the market this summer are keeping domestic industry afloat, but such a situation will not last for ever, said Jelinkova.

Production decreased across the manufacturing sector for the eleventh successive month in October, albeit at the softest pace since April.

Moreover, a downturn in domestic and foreign demand led to further marked falls in new orders and new export business. Although the rates of decline eased slightly, they remained among the quickest since 2009, IHS Markit said.

Firms expressed the lowest degree of sentiment towards future output since late-2012. Manufacturers expect production to fall over the coming 12 months amid sustained contractions in domestic and foreign demand, said the company.

Global economic situation is not improving, which means German industry will stay weak, affecting negatively Czech industrial activity, said Czech Fund analyst Lukas Kovanda.

The question is if the problems in industry will be reflected in household consumption which is a key driver of the Czech economy this year. Unless the global economy improves, conditions in domestic industry will further deteriorate and unemployment will start rising next year, said Kovanda.

#### ŠKODA JS DEVELOPS STAINLESS STEEL FOR FUEL STORAGE – 1.11.

ŠKODA JS is developing stainless steel containing boron for the storage of spent nuclear fuel. The steel with the working name New ATABOR is used in the company in the production of baskets for transport-storage containers and also for the production of so-called compact storage grids for the storage of spent nuclear fuel. In addition, the company develops nickel alloys for equipment working with molten salts and is engaged in the research of heat treatment of stainless steel austenitic steels stabilized by titanium.

#### CZECH ENERGY SOURCES BECOME GREENER THANKS TO VELVET REVOLUTION – 3.11.

The Velvet Revolution triggered massive investments in Czech power plants to make them more environmentally friendly, which was quite a unique process in a former Eastern Bloc country, representatives of selected firms and environmental organisations have agreed.

The 1989 Velvet Revolution was a non-violent transition of power in former Czechoslovakia.

Energy group CEZ said it had invested over CZK200bn in the modernisation of its coal sources since 1989.

Other market players have made similar investments.

According to environmentalists, the trend of investing in green energy must continue and the oldest fossil fuel plants that are the biggest air polluters must be shut down in the coming years.

In 1992 to 1998, CEZ desulphurised 5,930 megawatts (MW) of its coal-fired facilities' capacity and installed fluid boilers covering a capacity of 500 MW, with investments amounting to CZK111bn, said CEZ spokesman Ladislav Kriz.

The installed capacity of the largest Czech nuclear power plant in Temelin is about 2,000 MW.

More than CZK100bn was invested in environmental projects in 2008 to 2017, Kriz told CTK.

Further investments are being made in selected power plants to reduce emissions as part of preparations for European limits taking effect as of 2020, Kriz said.

Since 1998, CEZ and other producers have been operating power plants that meet the strict emission limits set by law, he said.

Sulphur dioxide emissions have fallen by 98% compared to 1989, fly ash emissions by 99%, and nitrogen oxide emissions have been 86% lower, said CEZ board member Ladislav Stepanek.

A similar trend has been confirmed by Sev.en Energy group of financier Pavel Tykac which runs brown-coal-fired power plant Elektrarna Chvaletice.

The power plant has cut solid particle emissions by 91.2% over the period. Nitrogen oxide and carbon monoxide emissions have decreased by 81.1 and 82.4%, respectively, and sulphur dioxide emissions have fallen by 98.8%, the group's spokeswoman Gabriela Sarickova Benesova told CTK.

Projects that are under way will cut emissions further, by about 50%, with total costs including the latest investments surpassing CZK10bn, she said.

Jiri Kozelouh of Friends of the Earth environmental organisation said the modernisation of coal sources was a big success of the Czech environmental policy. To cut greenhouse gas emissions, however, it is necessary to shut down old coal-fired power plans in the years ahead, he said.

#### MI-171SH HELICOPTERS TO BE UPGRADED – 4.11.

The Mi-171Sh military helicopters will receive a new radio navigation system or radio stations and the Defence Ministry will pay about 792 million crowns for the modernisation, Jakub Fajnor, from the Defence Ministry press department, told journalists today.

A total of 15 helicopters are to be upgraded by 2026, Fajnor said. Defence Minister Lubomir Metnar (for ANO) informed the government about the deal today.

The contract was given to the state-run LOM Praha, which is in charge of other repairs of military helicopters, too.

Fajnor said all 15 machines would gain new transponders. Eight of them will also receive new radio stations and a new radio navigation system. "The contract will be signed by the end of 2019 with presumed fulfilment by October 2026," he added. Without the planned modernisation, the helicopters could not meet the military requirements. A part of the machines serve within the Special Operations Air Task Unit (SOATU). The Mi-171Sh is a multipurpose 2-engine machine manufactured in Russia. Its main purpose is to transport people.

#### ČEZ BUILT OR CONTRACTED 650 ROOFTOP PHOTOVOLTAIC POWER PLANTS – 4.11.

In 2019 ČEZ Prodej built or contracted 650 roof photovoltaic power plants. Of this total, 400 were installed by the company in households and a further 250 are being prepared. Most of them are modern solutions with accumulation into cells, which make it possible to also use the electricity at night, when the power plant is not producing any. An innovation is connecting photovoltaics with heat pumps and other technologies that customers can control remotely and

monitor using system TENGEO. ČEZ installed almost 300 heat pumps.

**CTK SURVEY: OVER 60 PCT OF BUSINESSES UNHAPPY WITH ROAD QUALITY – 4.11.**

Over 60% of Czechia's entrepreneurs are not satisfied with the quality of the country's roads and motorways, but 9% are content and the rest feel neutral about it, according to a CSOB survey.

Condition of the Czech transport network is unsustainable and it has an impact on business operation and, by extension, economic growth, CSOB's Petr Manda said.

Over 30% of businesses consider the state of the Czech road and motorway infrastructure worse than in the 1990s, the survey showed. A total of 20% believe that the quality has not changed since then, while 44% consider it improved.

The current condition can hardly be compared to the 1990s, considering there used to be fewer cars and lorries, Alfeko company executive Libor Wurm said, adding that roads were generally in worse state than they are in now.

Some 37% of entrepreneurs use their own means to transport material and goods, while 27% partially outsource and 13% do not need any transportation.

A total of 29% of businesses report occasional transportation problems, which is 10 percentage points more compared to 2017. Nearly 6% have frequent issues and 4% see problems every day, with both figures doubling.

Nearly 40% of entrepreneurs are hurt by unfinished transport projects, 25% register delayed supplies because of traffic jams and 23% complain about high fuel prices. Other issues include road closures, poor quality of roads and motorways, and unreliability of hauliers.

CSOB conducted the survey among 400 small and medium-sized enterprises.

**CTK HYUNDAI NOSOVICE CUTS DOWN PRODUCTION DUE TO LOWER DEMAND – 5.11.**

The Nosovice plant of South Korean car manufacturer Hyundai has cut down production, with employees on force leave for 70% of their wages every other Monday until the end of this year, in reaction to a decline in car sales, today's issue of daily Mlada fronta Dnes (MfD) writes.

"After four years of seeing a growing demand for our cars and exceeding our production plans, we started to feel the impact of the cooling demand on the car market this year, so we have cut down our production plan by 2.8%," plant spokesman Pavel Barvik said.

Despite this measure, the plant still keeps producing above its production capacity, maintaining a pace of more than 1,400 cars daily, Barvik said.

Hyundai Nosovice, employing more than 3,000 people, is not planning any layoffs for the time being. It wants to keep its workforce for next year, when it expects to increase the output again in connection with launching new models.

**CTK ALL OF STATE CRUDE OIL LENT TO UNIPETROL IS BACK IN MERO'S TANKS – 6.11.**

All of the crude oil lent by the Administration of State Material Reserves (SSHR) to petrochemical group Unipetrol this spring because of contamination in the Druzhba pipeline is back in the tanks of state-run pipeline operator Mero, the

last part arriving in the Nelahozeves facility today, Mero spokeswoman Radomira Dolezalova told CTK.

Crude oil flowing from Russia via Druzhba was tainted with organic chloride in late April. Countries connected to the route, including Czechia, halted supplies of Russian crude. Supplies to Czechia were resumed in late May. Since then, Unipetrol has been returning the crude to state reserves gradually.

According to estimates, about 5 million tonnes of crude oil were contaminated.

Unipetrol used the borrowed oil for its refinery in Litvinov.

The exact amount of the oil loan has not been disclosed.

The government had approved lending almost 30% of emergency oil reserves from SSHR, Mero noted today.

Visegrad Four countries (Czechia, Slovakia, Poland and Hungary) released about 2 million tonnes of oil from their state reserves during the Druzhba outage, SSHR chairman Pavel Svagr told CTK today. "The one-month outage of Druzhba showed how important it is to have crude oil in state reserves. Thanks to this, the Litvinov refinery did not have to be shut down and could continue producing fuel and other materials important for the Czech industry," Svagr said.

Czechia currently has emergency reserves of crude oil and oil products to last for 84 days, the same amount as before the problems with Druzhba. Unipetrol operates two refineries, in Litvinov and in Kralupy nad Vltavou, but only Litvinov processes the Russian sulphur-rich oil. The annual capacity of both refineries is some nine million tonnes of crude oil. Kralupy processes low-sulphur oil that flows to Czechia from Terst, Italy, via Ingolstadt, Germany, through the IKL pipeline, which was put into operation in 1996.

**CIA ŠKODA AUTO'S OPERATING PROFIT UP TO EUR 1.175BN IN 9M 2019 – 6.11.**

ŠKODA AUTO's operating result rose by 8.5% y/y to EUR 1.175bn in 9M 2019. Revenues increased by 17.6% to EUR 14.8bn, incl. new consolidation of Indian assets. Return on sales reached 7.9% and tangible investments EUR 745m (+28%). Deliveries to customers dropped 2.7% to 913,700 vehicles due to the slowing Chinese market. Total sales increased by 15.3% to 804,900 units. The most popular models were KODIAQ and KAROQ.

**CIA AVAST AND FEL ČVUT OPEN JOINT LABORATORY – 6.11.**

Avast and the Czech Technical University's Department of Electrical Engineering (FEL ČVUT) have created a partnership to support research into artificial intelligence and machine learning. The Avast laboratory in which the majority of research will be conducted is located at the ČVUT. Avast will provide its data on threats from more than 400m devices, while the university will provide knowledge of complex threats. Among other things, the laboratory's objectives are to publish ground-breaking research results in this area and to improve Avast malware's detection engine.

**TRADE & INVESTMENT**

**CIA GOVT APPROVES AMENDMENT TO INVESTMENT INCENTIVES ACT – 5.11.**

Prime Minister Andrej Babiš's (ANO) government approved on November 4, 2019, the amendment to the Act on Investment Incentives, which will enable their drawing also to technology centers without the limit of a minimum

unemployment rate of 7.5%. On the other hand, strategic service centers should be excluded from this benefit. The ministers also supported a draft that will provide designers with data of all standards in a complete publicly accessible and free database. Furthermore, the government approved an increase in salaries in the public sector of at least CZK1,500 per month or the appointment of Hana Továrková as a member of the council of the Czech Telecommunication Office.

**CTK CZECH EXPORT DOING WELL IN SPITE OF EXTERNAL DEVELOPMENTS – 6.11.**

Czech foreign trade is performing well despite Germany's slowdown and a downturn in global demand, analysts approached by CTK have said.

Statisticians said today that the foreign trade surplus rose by CZK14.4bn yr/yr in September to hit the highest value this year, CZK25.1bn.

Domestic export may see a new record this year, but uncertain external developments make Czech businesses thoroughly consider further investments, and some firms are starting to feel the downturn, analysts said.

Last year's record export figure may be surpassed this year, said Raiffeisenbank analyst Eliska Jelinkova. Car exports that were at their highest this year in September were a major contributor to the strong result, she said.

Like in August, the trade balance in September was much better than expected by analysts, said UniCredit Bank economist Jiri Pour.

"In yr/yr terms, it was favourably affected by higher car exports, lower imports of other transport equipment, and lower imports of crude oil and natural gas," said Pour. Machinery exports, too, were doing well, he added.

Given the situation abroad, the Czech car industry's resistance is surprising, according to him.

The automotive segment recorded a 6.8% rise of exports yr/yr in the Jan-Sept period, which is a very good result, he said.

Seasonally-adjusted exports were 1.7% higher and imports added 1.9% mth/mth, the former showing an upward trend and the latter stagnation, statisticians said.

Imports are rising at a slower rate, which testifies to a slowing economic activity, said Jelinkova.

**LABOUR & SOCIAL & EDUCATION**

**GIA GOVT APPROVES EXTRAORDINARY WORK VISAS FOR UKRAINIANS – 31.10.**

Czech government approved on October 30, 2019, the draft regulation on an extraordinary work visa for citizens of Ukraine. Czech Ministry of Agriculture responds to the necessity to speed up the provision of extraordinary work visas for citizens of Ukraine working in agriculture, food industry or forestry in order to address the critical situation in forestry associated with the fight against bark beetle calamity. The regulation also reflects the long-term unsatisfactory labour supply in agriculture and the food sector. There are currently 57,000 jobs available in the aforementioned sectors in the CR. The number of visa applications submitted per calendar year should be up to 1500.

**CTK PUBLIC SECTOR SALARIES TO INCREASE BY 1,500 CROWNS**

**FROM JAN 1 – 4.11.**

The Czech government decided today on an increase of public sector employees' salaries by 1,500 crowns from January 1 and also scratched the lowest category from the public sector salary table, Culture Minister Lubomir Zaoralek (Social Democrats, CSSD) has announced.

The employees of state-funded institutions will see their salaries increase by 1,830 to 3,180 crowns, depending on their experience and qualification.

From January 1, each salary will be defined by one of four public sector salary tables. The first one sets the salaries of clerks, parliament or Presidential Office workers, Czech Academy of Sciences employees, employees of grant and technology agencies as well as prison guards, members of the military and the police.

Today's decision adds culture workers, non-medical professionals employed by health care institutions and technical personnel to the first salary table.

The second table defines the salaries of paramedics, the third of doctors and the fourth of teachers.

The government's decision also added an increase of the salaries of teachers by 8% and will also increase their bonuses. Education sector trade unions do not agree with the decision, asking for an increase of 10%, and have announced they will go on strike on Wednesday.

"Education is the government's clear priority," Education Minister Robert Plaga (ANO) said, adding that teachers should see their salaries rise by at least 18,000 crowns between 2015 and the end of 2021.

More than 6,000 schools want to join the Wednesday strike, with trade union representatives saying their main reason is that the government is not fulfilling its promises on the rise of teachers' salaries.

"The whole debate is about the 11 billion crown increase, where we are unable to agree on how many% should go to the salary table increase and how much should go to the bonuses that will be divided by head teachers," Plaga said.

Education sector trade unions chairman Frantisek Dobsik said the education minister deceived the teachers, the government as well as the prime minister, adding that the debate on teachers' salaries is not a dialogue but only the education minister's numbers game.

Prime Minister Andrej Babis (ANO) agreed on the salary increase with Plaga last week.

"I do not understand why the trade unions do it. The question is who is behind it," the PM said today.

Earlier this year, Babis was proposing a 15-% increase of teachers' salaries.

Last year, the number of public sector employees was 640,700 and the average salary was 35,437 crowns. The increase in public sector salaries from 2017 was 10.8%.

**CTK UP TO 25% OF SCHOOLS JOIN STRIKE IN REGIONS – 6.11.**

One tenth to one quarter of schools joined today's strike of teachers in various Czech regions, the Education Ministry's spokeswoman Aneta Lednova has told media citing data from 75% of kindergartens, elementary and secondary schools in a majority of the country's 14 regions.

Education Minister Robert Plaga (ANO) called the strike a debacle of the trade unions that have staged it. The number

of the schools on strike, reported by the School Workers' Union, does not correspond to the picture the union had created about teachers' mass protest, Plaga told a press conference.

Prime Minister Andrej Babis (ANO) said the union has ignored the fact that the 2020 state budget projects a 11-billion-crown increase in teachers' wages. The unions is fighting for itself and its image rather than for teachers, Babis told CTK.

He said he does not understand why the union initiated a strike for teachers' pay increase. The developments today show that most teachers do not understand this either. They have seen their wages rise unprecedentedly in recent years, Babis said, repeating his promise that teachers' average monthly wage will cross 45,000 crowns in 2021.

On Monday, the union leaders said that 6,000 schools, which is about a half of all schools in the country, planned to join the strike staged in protest against the ministry's refusal to raise teachers' base pay by 10% as of next year but instead, to raise it by 8% only and earmark the remaining 2% of the additional money for bonuses designated for the best teachers.

Later this morning, the School Workers' Union said that more than 1,200 schools remained closed today, over 2,700 reduced lessons and almost 3,000 expressed support for the protest without going on strike themselves.

"The figures do not correspond to the illusion the unions tried to suggest. We are witnessing a debacle of the unions. I would be very unhappy if the ongoing battle were lost by teachers...The union-organised strike definitely has not been supported en masse, which is an illusion Mr [Frantisek] Dobsik is trying to create," Plaga said, referring to the School Workers' Union chairman.

The union says it has initiated the strike not only over the government's fresh directive on the distribution of the additional money between teachers' base pay and bonuses in 2020 but also because the government failed to meet its previous promise to raise teachers' pay by 15% as of next year. Plaga, on his part, insisted today that the recent pay negotiations did not concern the cabinet's final decision to raise the sum for teachers' remuneration by 10% (11 billion crowns) but only about the planned division of the additional money into a base pay increase and bonuses. As a result, he can see no reasons for teachers to protest, he said.

The regional and local self-rule bodies, which operate schools and kindergartens, welcomed the position of the schools that have decided not to join the strike.

"Teachers' wages must further be negotiated about, and municipalities, as schools' operators, are ready to take active part in the negotiations. Nevertheless, we consider the current action of the school workers' union unfortunate, and schools' low participation in the strike corresponds to this," town governments' association chairman Stanislav Polcak said.

The unions strive for teachers' wages increase to 130% of the Czech average wage. They wanted to reach the goal by 2020. The Czech average gross monthly wage was 32,466 crowns in the first quarter of 2019, to which teachers' 42,205 crowns would correspond, according to their demands. However, their average wage in the first quarter reached 36,224 crowns, or 112% of the national average.

#### Share of schools on strike (in%) in selected regions

Region	on strike	not on strike
Karlovy Vary	76	24
South Moravia	78	22
Liberec	87	13
Pardubice	83	17
Central Bohemia	89	11
Usti	85	15
Vysocina	90	10
Zlin	79	21

\*The regions not included in the survey are Prague, Plzen, South Bohemia, Hradec Kralove, Olomouc and Moravia-Silesia.

#### MISCELLANEOUS

##### SENATE APPROVES EU AGREEMENT ON CONTRIBUTIONS TO CRISIS FUND – 31.10.

The Senate on Wednesday approved an EU agreement on contributions to the Single Resolution Fund that was signed in May 2014.

The Chamber of Deputies (lower house of parliament) is yet to debate the Intergovernmental Agreement (IGA) which is part of the banking union.

Senators approved the agreement in December 2014 but the lower house failed to deal with it in its previous term of office, which is why the government submitted the document to both chambers again.

Czechia will have to meet obligations arising from the agreement once it joins the banking union.

Senators also passed an agreement between Czechia and Kyrgyzstan to avoid double taxation and tax evasion.

Kyrgyzstan is the last former Soviet republic with which Czechia has no such agreement, the government said.

Deputies are going to discuss the agreement at their current regular session.

##### SENATE PROPOSES REGULATION OF CONFLICT OF INTERESTS – 31.10.

On October 30, 2019, the Senate returned to MPs for repeated discussion the government's draft amendment to the Nomination Act. According to senators, the standard should not include e.g. the requirement that applicants who work in the given field in private sector in top management positions cannot apply to the management and supervisory bodies of state-owned companies.

##### REGIONAL DEVELOPMENT MINISTRY: ČR CAN DRAW ON A FURTHER CZK37BN FROM EU – 4.11.

The CR will be able to use a further almost CZK37bn from the EU for projects in various areas. This is made possible by fulfillment of the absolute majority of milestones for crediting of the so-called performance reserve. This was reported by the Ministry of Industry and Trade of the CR.

##### SENATE CALLS ON MINISTRIES TO SUSPEND SUBSIDIES FOR AGROFERT – 4.11.

The Senate of the Parliament of the CR is calling on the Government of the CR and relevant ministries to suspend the payment of funds to the AGROFERT holding as part of preliminary caution until the European Commission's audits about the possible conflict of interests of Prime Minister

Andrej Babiš (ANO) are resolved. This is based on the resolution approved by Senators during the deliberation of the interim report of the Temporary Senate Commission on draft audit reports. The Upper House also supported the plan to ask the Ministry of Finance of the CR in which manner the potential return of funds that have already been paid out to AGROFERT are ensured. Members of the Senate commission also agreed that A. Babiš is in a conflict of interests.

 **CHAMBER OF DEPUTIES AGREES WITH EU MEASURE FOR NO-DEAL BREXIT – 5.11.**

The Czech government has received the consent of the Chamber of Deputies with the acceptance of the EU measure that is to minimise the impact of a possible Brexit without a deal on the EU budget today.

The measure will be accepted if even the new British House of Commons does not approve the modified deal on the conditions of Britain's departure from the EU, which was postponed for next January.

The Senate gave a similar consent to the government last week.

"Under the proposal the UK may keep contributing to the EU budget even in 2020, which is to minimise the impact of a possible hard Brexit on the budgets of other membership countries, including that of the CR," Finance Minister Alena Schillerova (ANO) said.

It is crucial that Britain should maximally observe its financial obligations from the time of its EU membership, she added. Schillerova said the consent with a similar measure for this year's EU budget was given by the parliament to the government this spring for the possible no-deal Brexit in March.

In September, the British parliament enacted a law against the no-deal Brexit. The stalemate is to be resolved by a snap election to be held in Britain on December 12.

 **16 EU MEMBER STATES: COHESION POLICY FUNDING SHOULD NOT DECREASE – 5.11.**

The funding of the Cohesion Policy in the European Union's next seven-year budget framework should not be lower than in the present framework, representatives of 16 EU member states said in a joint declaration approved in Prague today.

The European Commission proposed that the volume of finances for the Cohesion Policy in the Multiannual Financial Framework (MFF) 2021-2027 should be 10-% lower than in the current 2014-2020 MFF.

The Friends of Cohesion group, which associates 16 out of the 28 member states, mostly from the eastern part of the EU, called for the removal of all budget rebates from the framework in the declaration. They also said the member states should be allowed to have more flexibility in their drawing of the European funds so that they can allocate resources in accordance with their national and regional priorities.

The group said the Cohesion Policy helped bring the living standards in member states closer together and contributed to the operation of the internal market. It added that this policy can be used to deal with new challenges such as climate change and industry transformation.

The declaration was signed by Spain, Portugal, Greece and 13 new member states, namely Bulgaria, Croatia, Cyprus, the CR,

Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.


In the current MFF, Czechia may receive up to 20.5 billion euros from the cohesion funds. Czech PM Andrej Babiš said previously that the country would get less money because it is getting richer.

Italian Minister for European Affairs Vincenzo Amendola and Gunther Oettinger, who was the responsible for the drafting of the MFF 2021-2027 as European commissioner for budget in the outgoing team of Jean-Claude Juncker, took part in the Prague meeting.

 **HSBC: EUROPE THE MOST ATTRACTIVE DESTINATION FOR BUSINESS – 6.11.**

In the next three to five years, roughly 39% of companies from all over the world plan to expand to Europe. Approximately 52% of European firms expect to strengthen their activities in the region. The Old World is thus the world's most attractive area for future business. A total of 9,100 companies in 35 countries participated in a survey conducted by HSBC. Germany (15%), France (13%) and the United Kingdom (10%) lead the list of the most attractive markets for companies from all over the world.

**STATISTICS**

 **AGRICULTURE IN 3RD QUARTER OF 2019: MEAT PRODUCTION SLIGHTLY UP, PRICES OF PIGS FOR SLAUGHTER AS WELL – 31.10.**

In Q3 2019 the meat production amounted to 112 320 tonnes; i.e. by 2.7% more, y-o-y. It consisted of 17 422 tonnes of beef (+1.1%), 51 586 tonnes of pigmeat (+1.6%), and 43 258 tonnes of poultrymeat (+4.8%). Prices of cattle for slaughter were slightly lower, y-o-y (-2.4%), while those of chicken for slaughter slightly rose (+1.9%). The growth of prices of pigs for slaughter continued and reached the average value 44.49 CZKper kg of carcass weight; i.e. by 4.86 CZKper kg more than in Q2 2019. Diaries and collection centres purchased 746 832 thousand litres of milk (+1.0%) for 8.62 CZKper litre on average.

**Slaughtering and meat production**

In Q3 2019 the number of slaughtered cattle was 57.8 thous. head (+0.6%, y-o-y); of which 23.4 thous. were bulls (+4.7%), 26.5 thous. were cows (-2.8%), 5.9 thous. were heifers (+3.7%), and 1.5 thous. were calves (-8.2%). The total beef production reached 17 422 tonnes (+1.1%). This slight increase of the production was connected with increased imports and lower exports of animals intended for slaughter.

The number of slaughtered pigs in Q3 2019 slightly rose to 574.4 thous. head (+2.5%, y-o-y); however, the number of sows culled and slaughtered decreased by 11.9%. The pigmeat production amounted to 51 586 tonnes; i.e. by 1.6% more, y-o-y, but by 3.8% less than in Q2 2019. The producers took advantage of growing prices of pigs for slaughter and sold also younger and smaller pigs. The difference in average weight of pigs slaughtered in Q1 2019 and Q3 2019 was 4.1 kg. According to the statistical survey of the Ministry of Agriculture of the CR, the amount of poultry slaughtered in Q3 2019 accounted for 66 587 tonnes; it represents 43 258 tonnes of poultrymeat, i.e. by 4.8% more, y-o-y.

**Cattle and pig numbers**



The numbers of cattle in the CR at the beginning of Q3 2019 were 1 422.7 thous. head, of which 582.8 thous. head were cows; these numbers almost did not change compared to the same date in 2018. A slight decline (-4.6) occurred in of bulls for fattening as the category which determines the beef production. Lower number of animals available for the meat production was compensated by changes in external trade in animals intended for slaughter.

According to the results of the Pig Production Survey, the number of pigs decreased to 1 510.1 thous. head (-3.0%); of which the number of sows remained at the same level, y-o-y (90.5 thous. head; -0.1%). The number of pigs for fattening went down by 3.5%. Similarly to the situation in cattle, declined availability of fattened pigs did not influence the pigmeat production due to distinctly lowered exports of pigs intended for slaughter.

#### **Agricultural producer prices of cattle, pigs and chicken for slaughter**

Agricultural producer prices of cattle for slaughter in Q3 2019 went by 2.4% below the level of those in Q3 2018. The prices of calves for slaughter dropped the most (-11.7%); the prices of heifers and bulls declined slightly (-3.4% and -3.3%, respectively), and the prices of cows for slaughter remained almost the same, y-o-y (+0.4%). The average price of bulls for slaughter was 45.83 CZKper kg of live weight or 83.40 CZKper kg of carcass weight.

In Q3 2019 the increase in prices of pigs for slaughter continued. In comparison with plummeted prices in Q3 2018 they went up by 24.4%. Agricultural producers sold pigs for slaughter for on average 34.23 CZKper kg of live weight or 44.49 CZKper kg of carcass weight. Compared to Q2 2019, the price was by 4.86 CZKper kg higher.

Agricultural producer prices of chicken for slaughter slightly increased, y-o-y (+1.9%). The average price of chicken for slaughter was 23.08 CZKper kg of live weight.

#### **External trade in live animals and meat**

According to preliminary results of external trade in live animals in the period from June to August 2019, the turnover of the trade in live cattle went up, y-o-y, due to increased exports of animals for further rearing. The turnover of the trade in live pigs and live poultry declined as a result of decreases on both sides of their trade.

Increased number of exported cattle for further rearing in the last year was reflected in Q3 2019 in decreased exports of animals for slaughter; in addition, imports of animals for slaughter increased in order to ensure meat production in slaughterhouses. Exports of live cattle intended for slaughter went down, y-o-y, by 13.1% to 15.2 thous. head, while exports of cattle for further rearing rose again (to 36.9 thous. head; +10.4%). Imports of animals for slaughter went up to 1.5 thous. head. The largest exports of fattened cattle – involving almost three quarters of these animals – were directed to Austria. Cattle for further rearing were exported mainly to Turkey; weaned calves to Spain and the Netherlands. Cattle for slaughter were imported from Slovakia.

External trade in live pigs followed the same trend as in Q2 2019; it was characterized by y-o-y lowered imports of piglets, their increased exports, and declining exports of pigs for slaughter. Only 23.6 thous. piglets were imported (-43.8%), while 39.2 thous. head (+16.2%) were exported during the considered period. Piglets came traditionally from

Denmark and Germany and were exported to Hungary, Slovakia, Romania, and Austria. Exports of pigs for slaughter went down to 48.1 thous. head, i.e. -30.7%, y-o-y. They were exported the most to Slovakia, Hungary and Germany.

The balance of external trade in live poultry was positive both for day-old juveniles and poultry for slaughter. The total surplus of the trade in day-old juveniles reached 23.4 million chicks and it decreased, y-o-y, due to their lowered imports (1.6 million head; -30.4%) as well as exports (25.1 million head; -16.8%). Day-old chicks of meat type were exported mainly to Slovakia, those of laying type to Poland and Romania. Exports during the considered period accounted for 6 073 tonnes (+14.7%) of chicks and culled hens for slaughter, mostly to Poland and Slovakia; and 3 197 tonnes of fattened turkeys (+26.5%), mostly to Germany and Poland.

Negative balance of external trade in meat improved, y-o-y, to -59 521 tonnes of pigmeat and -20 697 tonnes of poultrymeat, while in beef it slightly deepened to -7 483 tonnes.

Imports of beef went up, y-o-y, to 10 623 tonnes (+10.1%) and, similarly, its exports to 3 141 tonnes (+10.2%). Beef came especially from the Netherlands, Germany, Poland, and Ireland; it was exported mainly to Slovakia, Poland, and the Netherlands.

As concerns pigmeat, its y-o-y lower imports (66 765 tonnes; -1.5%) and higher exports (7 244 tonnes; +7.4%) mitigated the trade balance deficit. The largest proportion of pigmeat was imported from Germany, Spain, and Poland. Prevailing part of exports was directed to Slovakia.

External trade in poultrymeat recorded declines both in imports and exports. In total 25 034 tonnes (-7.0%) were imported and 4 338 tonnes (-22.7%) were exported during the considered period. The largest amount of poultrymeat came from Poland; it went mostly to Slovakia, Germany, Austria, and Hungary.

#### **Milk collection and agricultural producer prices of milk**

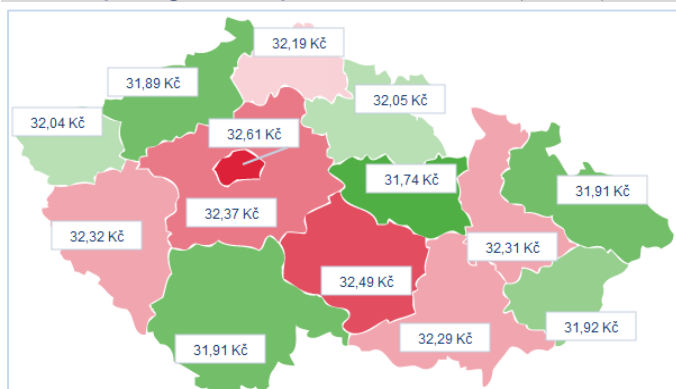
According to the statistical survey of the Ministry of Agriculture of the CR, in total 746 832 thousand litres of milk (+1.0%) were collected from domestic producers in Q3 2019, of which 614 262 thousand litres (-2.9%) were purchased by dairies from producers and collection centres.

Agricultural producer prices of milk were by 4.7% higher, y-o-y. Agricultural producers sold milk of Q quality class for the average price 8.62 CZKper litre, i.e. by 0.31 CZKper litre less than in Q2 2019.

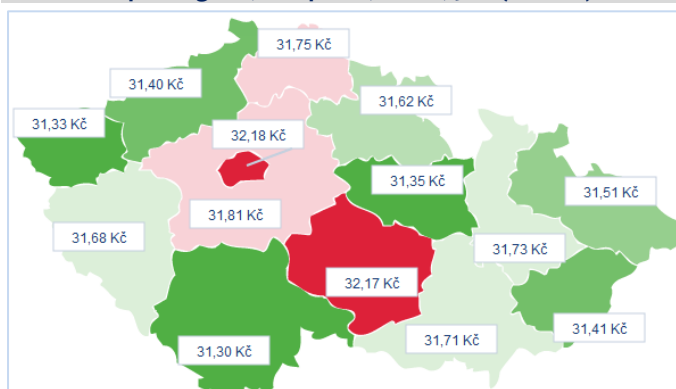
#### **External trade in milk and milk products**

The distinct surplus in external trade in milk and milk products increased during the considered period to 227.8 thous. tonnes. In total 61.4 thous. tonnes (-7.8%) of milk and milk products were imported and 289.3 thous. tonnes (+0.6%) were exported. This result was influenced the most by distinctly lower imports of milk and cream (9.8 thous. tonnes; -25.6%) and acidified milk products (8.1 thous. tonnes; -23.8%), and slightly higher exports of milk and cream (236.6 thous. tonnes; +2.2%). Increased imports of cheese and curd resulted in trade deficit for this commodity deepened to 11.9 thous. tonnes. The main trade partners for milk and milk products were Germany and Slovakia for both directions together with Poland for imports and Italy for exports.

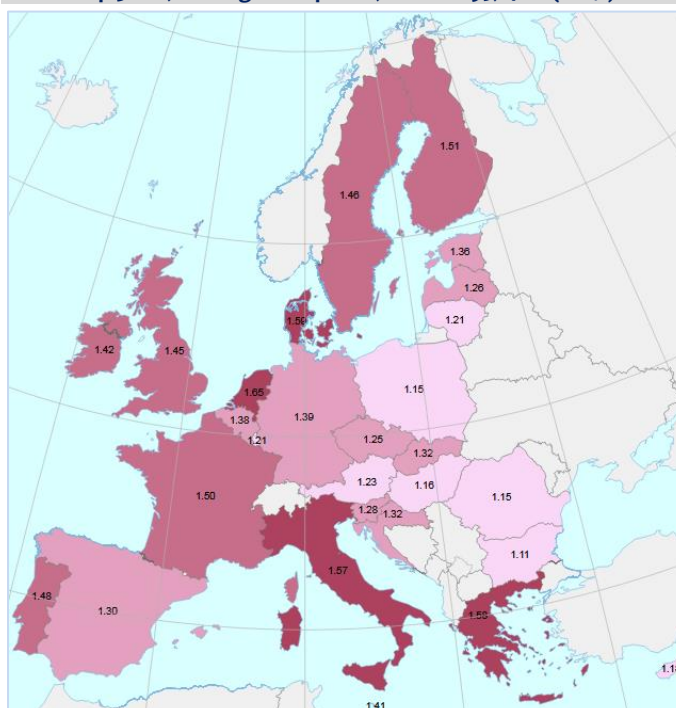
Map 1: Regions, fuel prices, Natural 95, 3.11. (in CZK/l) <sup>1</sup>



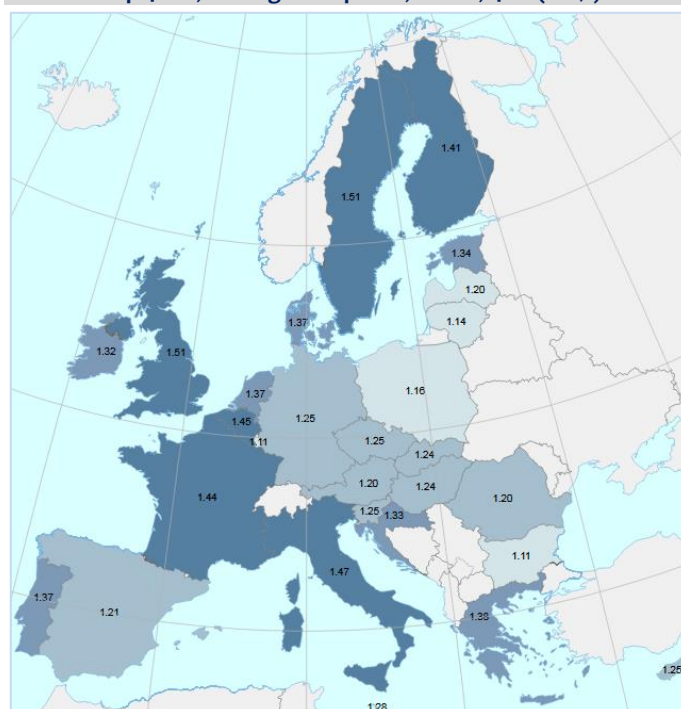
Map 2: Regions, fuel prices, Diesel, 3.11. (in CZK/l)



Map 3: EU, Average fuel prices, Natural 95, 4.11. (in €/l) <sup>2</sup>



Map 4: EU, Average fuel prices, Diesel, 4.11. (in €/l)



**CONSTRUCTION - SEPTEMBER 2019: PRODUCTION**  
RETAINED THE HIGH LEVEL OF THE LAST YEAR SEPTEMBER – 6.11.

In September 2019 the working days adjusted construction output increased by 0.2% year-on-year (y-o-y), in real terms. The seasonally adjusted construction output grew by 1.8%, month-on-month (m-o-m). The planning and building control authorities granted by 12.0% more building permits, y-o-y, and the approximate value of permitted constructions grew by 4.6%, y-o-y. The number of started dwellings soared by 45.8%, y-o-y; and the number of completed dwellings soared by 40.9%, y-o-y.

In September 2019 the construction output increased by 1.8%, m-o-m, in real terms. From annual point of view, it grew by 0.2%. The production in building construction increased by 1.0% (contribution +0.7 percentage points (p.p.)), y-o-y compared to the same month of the last year. The production of civil engineering construction declined by 1.7% (contribution -0.5 p.p.), y-o-y. The working days unadjusted construction output was up by 2.9%, y-o-y. September 2019 was by two working days longer than September 2018.

The average registered number of employees in construction grew by 1.6%, y-o-y in September 2019. Their average gross monthly nominal wage increased by 5.4%, y-o-y, in September 2019.

In September 2019 the number of building permits granted increased by 12.0%, y-o-y. The planning and building control authorities granted 7 535 building permits. The approximate value of the permitted constructions attained CZK 33.2 billion and grew by 4.6% compared to that of the corresponding period of 2018.

The number of dwellings started in September 2019 soared by 45.8%, y-o-y, and attained 3 653 dwellings. The number of dwellings started in family houses fell by 2.9%. The number of dwellings started in multi-dwelling buildings increased more than five times, yet the annual comparison is in part affected by a low comparison basis.

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

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

The number of completed dwellings soared by 40.9%, y-o-y, in September 2019 and was 3 308 dwellings. The number of completed dwellings in family houses jumped up by 18.8%. The number of completed dwellings in multi-dwelling buildings increased two times.

According to Eurostat the WDA (working days adjusted) construction output in the EU28 increased by 1.9%, y-o-y, in August 2019. Buildings increased by 2.2% and civil engineering works grew by 1.4%. According to the preliminary schedule Eurostat shall release the data for September 2019 on 19 November 2019.

### Construction in Q3 2019

In Q3 2019, compared to Q2 2019, the construction output was by 0.2% lower, quarter-on-quarter, in real terms. The construction output increased by 0.4%, y-o-y. The production in building construction decreased by 0.4% (contribution -0.3 p.p.), y-o-y, and the production of civil engineering construction grew by 2.2% (contribution +0.7 p.p.), y-o-y. The working days unadjusted construction output increased by 1.8%, y-o-y. Q3 2019 was by three working days longer than Q3 2018.

The average registered number of employees in construction increased by 1.1%, y-o-y in Q3 2019. Their average monthly nominal wage increased by 6.3%, y-o-y in Q3 2019.

In Q3 2019, the number of building orders of construction enterprises with 50+ employees declined by 6.0%, y-o-y; the enterprises received and concluded 15 874 building orders in the CR. The total value of the orders jumped up by 19.8%, y-o-y and was CZK 65.1 billion. The building construction orders were for CZK 28.2 billion (increase by 4.4%) and those for civil engineering constructions were for CZK 36.8 billion (increase by 35.1%). The average value of a new concluded building order was CZK 4.1 million and was by 27.5% higher, y-o-y.

At the end of Q3 2019 construction enterprises with 50+ employees had 21.0 thousand orders contracted (increase by 0.6%) and these orders represented the inventory of still unimplemented construction works of the total value of CZK 178.3 billion (increase by 11.8%).

In Q3 2019 the number of building permits granted increased by 7.9%, y-o-y; the planning and building control authorities granted 22,394 building permits. The approximate value of constructions permitted in Q3 2019 accounted for CZK 100.0 billion and grew by 9.8%, y-o-y, compared to that in the corresponding period of 2018.

The floor area of new buildings permitted in Q3 2019 was 1 844 thousand m<sup>2</sup>, which means a growth by 14.1%, compared y-o-y. The floor area of permitted residential buildings jumped up by 22.0%, and that of non-residential buildings grew by 5.2%.

The number of dwellings started in Q3 2019 jumped up by 22.6%, y-o-y and accounted for 10 035 dwellings. The number of dwellings started in family houses grew by 0.1%, and that in multi-dwelling buildings grew more than two times.

The number of completed dwellings in Q3 2019 increased by 11.8%, y-o-y and attained 9,355 dwellings. The number of completed dwellings in family houses grew by 4.9%, y-o-y, and the number of completed dwellings in multi-dwelling buildings jumped up by 30.2%.

In September, working day adjusted industrial production decreased at constant prices by 0.6%, year-on-year (y-o-y). Seasonally adjusted industrial production increased by 0.8%, month-on-month (m-o-m). The value of new orders increased by 2.7%, y-o-y.

Industrial production increased in September 2019 at constant prices by 0.8%, m-o-m. In the year-on-year comparison, it decreased by 0.6%. The following economic activities contributed the most to the y-o-y change in industrial production: manufacture of machinery and equipment (contribution -0.8 percentage point (p. p.), drop by 9.8%), manufacture of computer, electronic and optical products (contribution -0.4 p. p., drop by 9.8%), and manufacture of fabricated metal products (contribution -0.3 p. p., drop by 3.3%). Industrial production increased in the following economic activities: manufacture of motor vehicles, trailers and semi-trailers (contribution +0.52 p. p., growth by 2.7%), manufacture of electrical equipment (contribution +0.50 p. p., growth by 7.0%), and manufacture of other transport equipment (contribution +0.3 p. p., growth by 15.8%). Non-adjusted industrial production was by 4.9% higher, y-o-y (there was two working days more in September 2019 compared to September 2018).

Sales from industrial activity at current prices increased by 6.3%, y-o-y, in September 2019. Direct export sales of industrial enterprises increased at current prices by 8.2%. Domestic sales, which include also indirect export via non-industrial enterprises increased at current prices by 3.7%.

The value of new orders in surveyed industrial CZ-NACE activities increased by 2.7%, y-o-y, in September 2019. Non-domestic new orders increased by 2.9%, while domestic new orders increased by 2.4%. The y-o-y increase of new orders in total was the most contributed to by the following CZ-NACE divisions: manufacture of motor vehicles, trailers and semi-trailers (contribution +1.9 p. p., growth by 4.9%), manufacture of electrical equipment (contribution +1.8 p. p., growth by 18.6%), and manufacture of paper and paper products (contribution +0.3%, growth by 13.9%). New orders decreased in manufacture of computer, electronic and optical products (contribution -0.7 p. p., drop by 6.3%), manufacture of basic metals (contribution -0.6 p. p., drop by 10.1%), and manufacture of other transport equipment (contribution -0.4 p. p., drop by 16.1%).

The average registered number of employees in industry decreased in September 2019 by 1.6%, y-o-y. Their average gross monthly nominal wage increased in September 2019 by 7.0%, y-o-y.

According to the Eurostat news release, working day adjusted industrial production in the EU28 in August 2019 decreased by 2.0%, y-o-y. According to a preliminary release calendar, Eurostat will release data for September 2019 on 13 November 2019.

### Industry in the third quarter of 2019

Seasonally adjusted industrial production<sup>1</sup> in the Q3 2019 was at constant prices by 0.4% lower when compared to the Q2 2019. In the year-on-year comparison it decreased by 0.6%.

Sales from industrial activity at current prices<sup>2</sup> increased by 3.7%, y-o-y, in the Q3 2019. Direct export sales of industrial enterprises increased at current prices by 5.1%. Domestic

sales, which include also indirect export via non-industrial enterprises increased at current prices by 1.9%.

The value of new orders in surveyed industrial CZ-NACE activities increased by 3.8%, y-o-y, in the Q3 2019. Non-domestic new orders increased by 4.0%, while domestic new orders increased by 3.2%.

The average registered number of employees in industry decreased in the Q3 2019 by 1.4%, y-o-y. Their average gross monthly nominal wage increased in the Q3 2019 by 6.5%, y-o-y.

**EXTERNAL TRADE IN SEPTEMBER 2019: MARKEDLY HIGHER TRADE BALANCE SURPLUS – 6.11.**

According to preliminary data in current prices, in September 2019 the external trade balance in goods ended in a surplus of CZK 25.1 bn, which was by CZK 14.1 bn higher year-on-year (y-o-y).

Total balance of external trade in the national concept was mainly influenced by a higher surplus in 'motor vehicles, trailers and semitrailers' by CZK 7.3 bn mainly due to an increase of their exports by CZK 14.0 bn, year-on-year.

Balance of 'other transport equipment' improved by CZK 2.8 bn as a deficit turned into a surplus and deficit in 'crude petroleum and natural gas' decreased by CZK 1.8 bn. Surplus in 'machines and equipment' increased by CZK 1.3 bn, y-o-y. Larger deficits in 'computer, electronic and optical products' and 'basic pharmaceutical products' by CZK 1.3 bn and by CZK 1.0 bn, respectively, had the opposite effect on the total balance.

In September 2019 the trade balance with the EU28 Member States ended in a surplus of CZK 71.3 bn, and thus it was by CZK 11.7 bn higher, y-o-y. The trade deficit with non-EU countries decreased by CZK 3.4 bn to reach the amount of CZK 44.5 bn.

Compared to August 2019, the seasonally adjusted exports and imports rose by 1.7% and 1.9%, respectively. The trend shows increasing exports (+0.3%) and stagnating imports.

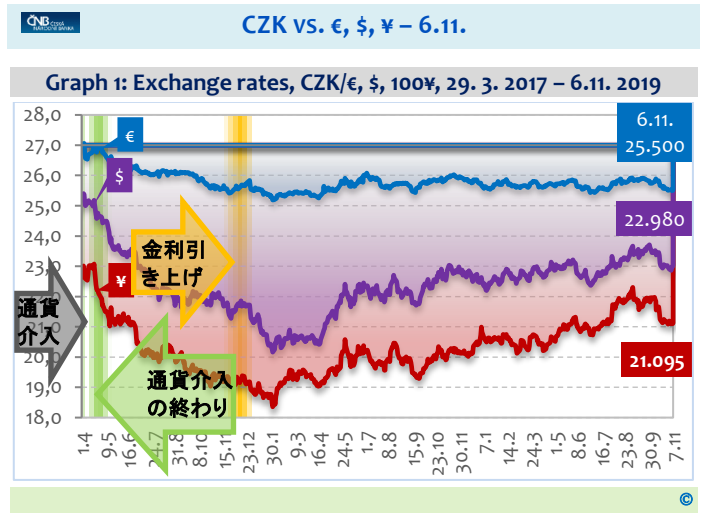
Compared to the same month of 2018, exports increased by 8.0% to reach CZK 324.7 bn, and imports grew by 3.4% to attain CZK 299.7 bn. September 2019 had two more working days than September 2018.

In the period from January to September 2019 the trade balance surplus in the national concept amounted to CZK 141.2 bn which represented an increase by CZK 54.6 bn, y-o-y. From the beginning of the year exports and imports went up by 4.0% and 2.0%, respectively, y-o-y.

**Information on the cross-border movement of goods**

According to preliminary data in current prices of the cross-border concept, exports and imports increased by 9.1% and 4.8%, respectively, in September 2019. Total exports and imports of goods amounted to values of CZK 404.8 bn and CZK 349.6 bn, respectively.

According to the Eurostat statistics, in August 2019 the CR shares in the total exports and imports of the European Union were 3.3% and 2.9%, respectively.



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