

NEWS SUMMARY NOVEMBER 2 – NOVEMBER 8

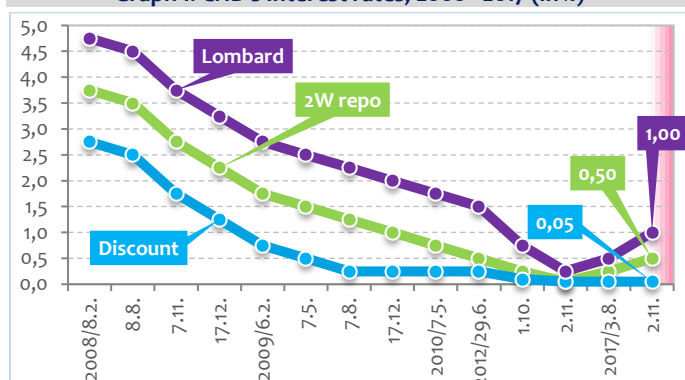
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ECONOMY & FINANCE

CNB¹ RAISES INTEREST RATES – 2. 11.

The CNB Bank Board raised interest rates², the 2-week repo rate³ increased by 0.25 p. p. to 0.5%. The CNB also raised the Lombard rate⁴, by 0.5 p. p. to 1.0%. The discount rate⁵ stayed at 0.05%.

Graph 1: CNB's Interest rates, 2008 - 2017 (in %)



The crown reacted to the CNB's step by firming to CZK25.51/€, the strongest level in 4 years, before 14:00.

According to experts, the reason for the rate hike lies in the unexpectedly strong growth of the domestic economy, growing wages and inflation as well as fast growth of real estate prices. Also, one of the reasons for the rate hike is the effort to dampen the rapid growth of real estate prices. Consumers will feel the rate hike in the form of growing interest rates on mortgage loans, both new and refinanced ones. Competition between banks may cause mortgage rates to grow at a slower pace than the CNB's rates. In the case of consumer loans, expected is an even slower growth. Clients' deposits at banks will be influenced by the rate hike minimally. Economists expect domestic interest rates to grow further. Thanks to the positive economic development, the growth of rates will continue in the quarters to come, as the current condition of the domestic economy requires tougher monetary policy, they said.

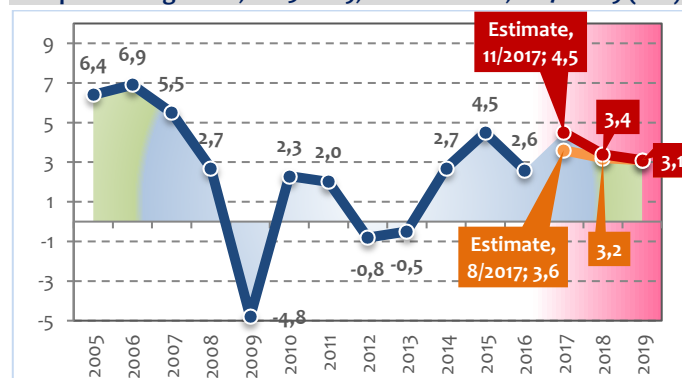
According to them, the CNB's step signals that the Czech economy is flourishing and will continue to flourish. They expect the CNB to raise rates by a 0.14 at each of its 4 main meetings next year. The next rise may even occur as early as

December this year. Also they said that the growth of interest rates should not have a significant impact on households that have mortgage loans, because in its latest report on financial stability, the CNB carried out a stress tests of households, which has confirmed that low-income households with mortgage loans are more sensitive to the growth of interest rates, but the supposed rate hike in the CNB's pessimistic scenario was 3 p.p., which is much more than it can be expected in the current situation.

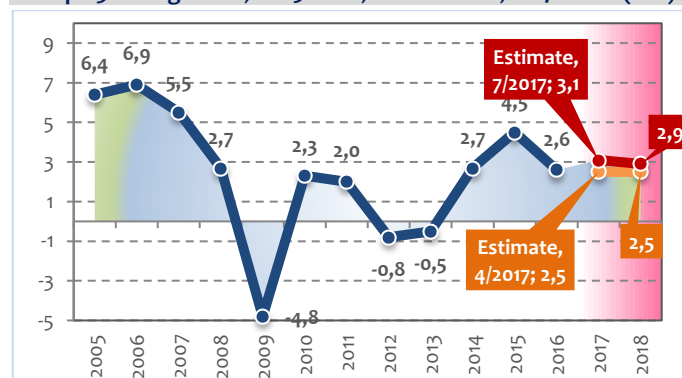
CNB IMPROVES GDP GROWTH ESTIMATE – 2. 11.

The CNB improved in its latest forecast a GDP⁶ growth estimate to 4.5% for this year and 3.4% for next year from August's prediction of 3.6% growth in 2017 and 3.2% rise in 2018. For 2019, the forecast is unchanged, envisages 3.1% rise.

Graph 2: GDP growth, 2005–2019, CNB estimate, 2017–2019 (in %)



Graph 3: GDP growth, 2005–2018, MF estimate, 2017–2018 (in %)



¹ **CNB**: Czech National Bank, is the central bank and financial market supervisor in the CR and a member of the European System of Central Banks. In accordance with its primary objective, the CNB sets monetary policy, issues banknotes and coins and manages the circulation of the Czech koruna, the payment system and settlement between banks. It also performs supervision of the banking sector, the capital market, the insurance industry, pension funds, credit unions and electronic money institutions, as well as foreign exchange supervision.

² Interest rates on bank deposits and loans are derived from the central bank's rates. Companies have to pay higher interest for loans and households pay more for loans for housing purposes.

³ **Repo rate**: The discount rate at which a central bank repurchases government securities from the commercial banks, depending on the level of money supply it decides to maintain in the country's monetary system. To temporarily expand the money supply, the central bank decreases repo rates (so that banks can swap their holdings of government securities for cash). To contract the money supply it increases the repo rates. Alternatively, the central bank decides on a desired level of money

supply and lets the market determine the appropriate repo rate. Repo is short for repossession.

⁴ **Lombard rate**: An interest rate charged by a central bank for very short term loans to other banks against an approved collateral.

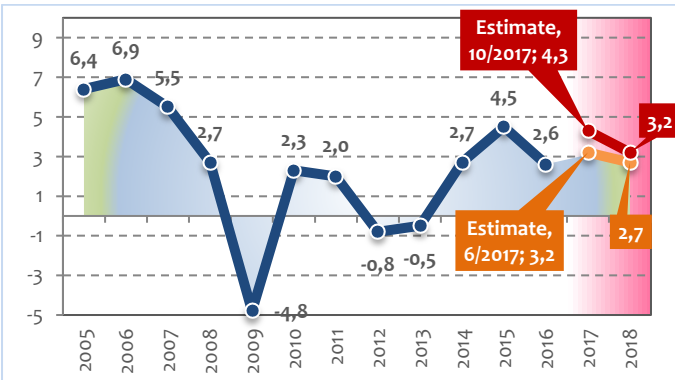
⁵ **Discount rate**: An interest rate that a central bank charges depository institutions that borrow reserves from it.

⁶ **GDP**: Gross domestic product, an aggregate measure of production equal to the sum of all resident and institutional units engaged in production in a period (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). GDP can be determined in three ways, all of which should, in principle, give the same result. They are the **production approach**, the **income approach**, or the **expenditure approach**.

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

GDP = GVA + Taxes on products - Subsidies on products

Graph 4: GDP growth, 2005–2018, CBA⁷ estimate, 2017–2018 (in %)



CNB: INFLATION TO STAY ABOVE 2% TARGET FOR MOST OF 2018 – 6.11.

Inflation will return to the 2% target on the horizon of Czech National Bank's (CNB) monetary policy. The central bank has informed in its IV/2018 Inflation Report that consumer prices will grow more than 2.0% for most of 2018. Total inflation pressures are culminating now, reflecting accelerating wage dynamism in the conditions of Czech economy's robust strengthening. According to CNB, domestic costs' growth will be accelerated for a short period due to the tension on the labour market.

CNB FOREX RESERVES FALL BY EUR623M TO EUR123.7BN IN OCT – 8.11.

Foreign currency reserves of the Czech National Bank (CNB) decreased by EUR623m to EUR123.7bn in October on the month, adding EUR45bn in annual terms, according to preliminary data made public by the CNB today. Forex reserves in US dollars decreased mth/mth and increased in annual terms, and in crowns they decreased on the month, while rising on the year.

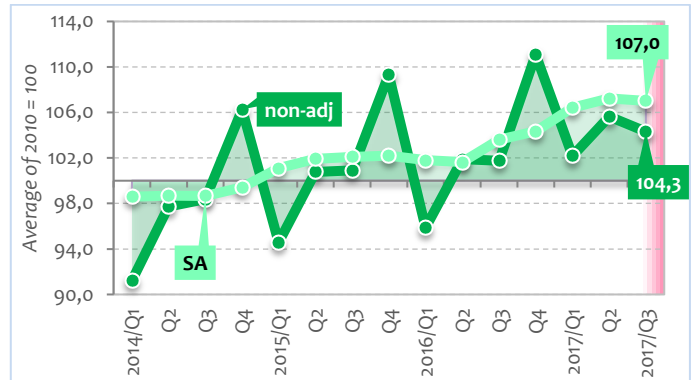
CNB's forex reserves

As of	USD bn	CZK bn	EUR bn
Oct 31, 2017	143.935	3,175.220	123.693
Sept 30, 2017	146.758	3,229.126	124.316
Oct 31, 2016	85.915	2,120.998	78.482

SERVICES – 8.11.

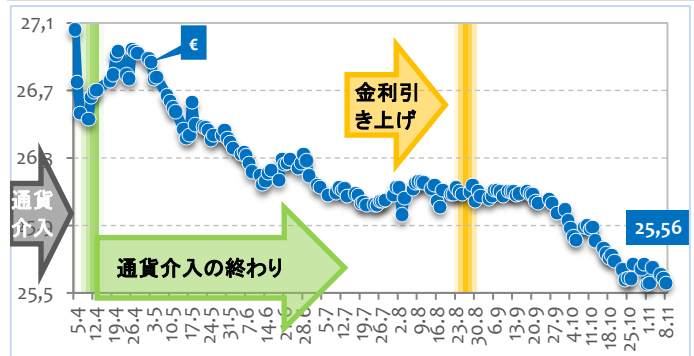
In the Q3 2017, CoP SA sales in services decreased at constant prices by ▲0.2%, q-o-q. CoP CE sales increased at constant prices by 3.1%, y-o-y; non-adj sales increased by 2.5%, y-o-y.

Graph 5: Services, basic indices. 2016-2017 (in %)

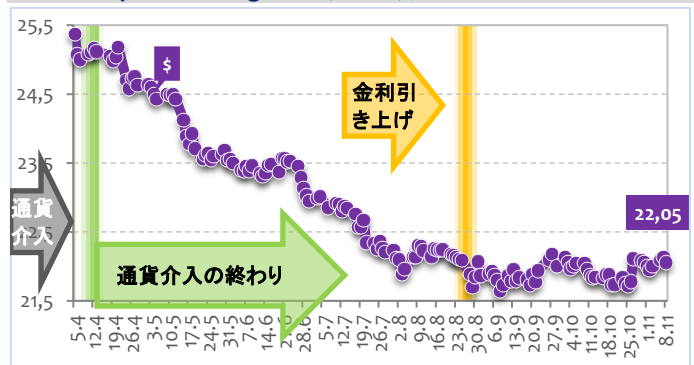


CZK⁸ vs EURO⁹, US DOLLAR¹⁰, YEN – 8.11.

Graph 6: Exchange rates, CZK/€, 5. 4. 2017 – 8. 11. 2017



Graph 7: Exchange rates, CZK/\$, 5. 4. 2017 – 8. 11. 2017



⁷ CBA: Czech Banking Association, a voluntary association of legal persons, doing business in banking and in closely connected areas. Membership has two forms, full membership, reserved for banks and for branches of foreign banks, licensed by the Czech National Bank, and associate membership, opened primarily to representative offices of foreign banks and to auxiliary organisations, related to the banking sector. It associates currently 37 banks and branches of foreign banks with full membership status, forming 99% of the banking sector.

⁸ On April 6, the CNB ended its forex intervention regime that was launched early in November 2013 out of fear of deflation with the aim to weaken the crown and keep the exchange rate near CZ27/€. On August 3, the CNB raised its interest rates for the first time since February 2008, the 2-week repo rate increased by 0.2 p. p. to 0.25%, the Lombard rate by 0.25 p. p. to 0.5%, and the discount rate stayed at 0.05%.

⁹ EUR: (€) Euro is the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union

¹⁰ USD: \$, USD, the United States dollar is the official currency of the United States and its overseas territories. It is the currency most used in international transactions and is the world's most dominant reserve currency.

¹¹ Interest rates on bank deposits and loans are derived from the central bank's rates. Companies have to pay higher interest for loans and households pay more for loans for housing purposes.

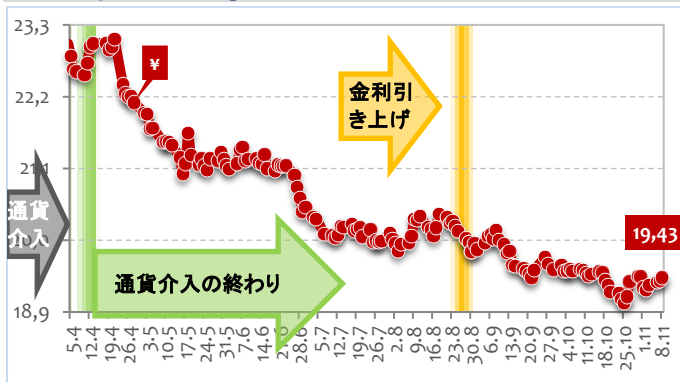
¹² The CNB changed interest rates the last time in November 2012 when it cut them to the current record-low level. Since that time, the two-week repo rate has been at 0.05%. In the last rate increase in February 2008, the two-week repo rate grew to 3.75%. Then the CNB was cutting the rates.

¹³ Repo rate: The discount rate at which a central bank repurchases government securities from the commercial banks, depending on the level of money supply it decides to maintain in the country's monetary system. To temporarily expand the money supply, the central bank decreases repo rates (so that banks can swap their holdings of government securities for cash). To contract the money supply it increases the repo rates. Alternatively, the central bank decides on a desired level of money supply and lets the market determine the appropriate repo rate. Repo is short for repossession.

¹⁴ Lombard rate: An interest rate charged by a central bank for very short term loans to other banks against an approved collateral.

¹⁵ Discount rate: An interest rate that a central bank charges depository institutions that borrow reserves from it.

Graph 8: Exchange rates, CZK/100¥, 5. 4. 2017 – 8. 11. 2017



AGRICULTURE & ENVIRONMENT

STATE WILL PROVIDE CZK100MN FOR ENVIRONMENT-FRIENDLY VEHICLES – 2.11.

Municipalities, regions and their organisations can ask for a subsidy for the purchase of vehicles with alternative propulsions.

The subsidies will be provided also for electric cars, plug-in hybrids, vehicles using compressed natural gas or fully hybrid vehicles. The state will provide CZK 100mn for the purpose.

According to Czech Minister of the Environment Richard Brabec (ANO), applicants can win also an advantaged loan from the State Environment Fund of the CR with a zero interest. The loan can be combined with the subsidy.

Parties interested in the project can win also a subsidy to cover operative leasing costs.

The deadline for the delivery of applications is September 27, 2018.

CZECH RATIFICATION OF PARIS CLIMATE ACCORD TAKES EFFECT – 3.11.

The CR recently ratified the Paris climate accord and will become its full-fledged party on Saturday, November 4, committing to decreasing greenhouse gas emissions by 40% in 2030 as compared to 1990.

The Paris climate accord, which replaced the Kyoto Protocol, was signed by 169 countries, including all EU member states. The CR is the last EU country to have ratified it.

"It is symbolical that, after lengthy debates in the Chamber of Deputies, the CR completed the ratification and will become a party to the accord exactly one year after the Paris climate agreement took effect," Environment Minister Richard Brabec (ANO) has written.

The Environment Ministry considers the climate deal's goal to be well attainable, as emissions are being decreased thanks to massive insulation of buildings under the New Green Savings subsidy programme and under the Operational Programme Environment (OPE), thanks to the increase in the share of renewable sources and smart measures in villages and towns, such as promotion of electro mobility.

After 2020, however, more dynamic steps need to be taken to decrease emissions, the ministry stated.

Environmental organisations are calling for cutting of the country's dependence on fossil fuels. Seven Czech environmental agencies have stressed in their press release that cutting emissions more rapidly would make the air

cleaner and create jobs in clean industrial sectors to replace those in the fossil fuel energy industry and even boost the machinery and construction industries.

Apart from decreasing emissions, the Paris climate accord also defines ways of adaptation to climate change and of cooperation with developing countries.

The organisations would like the CR to significantly increase its aid for this purpose.

PRAGUE TO ALLOCATE CZK 460MN TO IMPROVE QUALITY OF LIFE – 6.11.

Prague municipal board of deputies has approved 26 additional projects as part of the Prague - Pole of Growth Operational Programme (OP PPR), for which the city will allocate CZK 460m. The subsidies are co-financed from the European Structural and Investment Funds. Projects from the following segments have been approved: Sustainable Mobility and Energy Savings, Support for Social Integration and Combating Poverty and Support for Research, Technological Development and Innovations.

FARMERS WILL SHOW REVENUES TOTALLING CZK 84.5BN IN 2017 – 7.11.

Czech farmers will show revenues for their main production in the amount of CZK 84.5bn in 2017.

Their average revenues totalled CZK 83bn in years 2000 - 2016. The information was provided to ČIANEWS by Jana Sixtová, the spokeswoman for the Union of Farmers of the CR (ZSČR). According to her words, the highest share of the revenues was recorded for milk followed by grain, rape seed and pigs for slaughter.

According to the union, the negative agrarian trade balance of the CR will reach about CZK 25bn.

More than 80% of the deficit is formed by the trade balance in the segment of meat.

AGRICULTURE MINISTRY NOT TO BAN ALL FOREST OWNERS FROM LOGGING – 7.11.

The Czech Agriculture Ministry has taken back its general ban on logging spruces and pines which was supposed to be effective from November until the end of this year; however, forest owners must get rid of wood damaged by wind and bark beetle by the end of March 2018, the ministry said in a press release today.

Forest owners could be imposed a fine worth up to Kc1m for not complying, with the exception of national parks and their protection zones, and those who could not process the wood for example due to another weather extreme.

The volume of timber from salvage felling will be nearly the same as it was in 2007 when the Kyrill hurricane hit the forests, according to estimates, Agriculture Minister Marian Jurecka said.

In 2007, timber from salvage felling amounted to 14.7 million cubic metres, the ministry said.

This year's situation is worse as a half of the volume was damaged by insect calamities, while in 2007, wind damage accounted for 86% of salvage felling, according to the ministry.

The Forest Protection Service estimated that the windstorm hitting the CR last week damaged 2.4 million cubic metres of

wood, making up roughly 15% of the country's annual logging volume.

First calculations of windstorm impacts are usually underestimated and the damage can thus reach up to three million cubic metres of wood, being worth billions of crowns. With its ban the state wanted to lower companies' capacities so that they could deal with damaged wood processing.

The ministry said it satisfied requirements of forest owners and other entities. More than 150 objections were raised.

Lesy CR (LCR) state-run forest management company, owning about a half the CR's forests, will only do salvage logging until the end of this year, LCR has said earlier.

LCR respects the ministry's measure, considering it necessary, LCR head Daniel Szorad told CTK today.

INDUSTRY & TRADE

AGC AUTOMOTIVE CZECH TO OPEN PRODUCTION HALL IN CHUDEŘICE – 2.11.

AGC Automotive Czech will open on November 22, 2017, a new production hall in Chudeřice, Teplice district. The official opening will be attended by AGC Glass Europe's CEO Jean-Marc Meunier and AGC Automotive Czech's CEO Luděk Steklý.

CSAT OPENS FIFTH LINE FOR HEAVY MAINTENANCE OF AIRPLANES – 2.11.

Czech Airlines Technics (CSAT) opens in the fall of 2017 the fifth line for a heavy maintenance of airplanes Boeing 737CG/NG, A320 Family or ATR. The capacity for the order volume will thus increase 25%. The establishment of the line required an additional investment in Hangar F at the Václav Havel Airport in Prague. The company will recruit approximately 80 people in relation with the new line opening. The recruitments will be covered also thanks to cooperation with Civilian Aviation High School in Prague-Ruzyně. According to Pavel Haleš, the chairman of the board of directors of CSAT, the company has already signed several long-term exclusive contracts with guaranteed volumes of orders for the heavy maintenance of airplanes. The current capacity has been sold off for several years in advance.

CZECHS TO SUPPLY SECURITY APPLICATIONS AND DRUGS TO SOUTH KOREA – 2.11.

The business delegation accompanying Senate chairman Milan Stech on his four-day trip to South Korea has negotiated potential supplies of specialised Czech products, security applications and medicaments to the Asian country, Senate Office told CTK today.

The business delegation has visited the Korea Electronics Technology Institute (KETI) and the Kori nuclear power plant near Busan.

South Koreans are interested in building nuclear reactors in Europe.

"If any of the future (Czech) governments decides to build further reactors at the nuclear power stations in the CR, we will launch a tender. This would give a chance to those who will offer the best quality, price and safety guarantees and who will also enable Czech subcontractors to take part in the contract," Stech said during talks at Kori.

South Korean companies ranks among the biggest investors in the CR. Over the past 25 years they have invested Kc77.8bn in the country, creating 12,199 jobs.

The biggest South Korean investments in the CR include the plants of car maker Hyundai Motor in Nosovice and tyre producer Nexen Tire in Zatec.

The only direct Czech investor in South Korea is the company Gold of Prague, which has built a mini brewery in Busan.

"Even though it is difficult to get on the Korean market, Czech companies have been successful. They supply technologies for precision engineering ... as well as sophisticated security systems, prams and toys," Czech Chamber of Commerce vice-president Borivoj Minar said.

HK ČR: DURING MISSION TO KOREA COMPANIES PRE-NEGOTIATED CONTRACTS – 3.11.

During their business mission to South Korea, Czech companies pre-negotiated deliveries of specialized products. These include security apps and drugs.

The mission travelled with Czech Senate Chairman Milan Štěch (ČSSD) and focused on the development of modern technologies.

The result is also assurance that Korea is a stable partner of the CR, not just in the area of investment and the automotive industry.

The delegation was organized by the Czech Economic Chamber (HK ČR).

HEINEKEN PLANS TO EXPORT 500,000 BOTTLES OF KRUŠOVICE TO CHINA – 3.11.

HEINEKEN is preparing exports of beer Krušovice to China. It plans to export 500,000 bottles of lager Krušovice Imperial 0.33 l there in 2018. The information was confirmed for ČIANEWS by spokeswoman Jana Austová Pikardová adding that Krušovice was already exported to Vietnam, Israel, or Iraq. According to her words, Krušovice is being sold on markets of three continents in 32 countries of the world, some 5 markets more compared with the beginning of 2016.

WANO EXPERTS CARRY OUT CHECK OF TEMELIN – 3.11.

A team of seven experts from four countries today completed a five-day a check of the Temelin nuclear power plant in a follow-up mission organised by the World Association of Nuclear Operators (WANO), Temelin spokesman Marek Svitak told CTK.

The experts have been checking the operation, safety and fire protection of Temelin as well as its compliance with the recommendations of the previous WANO mission held two years ago.

The inspection has shown that Temelin is complying with the WANO recommendations and operates well. A room for improvement has nevertheless been found in its utilisation of external feedback, the experts said.

The experts were assessing the plant according to new rules that WANO adopted in reaction to the accident of the Japanese nuclear power plant Fukushima in 2011.

It was the 34th inspection of Temelin.

Temelin, in operation since December 2000, is the biggest power producer in the CR at present. Its output covers one fifth of domestic electricity consumption.

Last year, Temelin generated 12.1 TWh of electricity, nearly 2 TWh less than in 2015.

NEW CAR SALES IN CR GROW TO 228,703 UNITS IN JAN-OCT – 3.11.

New car sales in the CR increased by 6.6% to 228,703 units in January-October this year, with SUVs becoming the top-selling category for first time ever with a share of 24% ahead of the lower middle category with a share of 21%, the Car Importers Association said today.

Market leader Skoda Auto raised sales by 4% to 71,026 units. Volkswagen, coming second, increased sales by 4% to 22,990 units.

Hyundai held the third place with 17,975 cars sold, 3% more year on year. Ford, Dacia and Renault followed.

A total of 74% were bought by companies.

As many as 58% of the cars sold had petrol engines.

Skoda Octavia remained the best-selling model (22,890 units), ahead of Skoda Fabia, Skoda Rapid, Skoda Superb and Volkswagen Golf, followed by Hyundai i30 and Skoda Kodiaq. Sales of light utility vehicles decreased by 0.5% to 15,792 units. Peugeot ranked first with 2,582 cars. Fiat came next with 2,207 units, followed by Ford with 1,873 vehicles.

Lorry sales fell by 13% to 8,052 units. Mercedes-Benz was the market leader ahead of MAN and DAF.

Bus sales dropped by a third to 538 units. The top-selling brand was Iveco Bus, followed by SOR and Setra.

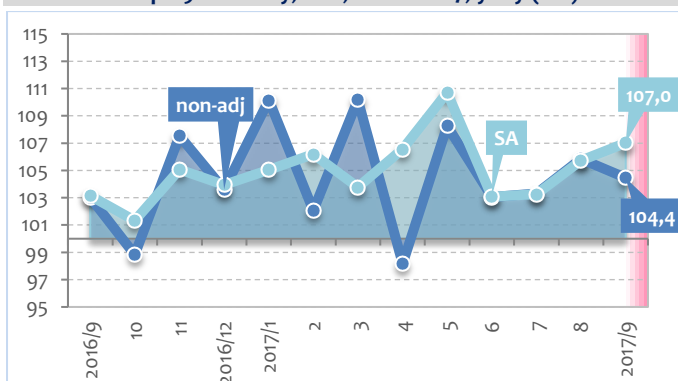
Motorbike sales decreased by 6% to 14,851 units. Honda was the leader in this category with 2,537 units, followed by Yamaha and BMW with 1,066 and 757 units, respectively.



INDUSTRY – 6. 11.

In September 2017, SA industrial production increased at constant prices by 7.0%; non-adj industrial production increased by 4.4%, y-o-y. SA industrial production was by ▲0.4% lower, m-o-m. The value of new orders increased by 5.4%, y-o-y.

Graph 9: Industry, CoP, 2016 – 2017, y-o-y (in%)



The following contributed the most to the y-o-y increase of industrial production: electricity, gas, steam and air conditioning supply (+2.7 p.p., 30.9%), manufacture of motor vehicles, trailers and semi-trailers (+0.8 p.p., 3.7%), manufacture of chemicals and chemical products (+0.6 p.p.,

¹⁶ bn: bn

¹⁷ National Concept: the national concept of external trade reflects export and import performance of the Czech economy, i.e. the external trade balance of the CR as well. It measures real trade in goods carried out between Czech and foreign entities, i.e. a change of ownership between residents and non-residents.

24.8%). Industrial production decreased in mining and quarrying (▲0.3 p.p., ▲10.8%), manufacture of other transport equipment (▲0.25 p.p., ▲12.0%), and manufacture of beverages (▲0.24 p.p., ▲12.2%).

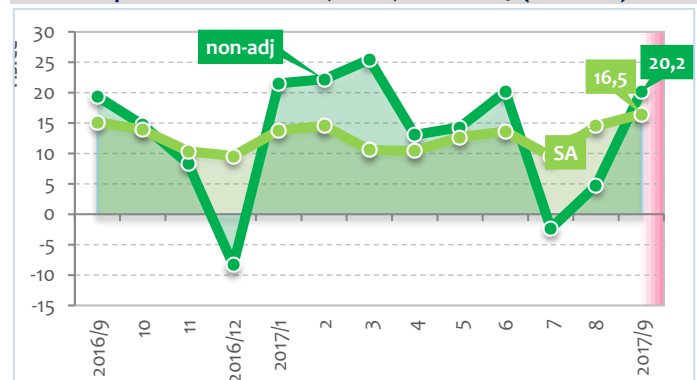


EXTERNAL TRADE – 6. 11.

According to preliminary data, in September 2017 the external trade balance in goods ended in a surplus of CZK20.2bn¹⁶, which was by CZK0.8bn higher, y-o-y.

The total NC¹⁷ trade balance was, was favourably influenced mainly by a y-o-y increase of the trade surplus in 'motor vehicles, trailers and semitrailers' by CZK2.1bn, 'machinery and equipment' by CZK1.7bn and 'electrical equipment' by CZK1.2bn. Deficit shrank in 'coke and refined petroleum products' by ▲CZK1.7bn and 'chemicals and chemical products' by ▲CZK1.4bn.

Graph 10: External Trade, CuP¹⁸, 2016 – 2017 (in CZKbn)



A larger deficit of the trade balance in 'crude petroleum and natural gas' and 'basic metals' by ▲CZK3.7bn and ▲CZK2.4bn, respectively, affected primarily the total trade balance in a negative manner.

In September 2017 the trade balance with the EU28¹⁹ Member States ended in a surplus of CZK57.1bn, and thus it was by CZK7.3bn higher, y-o-y. The trade deficit with the non-EU countries deepened by ▲CZK6.7bn to reach the amount of ▲CZK 35.7 bn.

Compared to August 2017 the SA exports and imports in the national concept fell by ▲2.1% and ▲2.9% respectively. The development trend shows stagnating exports and decreasing imports (▲0.7%).

Compared to the same month of 2016, exports and imports rose by 1.8% (to CZK293.8bn) and by 1.6% (to CZK273.6bn), respectively.

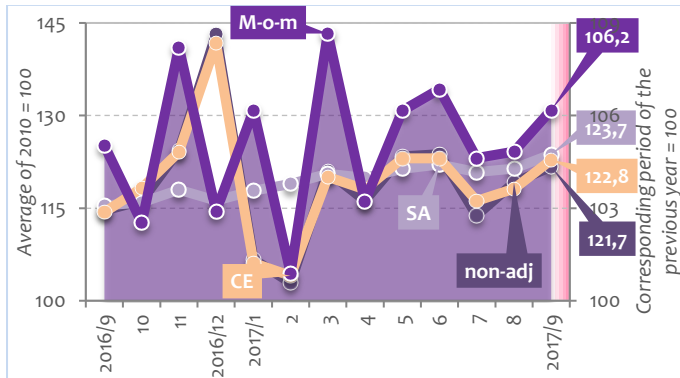
In the period from January to September 2017 NC's SA trade balance surplus reached CZK139.3bn which represented a decrease by ▲CZK9.7bn, y-o-y. From the beginning of the year exports and imports went up by 5.9% and 6.7%, respectively, y-o-y.

¹⁸ CuP: current (or "nominal") prices for each year are in the value of the currency for that particular year, are influenced by the effect of price inflation.

¹⁹ EU28: 28 member states of the EU, which are party to the founding treaties of the union and thereby subject to the privileges and obligations of membership

In September 2017, CoP²⁰ SA²¹ sales in retail trade increased by 1.9%, m-o-m²². CE²³ sales increased by 7.4%, y-o-y²⁴. non-adj²⁵ sales increased by 6.2%, y-o-y.

Graph 11: Retail²⁶, 2016 – 2017, basic indices, CoP, y-o-y (in%)



RECORD-STRONG ENTREPRENEURS' MISSION TO ACCOMPANY

ZEMAN IN RUSSIA – 7.11.

A record-strong group of representatives of over 120 firms will join President Milos Zeman and the Czech delegation on their forthcoming trip to Russia, which is the strongest mission of businesspeople in 25 years, Confederation of Industry spokeswoman Eva Velickova told CTK today.

Two Czech military transport planes and one hired plane will fly the delegation eastwards, she said.

In Russia, Zeman is to visit Sochi, Moscow and probably also Yekaterinburg. The businesspeople are going to Moscow and Yekaterinburg only.

"The interest in the Russian mission is huge and the number of the firms applying for participation can be still expected to slightly rise. We have registered 124 participants for now," Velickova said.

This is the biggest foreign mission in the past 25 years for which the Czech Confederation of Industry has been organising them, she said. The businesspeople's mission is scheduled for November 21-24.

On their arrival in Moscow, the firms' representatives will meet Zeman, who will probably arrive in Russia earlier.

Afterwards, a business forum will take place in Moscow, also attended by Zeman.

The Czech Confederation of Industry's delegation will be headed by the Confederation President Jaroslav Hanak.

The Czech Chamber of Commerce and the Chamber for trade and industry for the CIS countries have assisted in organising the business mission.

Velickova said the participating companies represent a number of branches such as energy, engineering, agriculture, food processing, agricultural vehicles and also services including lawyer's offices and banks.

²⁰ CoP: constant prices are used to measure the true growth of a series, i.e. adjusting for the effects of price inflation.

²¹ SA: seasonally adjusted, Seasonal adjustment is a statistical method for removing the seasonal component of a time series that exhibits a seasonal pattern, which allows to analyse the trend of a time series independently of the seasonal components.

²² M-o-m: month on month

²³ CE: adjusted for calendar effects, the pre-adjustment for calendar effects involves removing from the time series calendar effects such as working days/trading days effect, leap year effect and moving holidays effects.

Entrepreneurs have to cover the costs of their trips along with politicians by themselves. In this case, the advance payment was set at 70,000 crowns, according to CTK's information.

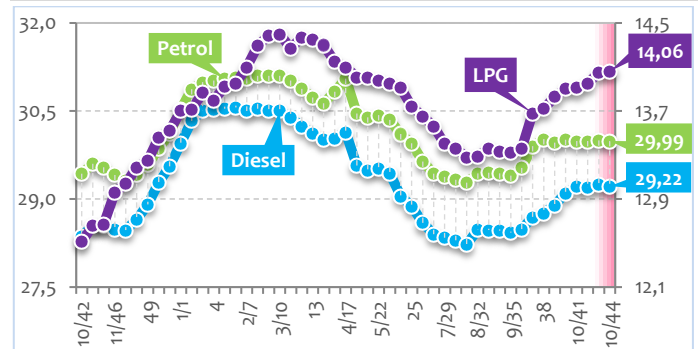
The trade with Russia has been limited by the sanctions the EU and the USA imposed on Moscow over its annexation of Crimea and its approach to the conflict in the east of Ukraine. Zeman has repeatedly spoken against the sanctions, calling them pointless.

Originally, Zeman was to meet his Russian counterpart Vladimir Putin in Moscow, but Putin eventually invited him for a meeting in Sochi, a sea resort with a residence used by the Russian president. Zeman called the invitation an honour addressed to him.

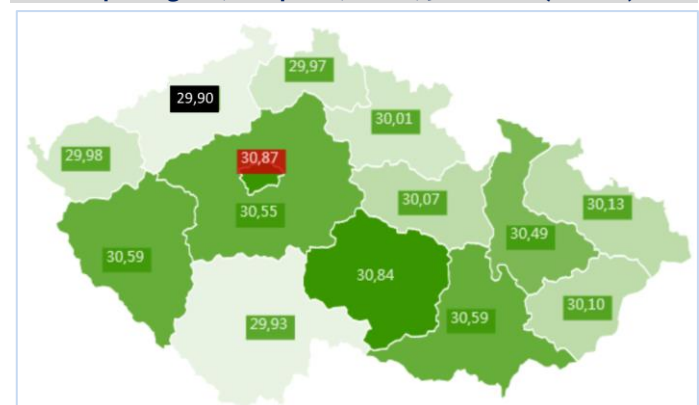
Zeman's programme in Moscow is to include the opening of an exhibition presenting Prague Castle's treasures.

TRANSPORT & INVESTMENTS

Graph 12: Average fuel prices²⁷, 2016/2017, Month/Week (in CZK/l)



Map 1: Regions, fuel prices, Petrol, 3. 11. 2017²⁸ (in CZK/l)



²⁴ Y-o-y: year on year

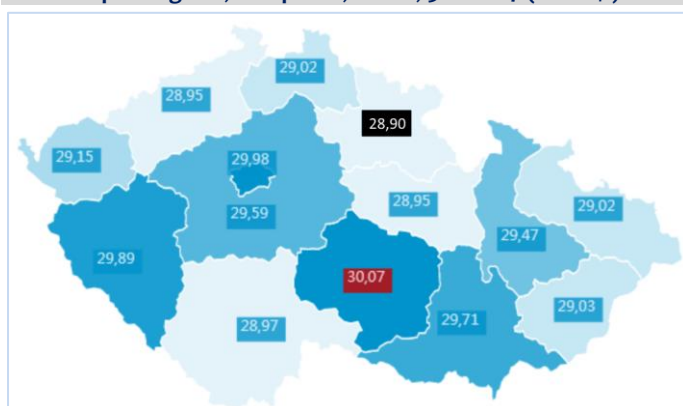
²⁵ Non-adj: non-adjusted

²⁶ except of motor vehicles and motorcycles

²⁷ Consumer price indices calculated from the weekly price survey are not qualitatively adjusted and thus do not express the net price development applied at inflation measurement, data issued by the CSO

²⁸ data issued by the CCS Company

Map 2: Regions, fuel prices, Diesel, 3. 11. 2017 (in CZK/l)



Natural gas decreased by ▲1h²⁹ to CZK³⁰29.99/l³¹ over the past week. Diesel oil decreased by ▲2h to CZK29.22/l.

ŠKODA REGISTERS MORE THAN 12,000 ORDERS OF NEW SUVs – 6.11.

Carmaker ŠKODA AUTO currently registers more than 12,000 client orders of its new SUV models - KAROQ and KODIAQ. Cumulated registrations of ŠKODA cars in the CR totalled 71,026 in 10M 2017, up 2,875 y/y. Totally 7,362 clients opted for a ŠKODA car in October 2017 alone, up 302 y/y. 2017 is expected to be a record year for ŠKODA on the Czech market.

PRAGUE AIRPORT: JET2.COM FLIES FROM PRAGUE TO BIRMINGHAM – 6.11.

The airline Jet2.com opened on November 3, 2017, flights on a new route between Prague and Birmingham, UK. The carrier will serve the route twice per week. The information was provided by Václav Havel Airport Prague.

CYPRUS AIRWAYS WILL OPEN LINE FROM PRAGUE TO LARNAKA – 7.11.

Airline Cyprus Airways will open a line from Larnaka, Cyprus to Prague beginning the summer flight schedule 2018. The company will run direct flights beginning June 1, 2018. They will be operated with help of the airplane Airbus A319 for 144 passengers on Fridays. The sale of tickets has already started at airline's website. The information was provided by the Airport Prague adding that the new line will likely be used by 4,600 passengers a year in both directions.

ČEZ OPENS NEW RAPID CHARGING STATIONS – 7.11.

Elektromobilita Skupiny ČEZ has introduced three new localities offering public rapid charging stations manufactured by ABB. The localities include Pardubice (two stations), the D35 motorway before Liberec, and the 178th kilometre of the D1 motorway before Brno (two stations). According to information provided by Skupina ČEZ, the project EV Fast Charging Backbone Network Central Europe will allow the establishment of over 40 rapid charging stations making it possible for the majority of electric cars to charge up to 80% of battery capacity in 20-30 minutes by the end of 2018. Besides using EU funds, ČEZ invest also its own money in the construction of the charging infrastructure. New rapid charging stations will likely start serving the

²⁹ h: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

general public for instance on the motorway bypass of Olomouc, in Valašské Meziříčí, or Frýdek-Místek.

CONSTRUCTION

CTK WORKFORCE IN CONSTRUCTION IN H1 LOWEST SINCE 2000 – 2.11.

Czech construction employed 368,143 people at the end of June this year, the lowest number for the first six months of a year since 2000 and 0.5% down year on year, according to Czech Statistical Office (CSU) data.

Compared with the first half of pre-crisis year 2008, the number of people working in construction was 45,358 lower. "The current number of workers in construction moves around its long-term bottom. The sector has managed to start a moderate growth and companies would like to hire more people," Jiri Vacek, director of analytic company CEEC Research, told CTK today.

"Unfortunately, the current low unemployment does not offer space for a significant growth in workforce in construction. The capacities of companies are over 90% full and further growth in the sector will be limited by lack of free capacities," he added.

Association of Building Entrepreneurs secretary Michael Smola fears that the hope that construction could grow in a fundamental way after last year's 5.9% decline is getting smaller.

"This year's production will be similar to last year. The size of the production is linked with the size of workforce," Smola noted.

Some experts say that comparison with record year 2008 is not objective. "The year was exceptional because in the pre-crisis period, the Czech construction market was getting overheated and sometimes showed signs of a bubble," said Cyrrus company analyst Lukas Kovanda.

"This manifested itself by a high number of employees which, however, was unsustainable. It was not even desirable because the people were lacking in other, more productive areas of the economy," he remarked.

Construction at that time was in a situation when even hiring foreign employees from nearby countries was insufficient. There were ideas about bringing employees from remoter countries, for example Asia, Vacek said.

"Labour productivity in the whole construction grows. This means a clear pressure for a drop in demand for labour force. Also, compared with 2008, the number of people working in the grey economy has grown. There were some 31,000 such workers in 2008 and now the number has grown to around 55,000 workers, Kovanda remarked,

The average wage in construction grew by 5.9% yr/yr to Kc25,592 a month as of the end of the first half of this year and was 13% below the nationwide average.

Czech building output increased by 3.5% yr/yr in the first half of this year. According to CSU latest data from the end of August, the growth has moderately slowed down to 2.8%.

³⁰ CZK: Czech Crown, the currency of the CR since 8 February 1993

³¹ l: litre

Building construction, that is construction of flats, offices, warehouses and industrial halls, pulled the growth. This segment showed a 7.1% yr/yr increase.

On the other hand, civil engineering construction, made up mainly of transport infrastructure projects, declined by 7.5%.

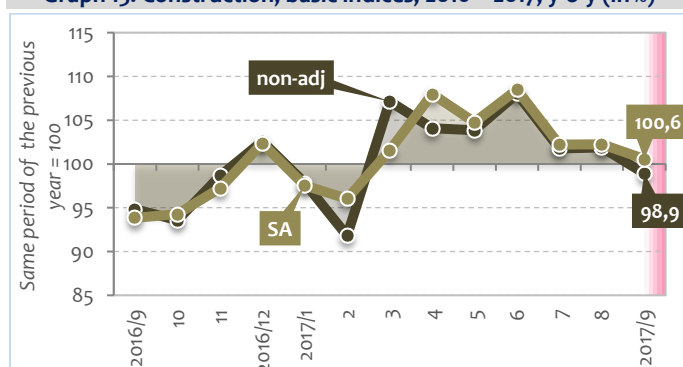
Workforce in construction at end-June

Year	Number
2000	401,523
2001	395,819
2002	381,138
2003	384,673
2004	396,060
2005	396,003
2006	403,978
2007	407,107
2008	413,501
2009	403,150
2010	407,212
2011	401,259
2012	398,376
2013	375,128
2014	369,926
2015	378,947
2016	369,949

CONSTRUCTION – 6. 11.

In September 2017 the SA construction output increased by 0.2% y-o-y, in real terms. The non-adj output declined by ▲1.1%. The planning and building control authorities granted by 3.8% more building permits, y-o-y, and the approximate value of permitted constructions jumped up by 32.2%, y-o-y. The number of started dwellings fell by ▲4.0%, y-o-y, and the number of completed dwellings grew by 2.6%, y-o-y.

Graph 13: Construction, basic indices, 2016 – 2017, y-o-y (in %)



spent higher number of nights with lower number of arrivals.

NEW BUILDING ACT TO ACCELERATE BUILDING PERMIT PROCEEDINGS – 6.11.

The amendment to the building act, which will gain effect from January 1, 2018, will accelerate the building permit proceedings significantly.

Minister for Regional Development Karla Šlechtová (ANO) has stated that so-called joint proceeding will unify the currently separate zoning proceeding, building proceeding and environmental impact assessment (EIA), if the builder chooses so.

In September, the minister submitted to the government the document "Public Building Law Recodification - Basic Theses", which identifies key problems in the field of building proceedings.

TOURISM

GOVT APPROVES AMENDMENT TO LAW ON TOURISM – 6.11.

The government approved a draft amendment to the law on tourism today due to the CR's duty to incorporate some EU directives in its legislation, Regional Development Ministry spokeswoman Veronika Varosi announced to CTK.

The legislation changes the law from 1999 on some conditions for doing business in tourism. The ministry says that the main goal is unifying of rules for tours within the EU internal market and raising consumer protection.

"The main reason for the new legal norm's adoption in meeting of the transposition duty. Among other reasons are efforts to improve the business environment and to set more equal conditions for doing business so as to raise the competitiveness of national tour operators," the ministry said.

The amendment, for example, defines more precisely the conditions for gaining a licence for running a tour operator and adjusts the conditions to the increasing number of tours sold on the Internet. Clear rules for help to clients in difficulties are yet another advantage, the ministry added.

New rules concerning protection in other member states when a tour operator becomes insolvent is also an advantage, said Regional Development Minister Karla Slechtova, adding that thanks to the more precise definition of key words like tour, travel service and selling place, clients as well as businesses will be better protected by law.

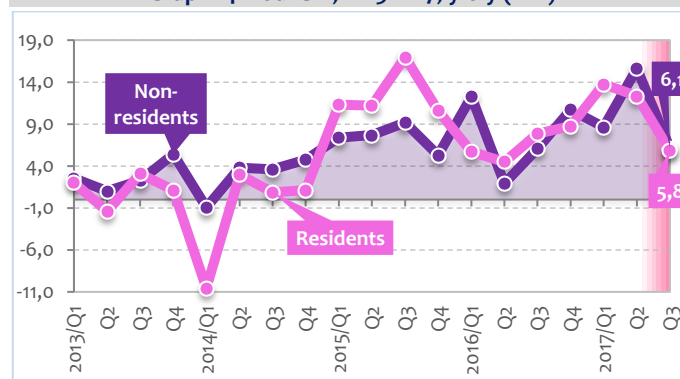
The amendment also counts on setting up a tour operators' guarantee fund for covering the claims of clients in case of tour operator's insolvency or for clients who did not receive the services they have paid for.

Annual planned sales of tour operators from the sale of tours and tourist services will serve as the basis for the calculation of the annual contribution to the fund. The maximum size of the annual contribution has been proposed at 0.25% from the annual planned sales.

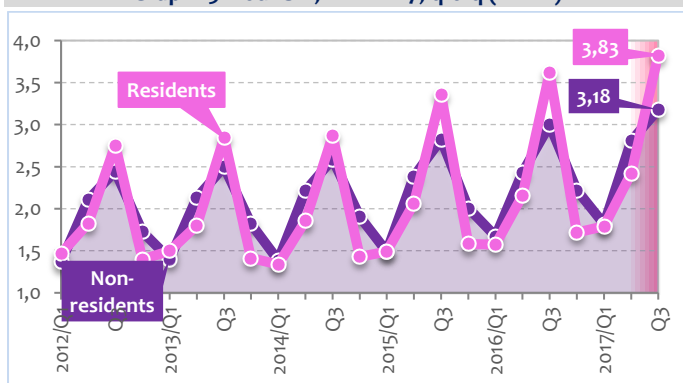
TOURISM – 8. 11.

Q3 2017, the number of guests in collective accommodation establishments increased by 5.9% and the number of overnight stays by 4.2%. The trend of rising occupancy has been repeatedly confirmed in the main season.

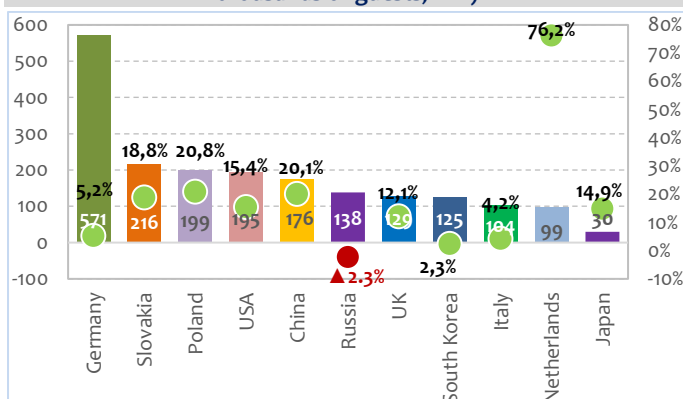
Graph 14: Tourism, 2013-2017, y-o-y (in %)



Graph 15: Tourism, 2012-2017, q-o-q (in mn)



Graph 16: Tourism, TOP 10 countries + Japan, Q3 2017 (in thousands of guests, in %)



The highest number of foreign guests (by nationality) came as usual from Germany. Collective accommodation establishments visited more than 0.5mn Germans. Compared to the same period of previous year their number went up by 3.6%. The 2nd largest group of foreign guests during the summer period was visitors from Slovakia (216,000) with y-o-y increase by 5.4%. The 3rd place was taken by Poland (199,000 arrivals, y-o-y increase by 4.1%).

From the top 10 countries, the highest growth was shown by visitors from China (+31.9%). Above-average interest in accommodation of surveyed establishments was shown by Russians (+24.4%) and Koreans (+20.0%). These arrivals from China and South Korea for Q1-Q3 exceeded the volume of visits from these countries for the whole last year. From important incoming countries the decrease was shown by guest from the UK (▲ 7.3%). Occupancy of guest form Italy went down too, by ▲ 1.1%. It is worth noticing that from the ranking of Top 10 countries guests from Israel took the 9th place with y-o-y growth by 12.0% in the number of overnight stays. Israeli guests stayed in establishments in average longer period (4.5 nights) than other visitors and thus

LABOUR & SOCIAL & HEALTH

TOTAL OF 29 PCT OF CR'S EMPLOYEES WORK IN SHIFTS IN 2016 – 3.11.

Total of 29% of employees in the CR worked in shifts in 2016, which is the fifth biggest share in the European Union where the average is 18.8%, according to data published by the Czech Statistical Office (CSU) today.

There were 1.2 million shift workers in the CR last year.

A total of 41% of employees younger than 25 work in shifts, while it is a fifth in the 60-plus age group.

The number of shift workers between 40 and 44 years of age amounts to nearly 190,000.

The Usti Region registers the biggest number of shift workers in the long term, with the share accounting for two fifths, which is double the Prague figure.

Number and share of shift workers in individual segments in 2016

Segment	No. of employees (thous.)	Shift workers (thous.)	Shift workers (%)
Total no. of people between 15-64	4,167.7	1,207.8	29.0
Agriculture, forestry, fishery	107.0	19.2	17.9
Mining and extraction	33.9	16.9	49.8
Manufacturing	1,310.4	536.0	40.9
Electricity, gas and heat production and distribution	45.9	14.7	32.0
Water supplies and treatment	52.2	7.4	14.1
Construction	232.0	12.8	5.5
Wholesale, retail, repairs of motor vehicles	459.9	145.5	31.6
Transport and storage	282.5	106.2	37.6
Hospitality	131.5	64.9	49.3
Information and communication technology	109.6	10.2	9.3
Financial and insurance services	84.7	6.2	7.3
Real estate	16.4	1.1	6.7
Science and technology professional activities	145.3	3.6	2.5
Administrative and support activities	98.3	31.2	31.7
Public administration and defence; mandatory social security services	316.9	56.9	17.9
Education	306.4	16.4	5.3
Health care and social work	328.4	138.6	42.2
Cultural, entertaining, recreational activities	66.2	13.5	20.4

ANALYSTS: GROWING PRICE OF LABOUR SUPPORTS

AUTOMATION – 7.11.

The growing price of labour in the segment of industry motivates companies to extend investments in the production automation. This was stated by UniCredit Bank CR and Slovakia chief economist Pavel Sobíšek in a commentary on the development of the industrial production in the CR. According to ING Bank chief economist for the CR Jakub Seidler, conditions in the segment of industry will likely remain optimistic, however, the slowdown pace in the automotive industry was a question. The automotive industry has to deal with a high comparison base and the utilisation of its capacities including the lack of suitable labour force. Česká spořitelna analyst Jiří Polanský predicts that the industry will grow approximately 5.0% in 2017. The dynamics will likely reach 3.2% and 3.0% in years 2018 and 2019.

UNEMPLOYMENT TO FALL FURTHER UNTIL END TO SEASONAL WORK – 8.11.

Unemployment in the Czech Republic will fall further and the trend will change only with the end of the year due to the end to seasonal work, according to the opinions of analysts addressed by CTK.

They see in particular good economic performance behind the low number of jobless and say that economic growth could reach up to 5 percent this year.

However, such a low jobless rate slows down further economic growth.

The Czech Republic's unemployment rate fell to 3.6 percent in October, down from September's 3.8 percent, and there were about 271,000 job seekers, the lowest number in almost 20 years.

The last time there were fewer unemployed people was in December 1997, registering about 269,000 job seekers.

Unemployment has probably already dropped below its natural level, said Deloitte chief economist David Marek.

"In the coming months, unemployment will be falling further thanks to the continuing economic growth. However, negative seasonal factors, typical for the winter months, will start manifesting themselves at the end of the year," he added.

Low unemployment is one of the main goals of economic policy but now the very low unemployment is slowing down economic growth, Generali Investments CEE chief economist Radomir Jac said.

"Lack of labour force is becoming one of the main barriers to further expansion of production activities of companies. The pressure towards a higher wage growth is also reflected in inflationary pressures and causes need for a tougher monetary policy," he noted.

Cyrus chief economist Lukas Kovanda expects unemployment to hit another record-low level of 3.5 percent in November. Employees at the moment have the strongest negotiating position in the last two decades but from the point of view of employers, the situation on the labour market is a fundamental barrier to growth, he said.

³² SC: Supreme Court is the third instance for both civil and criminal matters, moreover, it can make suggestions for passing laws relating to justice as well as amendments

If new jobs in the coming months are created equally fast as in the previous months this year, the number of the vacancies will in the spring be higher than the number of unemployed, Akcenta company analyst Miroslav Novak warned.

"The second half of this year will be characterised not only by a very low unemployment and a record-high number of offered jobs but also by a very fast growth in wages," he forecast.

CZECH DEVICE TO DIAGNOSE CROHN'S DISEASE FROM BREATH – 8.11.

Czech researchers have developed a unique diagnostic device that can detect Crohn's disease directly from patients' breath and prevent them from undergoing a lengthy and uncomfortable endoscopic examination, daily Hospodarske noviny (HN) writes today.

MISCELLANEOUS

LANGUAGE IN WRITING TO CZECH CIVIL COURTS – 2. 11.

The Czech language must be used in written communication with a Czech civil court and foreigners have the right to communicate in their mother tongue only in oral civil proceedings, the SC³² has decided.

The common practice has not been unified until now.

Participants in civil proceedings sometimes addressed the courts in foreign languages and courts felt obliged to translate their written replies to these writings, SC said.

In criminal proceedings, the suspects continue to have the right to receive the most important documents and decisions in a language they understand.

In civil proceedings, the two parties in dispute have equal positions, while in criminal proceedings the charged persons are in "weakened" positions and they thus have a series of rights.

CR AMONG WORST COUNTRIES FOR BUILDING PERMITS – 2.11.

The CR ranked 127th out of 190 countries for the ease of getting a building permit, according to the annual Doing Business 2018 report published by the World Bank (SB). In Europe, only Bosnia and Herzegovina ranked lower. In length of getting building permits, the CR is at 165th place with 247 days. In Denmark, it takes 64 days, and 652 days in Cambodia. The CR also has 21 procedures for getting a permit. Among the neighboring countries, Germany is the best at 126 days, followed by Poland at 153 days, Austria at 222 days and Slovakia at 286 days. In the building permit ranking, Slovakia is 36 spots ahead of the CR at 91st place.

The low score for building permits stands out against the other mostly positive rankings.

The country was tied for number one for ease of cross-border business, number 15 for ease of getting electricity, number 25 for ease of resolving insolvency, number 32 for ease of registering property, number 42 for ease of getting credit, number 52 for ease of paying taxes, number 62 for ease of protecting minority investors, and number 91 for ease of enforcing contracts.

thereto. Its main task is to oversight legality of court decisions and to ensure uniformity of the case law. The Supreme Court never decides cases as the court of first instance.

SLOVAKIA CATCHING UP WITH EU FASTER THAN CR – 5.11.

Slovakia was catching up with the EU older countries faster than the CR in the last 25 years, which can be seen not only on the average economic growth but also on the growth of the GDP share, according to the stances of analysts addressed by CTK.

However, Slovakia started at a lower level after the split of Czechoslovakia. The visible difference between the two countries is that Slovakia adopted the euro in 2009.

"November 25 this year will mark 25 years since the passing of the constitutional law on the split of the Czechoslovak Federation. The setup of the independent CR and Slovak Republic followed.

"The average growth of the economy in 1994 to 2016 reached 2.6% in the CR and 4.1% in Slovakia. This is to a certain extent given by a lower comparison basis from which the Slovak economy grows," said Cyrrus chief economist Lukas Kovanda. The economic level of both countries was quite different in the 1990s, Deloitte chief economist David Marek noted.

"In 1995, per capita GDP measured by the purchasing power parity was at 76% of the EU average in the CR and at 48% in Slovakia. Now the ratio stands at 89% versus 77%," he said. Slovakia registered the highest year-on-year GDP growth in 2007 when its economy expanded by 10.8%, partly thanks to the new plants of car makers.

The global economic crisis that followed fully manifested itself in the Slovak economy in 2009 when the country's GDP shrank by more than 5%.

For the coming two years, the National Bank of Slovakia (NBS) expects GDP growth to accelerate, up to 4.6% in 2019, also thanks to new investments in the automotive industry. British car maker Jaguar Land Rover is building a new plant in Slovakia which per capita is the biggest car producer in the world.

The CR registered the highest economic growth in 2006 when its economy expanded by 6.9%, according to Czech Statistical Office (CSU) data.

The biggest drop, also as a consequence of the global economic crisis, was seen in 2009 when GDP dropped by 4.8%. The Czech National Bank (CNB) expects a 4.5% GDP growth this year and a 3.4% GDP growth in 2018.

"Slovakia is faster but the CR can be considered a more stable economy," Marek said.

Unemployment in Slovakia is much higher than in the CR and the CR's budget policy is more cautious, he added.

Economists see a visible difference between both countries' monetary development. Slovakia adopted the euro in 2009, while the CR has kept its currency.

"In case of the CR, own currency acted most of the time rather as a buffer in case of unfavourable development. In case of Slovakia, the currency's development was much more sensitive to political and economic events," said ING chief economist Jakub Seidler.

The economic development has thus shown that the euro is not a fundamental factor for success or failure, Marek noted. Nevertheless, euro adoption was a key factor for Slovakia, it motivated Slovaks to carry out liberal reforms, Kovanda added.

UniCredit Bank chief economist Pavel Sobisek pointed at the fact that in the past 25 years, the Czech banking sector underwent a very dramatic development.

"The total volume of bank loans increased 5.5 times from January 1993 to September this year, mainly thanks to loans for households which became the major recipients of loans for banks," he said.

"Loans for households even jumped up 20 times. Mortgage loans, in 1992 still an unknown word in the CR, have a lion share in this," Sobisek remarked.

CIA APPOINTMENT: TOYOTA CENTRAL EUROPE-CZECH – 6.11.

Jakub Květoň is the new Lexus Manager at Toyota Central Europe-Czech.

CIA HKČR: GDP WILL GROW 3.6%, COMPANIES INVEST IN ROBOTS – 7.11.

The Czech economy will reach a growth by 3.6% in 2018.

The growth will likely be driven by a higher foreign demand related with the economic recovery in the euro area and a robust domestic demand.

This stems from a macroeconomic prediction published by the Chamber of Commerce of the CR (HKČR).

A lack of qualified labour force will be the main barrier for a quicker dynamics in GDP.

The lack of qualified labour force will also force a nominal growth in wages by 8.6%.

The exhaustion of the labour market will also cause more significant investments in new technologies and robots.

A growth in fixed investments will reach 5.3%.

The inflation will be close to upper threshold of the tolerance band of the central bank, i.e. around 3%.

