


NEWS SUMMARY FEBRUARY 9 – FEBRUARY 15

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ECONOMY & FINANCE

 **CZECH CURRENT ACCOUNT SHOWS RECORD SURPLUS OF CZK73.6BN IN 2016 – 13.2.**

The current account of the CR's¹ balance of payments posted a record-high surplus of CZK² 73.6bn³ last year, the third surplus in a row, according to preliminary data published by the CNB⁴ today.

The last three years, when the current account ended in a surplus, were the first such period of time since the establishment of the CR. The surplus was worth CZK41.4bn in 2015 and CZK7.48bn in 2014.

Before that, the current account had ended in a deficit.


Analysts say that last year's record balance of payments surplus was reached in particular thanks to the foreign trade balance. For this year, they expect another current account surplus, but a lower one than last year.

"This year, however, we expect the current account surplus to be more than a half lower. The worsening will be caused by lower surplus in the balance of services, higher payments of dividends to abroad and also lower inflow of money from EU⁵ funds,"⁶ said Jana Steckerova of Komerční banka's investment banking.

The favourable development of the CR's external balance will contribute to the pressures for the crown's firming when the CNB leaves the forex intervention regime keeping the crown on the weaker side of CZK27.0/EUR,⁷ the economists said.

The goods and service balance ended last year in a CZK354.2bn surplus, while a year earlier the surplus was worth around CZK286bn.

In direct investments, the central bank recorded a CZK126.4bn deficit, compared with a previous CZK26.6bn surplus.

 **CNB'S FOREX INTERVENTIONS TO CONTINUE TILL THE END OF Q1—RUSNOK – 13.2.**

The CNB will continue its forex⁸ intervention regime at least until the end of the Q1⁹ of this year, CNB Governor Jiří Rusnok said at a press conference after today's meeting with PM¹⁰ Bohuslav Sobotka.

Nothing thus changes against the CNB Bank Board statement from the beginning of February.

"Nothing changes in what we said at the last policy meeting, the pledge stays in place and we will be intervening at least until the end of the first quarter of the year. Depending on further development, we will decide on its end," Rusnok said. The central bank's governing board repeated at the beginning of February that it saw the middle of 2017 as the date for the probable end to the forex intervention regime. It at the same time said that it would not quit the exchange rate pledge earlier than in the Q2¹¹ of 2017.

January's inflation exceeded the expectations of analysts and the CNB's estimates so economists think that this may lead to a faster end to the CNB's exchange rate pledge in the course of the second quarter of 2017.

Annual inflation reached 2.2% in January against December's 2%. The CNB conditioned the end to the forex intervention regime with stable inflation near its 2% target.

Sobotka today praised the good cooperation between the Govt¹² and the CNB. "I am convinced that this is beneficial for the stability of the financial sector and for people in this country. The Czech financial sector (...) faces no threats."

 **PM SOBOTKA WANTS TO APPROVE AMENDMENT TO CNB UNTIL END OF ELECTION TERM 14.2.**

PM Bohuslav Sobotka (ČSSD¹³) would welcome the approval of the amendment to the Act on the CNB by the end of the current term. Sobotka said this yesterday after a meeting with Governor of the CNB Jiří Rusnok. He added that the amendment will among other things strengthen the powers of the central bank in setting upper limits for certain credit indicators. Regulation should facilitate prevention, e.g. in the case of mortgage bubble formation on the Czech market.

 **GDP PRELIMINARY ESTIMATE OF Q4 2016 – 14.2.**

After an exceptionally successful year 2015, the Czech economy performance grew also in 2016. According to the preliminary estimate, the GDP¹⁴ adjusted for price effects and seasonally adjusted increased for the entire year 2016 by 2.3%. The GDP growth was contributed to especially by consumption of households and external trade. Increasing domestic and external demand was favourable for most of

¹ CR: the Czech Republic

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

³ Bn: billion

⁴ CNB: Czech National Bank, is the central bank and financial market supervisor in the CR with its headquarters in Prague and a member of the European System of Central Banks. In accordance with its primary objective, the CNB sets monetary policy, issues banknotes and coins and manages the circulation of currency, the payment system and settlement between banks. It also performs supervision of the banking sector, the capital market, the insurance industry, pension funds, credit unions and electronic money institutions, as well as foreign exchange supervision.

⁵ 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.

⁶ 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

⁷ EUR: (€) Euro is the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union

⁸ Forex: foreign exchange market is a global decentralized market for the trading of currencies. This includes all aspects of buying, selling and exchanging currencies at current or determined prices.

⁹ Q1: 1st quarter of the year

¹⁰ PM: Prime Minister

¹¹ Q2: 2nd quarter of the year

¹² Govt: Govt of the Czech Republic

¹³ ČSSD: Czech Social Democratic Party, centre-left party

¹⁴ GDP: Gross domestic product

the industries of the national economy, especially for manufacturing. With the exception of construction the performance of which was markedly lower than in 2015.

The economy by the end of the year grew similarly as in the Q3¹⁵ 2016. In the Q4¹⁶ 2016, the gross domestic product increased by 0.2%, q-o-q,¹⁷ and by 1.7%, y-o-y.¹⁸ The GDP growth was supported mainly by manufacturing. On the expenditure side, the trend of previous quarters continued: the GDP growth was contributed to by both the steadily growing consumption of households as well as external demand.

In 2016, the labour market was positively influenced by continuing economic growth. Employment was by 1.8% higher than in 2015. In the Q4 2016, the employment increased by 2.1%, y-o-y; in the q-o-q comparison it was by 0.6% up.

2. CZECH STATE DEBT DROPPED BY CZK59.6 BN LAST YEAR – 13.

2.

The CR's state debt last year dropped by CZK59.6bn to CZK1.613tn¹⁹, the MF²⁰ announced on Friday, confirming the data released in December last year. The total debt breaks down into every Czech owing around CZK153,000. Among the main factors behind the drop is the state budget surplus amounting to CZK61.8bn and better management of state treasury liquidity.

2. EC²¹ PUBLISHED MACROECONOMIC FORECAST FOR THE CR –

13. 2.

Economic growth in the CR is estimated to have moderated to 2.4% in 2016, as solid household consumption growth was dampened by weaker investment activity. In 2017 and 2018, GDP is forecast to grow at 2.6% and 2.7% respectively, driven by domestic demand. After two years of subdued price pressures, inflation picked up in 2016 and is expected to rise further in 2017. The headline government balance is forecast to have improved to 0.3% in 2016 and to remain in surplus in 2017 and 2018.

CONSUMER PRICE INDICES - INFLATION - JANUARY 2017

– 9.2.

Consumer prices in January increased by 0.8% compared to the previous month, the CSO²² reported. This development was primarily due to a rise in the prices of 'food and non-alcoholic beverages', 'recreation and culture' and 'transport'. The y-o-y growth in consumer prices amounted to 2.2%, i.e. 0.2 p.p.²³ up on December.

The biggest influence on the growth of the y-o-y price level in January came from prices in 'food and non-alcoholic beverages'. Prices of bread and cereals increased by 2.7%, eggs by 19.0%, cheese by 13.5%, butter by 14.9%, vegetables by 5.2%. Next in order of influence were prices in 'transport' (a

¹⁵ Q3: 3rd quarter of the year

¹⁶ Q4: 4th quarter of the year

¹⁷ Q-o-q: quarter on quarter

¹⁸ Y-o-y: year on year

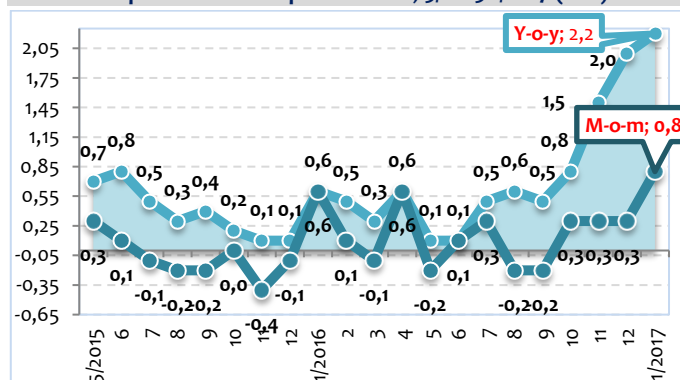
¹⁹ tn: trillion

²⁰ MF: Ministry of Finance

²¹ 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.

rise 5.1%). In 'alcoholic beverages and tobacco', prices of spirits were higher by 0.8%, wine by 0.7% and tobacco products by 6.5%.

Graph 1: Consumer prices Index, 5/2015-1/2017 (in %)



An impact on the increase in the price level had also prices in 'restaurants and hotels', where prices of catering services rose by 5.4% (of which prices in restaurants and cafés by 6.8%). In 'housing, water, electricity, gas and other fuels', prices of the net actual rentals rose by 2.1%, water supply by 2.2%, sewage collection by 2.4%, electricity by 0.3%, heat and hot water by 0.8%. In 'health', prices of medicaments and fees paid by patients on prescription drugs rose by 2.7%. The price level increase came also from prices in 'miscellaneous goods and services', where prices of insurance and financial services were higher (3.0% and 1.2%, respectively).

INDUSTRY & TRADE & SERVICES

25TH ANNIVERSARY: PRAGUE'S ČVUT WITH INTERNET

CONNECTION AS OF FEB 13, 1992 – 13.2.

The CTU²⁴ was the first institution in Czechoslovakia with an official Internet connection dating from February 13, 1992. However, first Internet tests were launched in Czechoslovakia in the autumn of 1991.

It was also possible to get connected to other computer networks such as FidoNet, EUnet and EARN at the turn of the 1980s and 1990s.

Table 1: The number of Czechs aged over 16 using the Internet

Year	No. of people (in mn ²⁵)	No. of people (in %)
2005	2.8	32
2007	3.9	45
2009	5.0	56
2011	5.8	65
2013	6.2	70
2015	6.6	76

Three-quarters of people aged 16 or more or 6.6mn Czechs were Internet users in 2015, according to data of the CSO. Only 3.1mn households, however, had a personal computer. The difference is caused by the smartphone boom, with smartphones frequently used for Internet connection.

²² CSO: CSO, is the main organization which collects, analyses and disseminates statistical information for the benefit of the various parts of the local and national Govts of the CR. It accomplishes this goal through the management of the Czech Statistical Service.

²³ P.p.: percentage point

²⁴ CTU: Czech Technical University (also ČVUT in Czech)

²⁵ mn: million

As much as 37% of the adult population or 3.2mn people accessed the Internet on their mobile phones in 2015. Data of the CZ.NIC association show that the number of registered Internet domains with the .cz country code increased to 1.28mn last year.

☰ CZECH PM PLEDGES SHAKE UP IN MOBILE DATA MARKET – 13.2.

The high charges faced by most Czechs has now climbed up the political agenda. PM Bohuslav Sobotka addressed the issue:

"Some countries have prices which are around a tenth of what they are in the CR. And when you look at the proportion of household budgets which are spent on mobile data, we are among the four most expensive states in the whole of the European Union."

The PM says a sharp drop in mobile data prices should come by the end of the year. And the call for action is being backed by ANO²⁶ leader and minister of finance Andrej Babiš, who polls have steadily tipped as the likely winner of parliamentary elections in the Autumn.

One weapon against the big three Czech telecom operators should be a change in the law allowing customers to switch their operator within 10 days instead of the current 40. Another promised change is to allow the sector watchdog, the CTO²⁷ to impose bigger fines on the dominant operators for moves aimed at curbing competition.

CTIC ŠKODA AUTO UPS SALES BY 2.4% Y-O-Y TO 93,800 VEHICLES IN JAN – 13.2.

Czech car maker Škoda Auto raised its sales by 2.4% year-on-year to 93,800 vehicles in January, with an extraordinary interest in Škoda Auto cars in Central and Eastern Europe contributing to the positive development, according to a press release published by the company today.

The Octavia model was the company's bestseller in January, reporting 37,400 units sold; however, the sales decreased by 4.6% in annual comparison.

The Yeti model sales went down by 27.3% to 6,400 units. The Rapid model, the second bestselling model, saw a rise of 5.9% to 17,700 sold cars. The Fabia and Citigo models sales increased by 8.2% to 15,700 and by 5.2% to 2,500 cars, respectively. The Superb model registered the biggest annual rise of 37.2% to 13,500 sold units.

The standard of Škoda Auto's supplies remains high globally, Škoda Auto board member Werner Eichhorn said.

With its current models, the company is ready for the forthcoming years, he stated.

The new Škoda Kodiaq model will give an impulse to the brand, the SUV model being gradually introduced on international markets as of the end of February, Eichhorn said. Škoda Auto's sales in Western Europe increased annually by 4% to 34,200 units in January, with Germany, the company's strongest market, seeing a 5.9% growth to 11,200 sold vehicles.

²⁶ ANO: ANO 2011, centre-right party

²⁷ CTO: Czech Telecommunication Office, a central administrative body for the execution of state administration in matters of Electronic Communications, including market regulation and definition of the conditions for business activities in the areas of electronic communications and postal services (also ČTÚ in Czech).

²⁸ CNG: Compressed natural gas

The sales in Central Europe went up by 17.6% to 16,700 cars. The number of units sold in the CR rose by 19.5% to 7,700.

The company sold 2,400 vehicles in Eastern Europe, which is 23.2% more year on year.

The sales in China reported an annual decline of 4.3% to 30,000 vehicles, while the Russian sales increased moderately by 0.4% to 3,600 units.

Škoda Auto is a part of German Volkswagen group. It operates three factories in the CR, where it employs about 27,000 people. The company has plants also in China, Russia, Slovakia, India, Ukraine and Kazakhstan.

In 2016, Škoda Auto sold 1,127,700 cars, exceeding one million sold vehicles for the third consecutive year.

GA ŠKODA AUTO IS PLANNING ON A SALE OF CARS VIA AN E-SHOP – 15.2.

Škoda Auto is planning on testing the sale of cars on the basis of an e-shop in the CR. The spokesperson of the car producer, Vítězslav Pelc, has confirmed, adding that this would not be a by-passing of dealers. The client would choose, from which partner of the brand he would take over the car and have it serviced at. The new offer would at first mainly relate to operating lease. The spokesman added that the ambition of the car producer is not to limit or substitute for the business activities of the authorised selling network, but rather to fulfil the expectations of the coming generation of clients.

GA ŠKODA AUTO EXPANDING ITS ECOLOGICAL LOGISTICS FLEET – 13.2.

Škoda Auto is expanding its plant in Mladá Boleslav the number of trucks with CNG²⁸ propulsion. Four new vehicles will be used for transport at the facility, another is intended for the supplier company. Apart from this the automaker will on selected routes use special trucks measuring up to 25 meters in length, which will allow it to reduce the number of trips and emissions.

TRANSPORT & INFRASTRUCTURE

GA LIBERECKÝ REGION PLANS TO INVEST CZK475MN IN REPAIRS OF ROADS – 15.2.

Liberecký Region plans to invest at least CZK475m in the renovation of regional roads in 2017. The real amount of the investment depends in a subsidy provided by the State Transport Infrastructure Fund. This was stated by Liberecký Region Governor Martin Půta (STAN²⁹). According to his words, the region will likely get a subsidy totalling CZK85mn. The region invested CZK404.5mn in the reconstruction of its roads in 2016. The region spent also CZK294.5mn on the road maintenance in the period.

CTIC PUBLIC TRANSPORT COMPS IN 6 CZECH CITIES TO GET CZK1.2BN FROM THE EU – 13.2.

Six Czech cities will get CZK1.2bn from the EU to buy environmentally-friendly vehicles, with Brno to be allocated the highest amount of CZK411mn for the purchase of 60 CNG

²⁹ STAN: The Mayors and Independents (Czech: Starostové a nezávislí), abbreviated to STAN, is a political party in the CR. The Mayors and Independents focus on localism and promoting powers for municipalities. The party grew out of the Independent Mayors for Region, which allied itself to the liberal conservative SNK European Democrats, but now cooperates with the similarly liberal conservative TOP 09.

buses, a public transport association said in a press release today.

The association's members are public transport operators in 19 regional and other big towns in the country.

The funds are distributed by the MRD³⁰ from the IROP³¹.

Tomáš Pelikán, the acting head of the Pardubice public transport company, said the renewal of all trolleybuses and trams in the CR would need an allocation of CZK17.3bn.

"Such an investment volume would cut the average age of vehicles below 12 years by 2022," he said.

Table 2: IROP funds received by public transport companies in six cities in CR (in CZKmn)

City	Amount	Purpose
Brno	411	60 CNG buses
Hradec Králové	236	Electric buses and trolleybuses with auxiliary power unit, zero-emission vehicles
Ostrava	170	Vehicle fleet renewal - Hraničník locality
Olomouc	164	Zero-emission vehicles
České Budějovice	119	11 low-floor electric buses
Frydek-Místek	80	Zero- and low-emission vehicles

RIA CENTRAL GROUP ACQUIRES AREA NEARBY PLOTS FOR FUTURE SUBWAY D LINE STATION – 15.2.

The company Central Group has acquired from Pražská správa nemovitostí an area adjacent to plots for the future construction of a subway D station. The plot covering 37,000 m² in Prague-Krč accommodates a boarding house and offices, which will likely be demolished in the future. The company intends to build a hotel there. The company copes with a partial modernisation and lease of the premises for offices or warehouses during a five-year project preparation period.

RIA TO INVEST CZK1.4BN INTO RAILROAD CROSSING UPGRADE – 10.2.

RIA³² plans to invest in 2017 totally CZK1.4bn into the boosting of safety on railroad crossings. RIA is upgrading railroad crossings equipped with just warning crosses first. The other priority type is the crossings equipped with the oldest type of interlocking plants. RIA modernised 276 railroad crossings at the cost of CZK2.3bn in 2013-2016. There are totally 7,961 crossings on Czech railroads.

CTIC ALL NINE PRIORITY TRANSPORT PROJECTS ALREADY HAVE EIA CONSENT – 10.2.

All 9 priority construction infrastructure projects already have the EIA³³ consent from the ME,³⁴ the Opatovice nad Labem-Ostrov section of motorway D35 has gained it today, Jana Tausová from the ministry said.

The 27km³⁵ long section thus can gain the building permit. The new motorway should help the towns along the I/35 road. "It will partly help also to people in Hradec Králové where the

number of the passing cars will fall. Noxious emissions and noise will be lowered as well," said ME Minister Richard Brabec.

The issued binding stance contains 14 measures to ease the motorway's impact on the environment and public health, for example monitoring of noise and of underground water sources.

Around 100 transport projects have had problems concerning the EIA process since their EIA studies were carried out under a law dating back to 1992, which was before the country's EU entry.

For 9 priority projects, the Czech government has negotiated in Brussels the possibility not to have to repeat the whole process but to approve them in simpler proceedings.

Table 3: List of priority transport projects

D3 bypass around České Budějovice
D6 bypass around Řevničov, Lubenec, Krušovice
D48 bypass around Frydek-Místek
D35 Opatovice - Ostrov (motorway section)
D49 Hulín - Fryšták (section)
D55 bypass around Otrokovice, south-eastern part
D11 Hradec Králové - Smiřice (section)
D1 Říkovice - Přerov (section)
Modernisation of railway line Sudoměřice - Votice

ENERGY

CTIC CZECH RESEARCH CENTRE WARMS TO PROSPECTS OF SMALL MODULAR NUCLEAR REACTORS – 8. 2.

Czech scientists are looking to build on their long running research and expertise in this field by helping to develop a small reactor that in three decades or more could be powering a large part of the world.

Evžen Losa of the faculty of nuclear reactors at the CTU explained how small modular reactors are already taking off. "We currently have three projects in development. The most advanced is in China which is a high temperature gas cooled reactor HTRPM, which will be completed and connected to the grid by the end of this year. The second most advanced is a Russian project for a floating power plant KLT-40S which will replace graphite reactors currently operating in Bilibino. This project contains two small modular reactors, each having a power output of 14MW.³⁶ The third is a demonstration unit in Argentina. There is a high probability of location of new power plants with small modular reactors is in the USA³⁷ at the Idaho National Laboratory site where NUScale type reactors should be located. I guess this will be the fourth site with small modulars. The fifth country could be the United Kingdom which now has big plans in nuclear." A conference about the potential of the small nuclear reactors and the Czech contribution to their development took place last week in Prague. At the same time, government chiefs were meeting with some of the world's

³⁰ MRD: Ministry of Regional Development

³¹ Integrated Regional Operational Programme

³² RIA: Railway Infrastructure Administration (also RIA in Czech)

³³ EIA: Environmental Impact Assessment

³⁴ ME: Ministry of the Environment

³⁵ km: kilometre is a unit of length in the metric system, equal to 1,000m

³⁶ MW: 10⁶ watts

³⁷ USA: the United States of America

biggest nuclear companies over Czech plans to build more large reactors.

It would also like to see Czech industrial companies focus on small modular reactors as well so that they could take part in tenders to build them. Britain is already preparing such a tender and Ruščák believes that Czech companies or consortia while not maybe able to bid on their own might find a place in other groupings. He sees the small modular boom as possibly on the horizon within 15 years. "I believe that in the beginning of the 2030s, end of 2020s, this technology can be licensed for commercial use. What I am speaking about is not a power generation solution for the CR. I am speaking about a project that can be developed and sold and used somewhere."

ČEZ³⁸ originally wanted to finance the project with the help of the CEB³⁹ and the EGAP.⁴⁰ According to information released earlier, the project is expected to cost about CZK9.5bn. The output of the new power plant is to reach 250MW.

LIDOVÉ NOVINY CR WANTS EXCEPTION FROM EC FOR TENDER FOR DUKOVANY NEW UNIT – 15.2.

Energy company ČEZ will pick supplier for the construction of a new unit in NPP⁴¹ Dukovany next year and ČEZ CEO Daniel Beneš said that the company would look for one supplier to do all the work, daily Lidové noviny writes today.

The documents for awarding the CZK120bn contract are being prepared. The CR wants to negotiate a sector exception with the EC for the project so that the contractor can make all decisions in setting the parameters for the choice.

"One milestone in the timetable is that the choice of the supplier will begin in the first quarter of 2018. This is what we plan," Beneš confirmed to the daily.

Concrete parameters will be prepared depending on the legislative possibilities, he added.

MIT⁴² Minister Jan Mládek is of the opinion that to compete is not desirable as regards the law on public procurement. A failed tender for new units in NPP Temelín confirms this, he noted.

From the MIT's point of view, this would be very bad because it would not allow defining of national interest, namely a high share of Czech firms in the supplies. This cannot be included in tender proceedings following the law on public procurement, Mládek told the daily.

This is why the ministry wants to negotiate an exception with the EC. However, it is not clear at all whether this can be done in one year which, moreover, is an election year.

"I think that this is realistic but I am not sure. This is why I see the scenario as ambitious," Mládek said.

³⁸ ČEZ: ČEZ Group is a conglomerate of 96 companies (including the parent company ČEZ, a.s.), 72 of them in the CR. It is involved in the electricity generation, trade, distribution and heat, as well as coal mining.

³⁹ CEB: Czech Export Bank

⁴⁰ 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

CTK MINISTRY TALKS ABOUT NEW NUKE UNIT WITH ALL 6

POTENTIAL SUPPLIERS – 14.2.

The MIT has held talks about the planned construction of a new nuclear unit in the CR with all six potential investors, the ministry said in a press release today.

The talks that took place last week had the character of consultations and were not aimed at excluding any of the potential suppliers, the ministry said.

Interest in the construction has been shown by Russian state-run company Rosatom, France's EDF, US-Japanese Westinghouse Electric Company, South Korea's KHNP,⁴³ China General Nuclear Power, and Atmea, a joint venture of Areva and Mitsubishi.

The ministry said earlier that it expected the government to decide on the model of financing of the new nuclear source in the first half of 2017.

"The potential suppliers have provided us with additional explanations in response to our questions. These explanations, along with the responses sent to the CR in September and October 2016, will constitute an important basis for drafting materials which will be discussed by the Permanent Committee for Nuclear Energy regarding the investor model and financing of the construction of a new nuclear source in the CR," the ministry said.

Last November, the ministry said the CR had addressed ten companies in connection with the planned construction of a new nuclear source and six of the addressed companies had shown interest in providing information.

AGRICULTURE & FOOD

CTK JUREČKA LEAVES FOR UKRAINE, WANTS TO SUPPORT

AGRICULTURAL TRADE – 14.2.

Czech Agriculture Minister Marián Jurečka is leaving for a 3-day working trip to Ukraine today, where he will discuss the agricultural trade support with local vice PM, the Agriculture Ministry's spokeswoman Markéta Ježková told CTK.

Last year, the CR exported agricultural products worth CZK600m to Ukraine, while imports from Ukraine amounted to CZK847m. Among the CR's agricultural trade partners, Ukraine ranks 27th in terms of import and 29th in terms of export.

Jurečka will meet with Ukrainian Minister of Agrarian Policy and Food Taras Kutovy. The discussed issues are supposed to include mainly deepening of cooperation between the two countries, international fairs focused on agriculture and supporting the integration of Ukraine into the EU, Ježková said.

The CR exported products worth CZK14.9bn to Ukraine in 2015, which is 27.4% less y-o-y, with telephone and automatic data processing equipment being the most exported articles. Imports from Ukraine, mostly iron ore concentrates, totalled

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.

⁴¹ NPP: Nuclear Power Plant

⁴² MIT: Ministry of Industry and Trade

⁴³ KHNP: Korea Hydro & Nuclear Power, a subsidiary of the Korea Electric Power Corporation (KEPCO). It operates large nuclear and hydroelectric plants in South Korea, which are responsible for about 40% of the country's electric power supply. It was formally established in 2001 as part of a general restructuring at KEPCO

CZK19.4bn. The volume dropped annually by 13%, according to the CSO.

CR'S FOREIGN AGRICULTURAL TRADE GAP GROWS TO CZK22.6BN IN 2016 – 10.2.

The deficit of the CR's foreign agricultural trade increased by CZK3.3bn to CZK22.6bn in 2016, with imports reaching CZK224.6bn and exports amounting to CZK202bn, the MA⁴⁴ said today referring to preliminary data from the CSO.

While the CR exports mainly cigarettes, wheat and rapeseed oil, its agricultural imports consist mostly of pork, chocolate, coffee and bakery products.

"In the past 20 years until 2015, the agricultural foreign trade deficit reached CZK25bn on average. Last year's result was therefore CZK2bn better than this long-term average," Agricultural Association head Martin Pýcha told CTk.

Meat accounts for about 90% of the deficit.

Similarly to previous years, the CR exported its agricultural products mainly to Slovakia, Germany, Poland and Italy. Outside the EU, the products headed mainly for Russia, Turkey, Iraq and Switzerland.

The biggest importer of agricultural goods to the CR is Germany, followed by Poland and the Netherlands. Out of non-EU countries, the biggest importers are China, Brazil, Turkey and the USA.

The value of Czech agricultural goods exported to China increased by 18% to CZK691m last year, but China kept its 27th ranking among export partners.

In an effort to support exports to China, the Czech MA has sent one of its four agricultural diplomats to China.

BUDVAR TO INVEST CZK730MN, BUILDING A LOGISTIC CENTRE – 15.2.

Budějovický Budvar will invest approximately CZK730m in the year 2017, spokesperson Petr Samec said.

Budvar is, among other things, building a logistic centre with a capacity of nearly 20,000 pallet places, so the brewery will be able to exceed a production limit of 2hl⁴⁵ of beer per year.

KOFOLA TO TAKE OVER DISTRIBUTION OF THREE MINERAL WATERS – 9.2.

As of March 2017, the Kofola Group is taking over exclusive distribution of Bílinská kyselka, Rudolfův pramen and Zaječická hořká voda. These natural mineral waters with extracts from healing sources are produced by BOHEMIA HEALING MARIENBAD WATERS, which mostly arranged its own distribution until now.

The Group expects that this partnership will bring it revenues higher by tens of millions of CZK y-o-y in the long run.

LABOUR & SOCIAL & HEALTH

COALITION LEADERS AGREE HIGHER AID FOR FAMILIES WITH CHILDREN – 9.2.

Leaders of the coalition government have agreed a compromise solution over the divisive issue of how to raise payments to families with children. They finally agreed

Wednesday night to set aside CZK4bn to be spent from next year. The cash will allow an extra CZK300 a month payments to families with children as long as they do not exceed an earnings ceiling. A further CZK150 a month for the first child will be offered through tax breaks. The issue had divided the coalition leaders with the main government party, the ČSSD, seeking higher cash payments and ANO and the KDU-ČSL⁴⁶ demanding higher tax breaks.

AGENCIES ABUSE CZECH VISA SYSTEM IN UKRAINE TO FUEL BOOMING ILLEGAL BUSINESS – 9.2.

Reporters from public service broadcaster Czech Radio have mapped a booming business for Ukraine agents and middlemen by ensuring clients get visas for the CR or wider Schengen area. And to help ensure demand for their services, they have rigged the visa appointments system so that it is blocked to those who try to get visas by themselves.

MFA⁴⁷ Deputy Minister Martin Šmolek, told Czech Radio it was aware of the problem. He says the ministry intends to tackle the problem of blocked appointments by creating a sort of unending appointments queue which cannot be abused by the agencies: "Only one thing will prevent this - when everyone knows that they can click and are certain of getting some [visa] appointment date. At the moment we have around 50 million of these false clicks for visa appointments but in a very short time they will find this doesn't work."

GOVERNMENT APPROVES INTRODUCTION OF LONG-TERM CARE BENEFIT – 9.2.

On February 8, 2017, the Czech government approved a draft amendment to the act on sickness insurance. The bill introduces a new social benefit for persons who care, long-time and day-long, for seriously ill relatives at home. PM Bohuslav Sobotka (ČSSD) said that the new benefit for caregivers counts on payment for a maximum length of 90 calendar days. The contribution should amount to 60% of one's wage.

HK ČR: APPROVAL OF CARE BENEFIT CAN PARALYZE COMPANIES – 9.2.

The introduction of time-off for caregivers, proposed by the Czech MLSA,⁴⁸ can paralyze the entire operation in some companies. This statement was made by the CCC⁴⁹ on February 8, 2017 in connection with the approval of the draft bill by the Czech government.

CZECH CITIZENSHIP CLAIMS INCREASE IN WAKE OF LEGAL OVERHAUL – 14.2.

Last year saw a two-fold increase in applications for Czech citizenship according to newly released data from the interior ministry. In 2016, almost 4,000 applicants proved successful in this quest, which requires passing a language test, having a clean criminal record, and also proof of not being a social burden. Martin Rozumek is the head of the Organisation for Aid to Refugees. He explained that legislation in effect since 2014 was a major factor behind the increase: "There are two

⁴⁴ MA: Ministry of Agriculture

⁴⁵ hl: hectolitre, a unit of capacity equal to 100 liters

⁴⁶ KDU-ČSL: Christian and Democratic Union – Czechoslovak People's Party, centre party

⁴⁷ MFA: Ministry of Foreign Affairs

⁴⁸ MLSA: Ministry of Labour and Social Affairs

⁴⁹ CCC: Czech Chamber of Commerce (also HK ČR in Czech)

reasons. The first is that according to the current legislation, people can now have two citizenships. In the past a requirement existed that in order to acquire Czech citizenship an individual had to give up their other citizenship. This change is particularly interesting to a lot of Vietnamese claimants, who did not want to give up their Vietnamese citizenship. And secondly, a simplified procedure is in effect for young adults. The condition is that they came to the CR aged younger than 10-years-old. So such applicants can get citizenship much faster – but they have to request this citizenship before the age of 21. We see a sharp increase in the number of permanent residency permits issued to Ukrainians, Vietnamese, Mongolians... Nationalities with people that have been living here for many years – sometimes more than ten years. There is also a much larger number of people eligible to apply for citizenship from these countries, mainly Ukraine and Vietnam. And of course they want to become Czech citizens and have the status of a Czech or EU national or citizen, which is naturally much better than having the status of third country citizen or national.” He added that the decision-making process is still too arbitrary. So if the interior ministry wants they can always reject a claim. Another problem is the length of the procedure. Sometimes it takes two years to get a first decision on a citizenship application.”

ZEMAN SIGNS SMOKING BAN WITH LEGISLATION SET TO TAKE EFFECT MAY 31 – 14.2.

President Miloš Zeman has signed into law a ban on smoking in pubs and restaurants in the CR. The head of state had previously pledged not to veto the legislation as he had a "conflict of interest" on the matter as a chain smoker. The news means that the smoking ban will come into effect on May 31, which is World No Tobacco Day. Senate deputy chairman Jaroslav Kubera, a smokers' rights advocate, says he is considering taking the matter to the CC.⁵⁰

LOW UNEMPLOYMENT TO BOOST WAGE GROWTH – 9.2.

Low unemployment in the CR will put pressure on wage growth, support corporate efforts to hire people from abroad and increase investment in technologies that will partially enable to replace human work, said HR management specialist at PwC ČR Andrea Linhartová Palánová in reaction to data published by the MLSA. Komerční Banka economist Viktor Zeisel said the December increase in unemployment was to be largely attributed to the termination of many fixed-term contracts and a lower offer of seasonal work due to the winter period.

CONSTRUCTION

CONSTRUCTION OF PASSIVE HOUSES ON THE RISE – 9.2.

The number of passive houses built in the CR in 2016 is estimated at between 600 and 700, making up roughly 4.5% of the overall number of houses constructed that year, according to the Centre for Passive Housing. According to the

⁵⁰ CC: Constitutional Court of the Czech Republic
⁵¹ RD: Research and Development

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centre the numbers are not precise since they are only based on requests for subsidies for passive houses. Passive houses first appeared in the CR ten years ago and their numbers have been on the rise since the government approved a subsidies programme for environmentally friendly housing projects. The trend caught on from neighbouring Germany, where there are over 40, 000 passive houses registered.

EU

MRD: EC CONFIRMS FULFILMENT OF PRELIMINARY CONDITIONS FOR EU FUNDS – 14.2.

The EC has confirmed the fulfilment of all 39 preliminary conditions necessary to claim funding from the EU funds by the CR, said the MRD, and added that preliminary conditions covered vast areas, of which the most important were considered to be the sector of effective public administration, public contracts, the environment and energy as well as an introduction of targeted planning in education and RD⁵¹. The CR's failure to fulfil these preliminary conditions would result in suspension or non-provision of payments for areas in which the requirements were not fulfilled.

OTHER

CZECH PRESIDENT MILOŠ ZEMAN PROPOSES ABANDONING PARTS OF CLASH OF INTERESTS ACT – 15.2.

President Zeman submitted to the CC a proposal to abandon some provisions from the Clash of Interests Act, yesterday. According to him, provisions § 4a - 4c are beyond the article 70 of the Constitution of the CR saying that a member of the government must not execute activities, whose nature is in contradiction with the execution of their position.

STAN WILL COMMENCE NEGOTIATIONS ABOUT COALITION WITH KDU-ČSL - 13.2.

STAN's national committee has commissioned the party's leadership with negotiating with KDU-ČSL about cooperation in the form of a coalition for the 2017 fall parliamentary elections. STAN chairman Petr Gazdík said that the coalition should push for pro-Western democracy, support strong personalities and push for decentralized administration. The party's first deputy chairman Vít Rakušan added that the party's aim is to create together with KDU-ČSL a third force in Czech politics that aims to compete with ANO and ČSSD. The creation of a coalition is to receive final approval at the party congress on March 25, 2017.

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