

NEWS SUMMARY NOVEMBER 16 – NOVEMBER 22

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ECONOMY & FINANCE

PRODUCER PRICE INDICES – 16. 10.

In October 2017 compared with the previous month, agricultural producer prices and construction work prices both went up by 0.6% and 0.2%, respectively. Prices of market services were higher by 0.1%. Industrial producer prices stayed unchanged. In comparison to October 2016, agricultural producer prices grew by 8.3% and industrial producer prices rose by 1.1%. Construction work prices and prices of market services were also higher by 1.8% and 1.6%, respectively.

Month-on-month comparison:

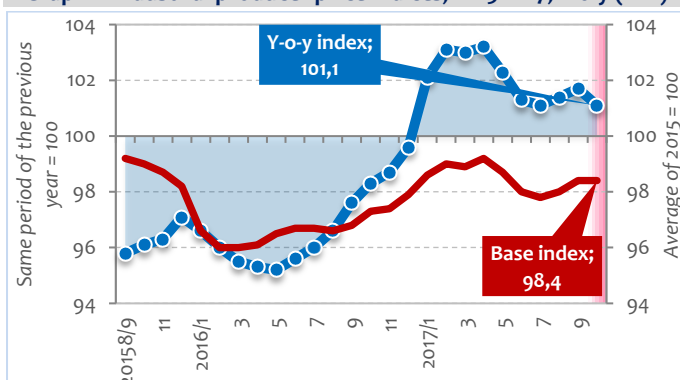
Prices of **industrial producers** stayed unchanged. Prices rose in ‘mining and quarrying’ (+1.6%) and ‘chemicals and chemical products’ (+1.2%). Prices increased in ‘food products, beverages, tobacco’ (+0.1%), thereof ‘dairy products’ (+2.4%). Lower were prices in ‘transport equipment’ (-0.6%), thereof ‘parts and accessories for motor vehicles’ (-0.9%).

Year-on-year comparison:

Prices of **industrial producers** were higher by 1.1% (+1.7% in September). Prices increased significantly in ‘basic metals, fabricated metal products’ (+5.1%). On the increase were prices in ‘food products, beverages, tobacco’ (+3.3%), thereof ‘dairy products’ (+17.7%), ‘bakery and farinaceous products’ (+4.0%). Higher were prices also in ‘coke, refined petroleum products’. Prices decreased in ‘transport equipment’ (-3.3%), thereof ‘parts and accessories for motor vehicles’ (-4.8%). Lower were prices in ‘electricity, gas, steam and air conditioning’ (-1.1%).

Among the main industrial groupings, prices of ‘non-durable consumer goods’ (+3.0%) increased the most.

Graph 1: Industrial producer price indices, 2015-2017, Y-o-y (in %)

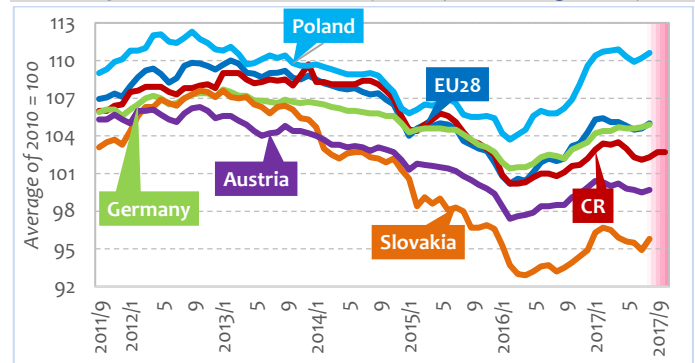


According to the Eurostat News Releases, industrial producer prices increased in September by 0.6% (+0.4% in August) in EU28, **month-on-month**. The highest increase was observed in the Netherlands (+2.9%). Prices rose in Poland (+0.7%), Austria (+0.6%), the Czech Republic and Germany (+0.4% both) and Slovakia (+0.3%). A decrease was recorded only in Cyprus (-1.4%).

Industrial producer prices were higher in September by 3.3% (+2.9% in August) in EU28, **year-on-year**. Prices rose in all Member States, the most in Belgium (+7.0%). On the increase

were prices in Poland (+4.9%), Germany (+3.0%), Slovakia (+2.8%), Austria (+1.8%) and the Czech Republic (+1.7%).

Graph 2: Industrial producer price indices, International comparison, 2011-2017, monthly data (2010 average = 100)



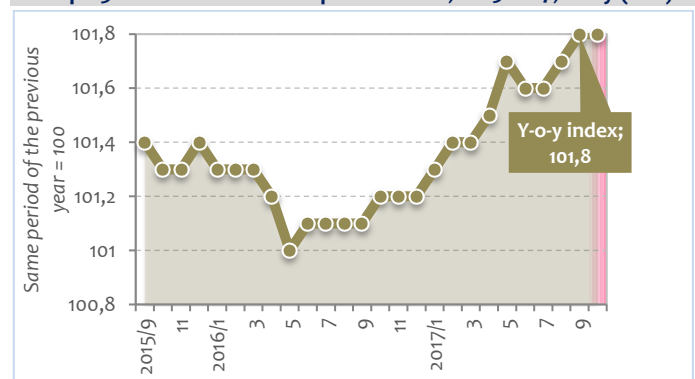
Month-on-month comparison:

According to an estimate, **construction work prices** increased by 0.2% and construction material input prices went up by 0.1%.

Year-on-year comparison:

According to an estimate, **construction work prices** rose by 1.8% (like in September after specification) and construction material input prices grew by 2.4% (+2.3% in September).

Graph 3: Construction work price indices, 2015-2017, Y-o-y (in %)



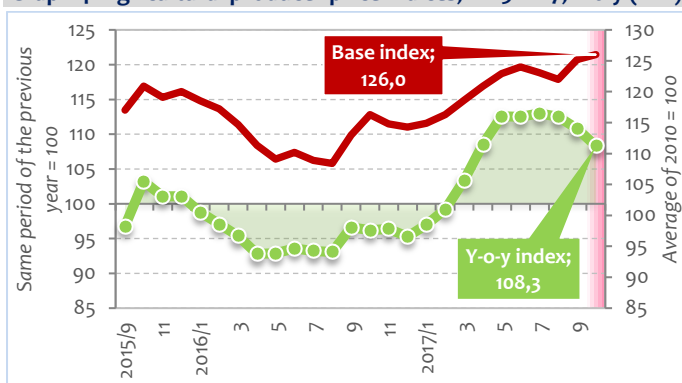
Month-on-month comparison:

Agricultural producer prices grew by 0.6%. Prices of eggs (+12.8%), fresh fruit (+8.7%) and milk (+2.8%) went up. On the decrease were prices of potatoes (-8.8%), fresh vegetables (-8.0%), pigs for slaughter (-4.4%), and poultry (-3.2%).

Year-on-year comparison:

Agricultural producer prices were higher by 8.3% (+10.8% in September). Prices of crop products grew by 5.0% due to increasing prices of fresh fruit (+68.6%), cereals (+7.8%), potatoes (+2.5%) and oil plants (+1.2%). Lower were prices of fresh vegetables by 1.2%. Prices of animal products went up by 14.6%. Higher were prices of milk (+37.9%), eggs (+20.7%) and cattle for slaughter (+4.0%). Prices of poultry (-2.3%) and pigs for slaughter (-3.5%) went down.

Graph 4: Agricultural producer price indices, 2015-2017, Y-o-y (in %)



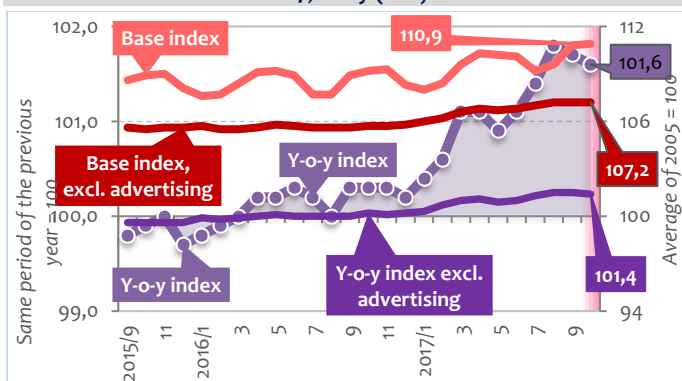
Month-on-month comparison:

Market services prices in the business sphere rose by 0.1% due to the price increasing of ‘advertising and market research services’ (+2.0%) and ‘publishing services’ (+0.2%). Lower were prices of ‘employment services’ and ‘warehousing and support services for transportation’ (-0.4% both). Market services prices excluding advertising services stayed unchanged.

Year-on-year comparison:

Prices of market services in the business sphere were higher by 1.6% (+1.7% in September). Increasing were prices in ‘insurance, reinsurance and pension funding services, except compulsory social security’ (+3.7%), ‘publishing services’ (+3.3%), ‘architectural and engineering services’ (+3.0%), ‘advertising and market research services’ (+2.0%) and ‘land transport services and transport services via pipelines’ (+1.1%). Market services prices excluding advertising services increased by 1.4% (+1.5% in September).

Graph 5: Market services price indices in business sphere, 2015-2017, Y-o-y (in %)



EET RECEIPT LOTTERY HAS 453,000 PLAYERS IN FIRST DRAW – 16.11.

A total of 452,691 active players took part in the first draw of the EET (electronic registration of sales) receipt lottery with nearly 14mn receipts, of which 11.1mn were included in the draw, according to statistics released by the Finance Ministry today. The most active player registered 1,648 receipts.

The highest number of active players were aged between 30 and 50 years, 170,528 in total, followed by people aged 50 to 70 years (113,574).

There were also 23,216 players aged over 70 and 61,960 players aged between 18 and 30 years.

Two thirds of the receipts were registered through a form on the Internet. More than 80% of the players set up a player account for easier registration of receipts.

The draw took place on Wednesday afternoon from receipts issued in October. The Finance Ministry has distributed around 21,000 wins, the first prize is Kc1m. The draw was made by Sazka company.

Within EET, 376mn receipts were issued in October.

The EET receipt lottery's website suffered an outage when the results of the first draw were to be placed on it at 19:00 on Wednesday, which was caused by a hacking attack, Deputy Finance Minister Alena Schillerova told the Czech radio station Radiozurnal.

As of November 1, receipts from November shopping can be registered in the lottery, the draw will take place on December 15. The participants will again play for 21,025 wins, including an automobile. A tender will be held for the car's brand and type.

Number of active players (with at least one receipt included in the draw)	452,691
Highest number of receipts registered by one player	1,648
Number of all receipts registered for Oct	13,970,449
Number of receipts in the draw	11,138,871
Average number of receipts per person	30.86
Median	23

CZECH INTEREST RATES MAY REACH 3% WITHIN 2 YEARS--CNB GOVERNOR – 16.11.

The Czech National Bank's (CNB) monetary policy could return to normal within 1-2 years, with interest rates reaching about 3% amidst inflation rate of 2 percent, according to the central bank's model, CNB governor Jiri Rusnok said at a conference organised by the University of Finance and Administration today.

Under the CNB's model, the real interest rate could reach about 1% within 1-2 years, which means interest rates around 3% provided that inflation is at 2%

According to Rusnok, the normalisation of monetary conditions is possible thanks to the growth of inflation.

In October, the inflation rate rose to 2.9%

The gradual inflation growth and economic revival was supported by the weakening of the crown in the previous years, Rusnok noted.

Following a statement by Vice-Governor Mojmir Hampl, Rusnok's statement is the second similar comment from the CNB since the latest monetary policy meeting at the beginning of November, according to Komerční banka economist Viktor Zeisel.

"Today's comment goes slightly against the tone of the latest (policy) meeting which we regard as dovish. Today's statement nevertheless supports our hypothesis that the rates will next year rise faster than predicted in the CNB's outlook. We expect the rates to be raised four times by 0.25 percentage points each time," Zeisel said.

At the beginning of November, the CNB raised interest rates for the second time since ending its currency commitment. The benchmark interest rate thus rose by 0.25 points to 0.5% Rusnok said than that, depending on the situation, the CNB

might raise rates again at any of its forthcoming monetary policy meetings.

The economy is growing faster than its potential, which is a sign of overheating, according to Rusnok.

"Our economic cycle is in the stage of the fastest growth. We are above the potential. We believe that there is still room for this positive growth to continue for several years," Rusnok said at the conference.

A risk lies mainly in development abroad, he added.

Rusnok also said he welcomed the development of the CR's public debt, which is expected to fall to 30% of GDP in 2019.

"I consider this very good and very reasonable. It creates manoeuvring space for the government in case the economy faces some shocks," he said.

On the other hand, the level of indebtedness of the euro zone countries is unhealthy. A lot of economies would face problems in the event of unfavourable development. In addition, this situation limits the ability of the European Central Bank to set the monetary policy, Rusnok added.

CR'S 4 BIGGEST BANKS RAISE PROFITS BY 6% TO Kc41.9BN IN Q1-3 – 19.11.

The four largest banks in the CR made an aggregate net profit of Kc41.9bn in the first three quarters of this year, some 6% higher year on year, according to the banks' results.

Experts say that full-year results could be record.

The profitability of Czech banks is very high, Finlord company analyst Boris Tomciak said as well.

The profits grow in particular thanks to the rise in net interest income which is the consequence of a higher volume of provided loans and low default rate. This situation will not change for now. Interest in loans will be high also in the year 2018, he noted.

However, banks have to be cautious about growing costs. In particular personnel costs are beginning to increase fast because employees try to negotiate higher financial as well as other remunerations, he warned.

	net profit Q1-3 2017	net profit Q1-3 2016	net profit Q1-3 2015
CSOB	13.5	12.0	11.0
Ceska sporitelna	11.7	11.9	11.1
Komerční banka	11.2	10.6	9.9
UniCredit Bank CR and Slovakia	5.5	4.9	4.6

FINMIN RAISES GDP OUTLOOK TO 4.1% - 21.11.

CR's economy is set to grow 4.1% in 2017 and 3.3% in 2018, Ministry of Finance says in its macro-economic prediction from November 2017. In the previous outlook, the ministry estimated the growth at 3.1% in 2017 and 2.9% in 2018. Average inflation rate is estimated at 2.4% in both years. According to the forecast, unemployment rate will drop to 3.0% in 2017 and subsequently to 2.8% in 2018. The ministry has also published CR's Fiscal Outlook. In the document, the authority estimates the government sector budget surplus at 1.1% of GDP. The surplus is expected to grow to 1.3% of GDP in 2018.

MAJORITY OF CZECH FIRMS FAIL TO PAY INCOME TAX – BISNODE – 21.11.

The number of Czech companies that do not pay the corporate income tax has been on decline over the past five years but they still make up a majority among businesses, consulting firm Bisnode said today.

The share of companies that post losses and do not therefore pay the income tax has decreased by 8 percentage points to 52 percent, Bisnode analyst Petr Stepanova said.

On the other hand, the share of companies that pay more than Kc1m annually in the income tax is growing, Bisnode said. Bisnode has analysed all companies that made public their financial statements in 2012-2016. In 2012-2015 they comprised about 160,000 limited liability and joint-stock companies. Last year alone, there were nearly 58,000 of them.

The corporate income tax rate in the CR is at 19%

Corporate income taxes paid by limited liability and joint-stock companies, share in% (data as of Oct 9, 2017)

tax	2012	2013	2014	2015	2016*
	59.53	58.90	55.53	52.38	51.53
Kc0 - Kc100,000	23.15	23.73	24.91	25.84	26.28
Kc100,000 - Kc1,000,000	12.47	12.37	13.69	14.96	14.51
Kc1,000,000 - Kc10,000,000	4.23	4.33	5.08	5.85	6.06
Kc10,000,000 - Kc100,000,000	0.56	0.62	0.74	0.90	1.45
> Kc100,000,000	0.06	0.05	0.06	0.08	0.17

*the lower volume of data for 2016 is connected with companies' failure to comply with the duty to make public their financial statements

CEEC: AWARDED CONTRACTS UP TO CZK 272BN – 22.11.

Totally 22,039 public contracts or part thereof totalling CZK 272bn were awarded to specific contractors in 10M 2017, up 104.1% for number and 79.7% for value.

CEEC Research's (CEEC) director Jiří Vacek has stated that the prices at which the companies are delivering to the government are growing with the amounts.

Mr. Vacek adds that a year ago the average discount reached 20%, now just 2%.

The statistics cover a wide range of sectors from construction to services, transportation, means of transport, waste collection, IT, devices and healthcare."

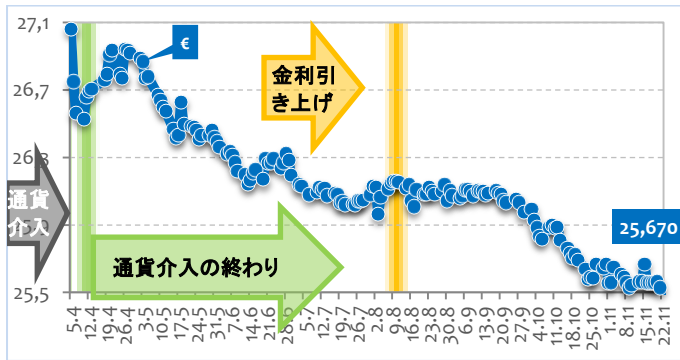
CROWN BREAKS THROUGH Kc25.50/EUR FOR 1ST TIME SINCE INTERVENTIONS – 22.11.

Czech crown broke through Kc25.50/EUR this morning, it opened trading at Kc25.48/EUR at 09:00 today, the strongest level since March 2013, according to data from Patria company website.

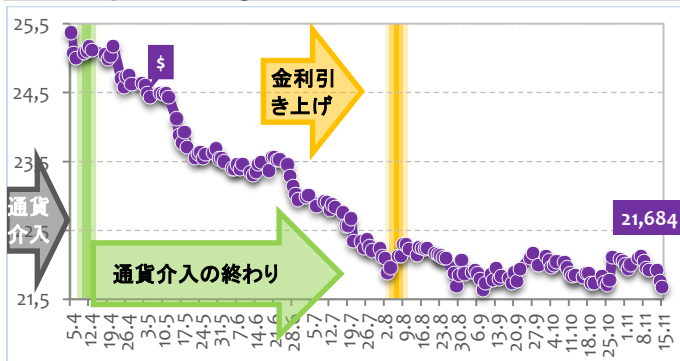
In the seven months since the end to the Czech National Bank's (CNB) forex interventions, the crown has firmed by Kc1.50 to the euro.

CNB 12.4 5.6 7.8 CZK¹ vs EURO², US DOLLAR³, YEN – 22. 11. 4 5 6 7 8

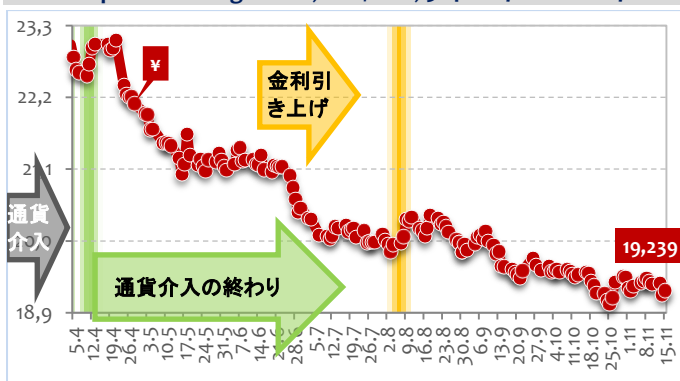
Graph 6: Exchange rates, CZK/€, 5. 4. 2017 – 22. 11. 2017



Graph 7: Exchange rates, CZK/\$, 5. 4. 2017 – 22. 11. 2017



Graph 8: Exchange rates, CZK/100¥, 5. 4. 2017 – 1. 11. 2017



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¹ 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 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%.

² EUR: (€) Euro is the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union

³ 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.

⁴ 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.

⁵ 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%.

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AGRICULTURE & FOOD & DRINK

CZECH FOOD CHAMBER SUPPORTS LIFTING SANCTIONS AGAINST RUSSIA – 21.11.

The Czech Food Chamber is in favour of lifting the European Union's sanctions against Russia, as the country could lift its embargo on food imports imposed in 2014, the Food Chamber said in a press release concerning Czech President Milos Zeman's current visit to Russia.

The Food Chamber's main argument is the CR's dairy export to the Russian Federation, sinking after the embargo was enforced.

Sanctions have cost the Czech dairy industry Kc1bn in the three years of being in place, the Food Chamber said. However, Czech agriculture exports did not decrease compared to 2013 despite the sanctions, according to data of the Agriculture Ministry.

The Food Chamber has had these arguments since the sanctions were imposed.

While the volume of Czech milk and dairy exports to Russia amounted to Kc238m in 2013, it was Kc188m in January-June 2014, with mainly cheese and powdered milk exports growing, the Food Chamber president Miroslav Toman said.

Losses of direct exporters in the dairy sector amounted to Kc350m in 2014, with the secondary impacts, mainly the milk purchasing price drop, being more significant, the Food Chamber said, adding that the loss reached about Kc400m annually in the following years.

All investment on the Russian market has basically gone to waste as Czech producers will be replaced with suppliers from other production areas, and it will be very difficult for them to return to the market, Toman said.

No Czech dairy company has managed to replace Russia with another export territory, the Food Chamber stated.

The CR's agriculture exports to Russia totalled Kc2.45bn in 2013, Kc2.96bn in 2014, Kc2.35bn in 2015, and Kc2.56bn in 2016, according to the Agriculture Ministry data. The volume reached Kc1.9bn in the first three quarters of this year, remaining about the same annually.

The Russian import embargo includes vegetables, meat, poultry and fish.

The CR has been trying to support agriculture trade with the Russian Federation in the long term, with the current

In the last rate increase in February 2008, the two-week repo rate grew to 3.75%. Then the CNB was cutting the rates.

⁶ 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.

⁷ Lombard rate: An interest rate charged by a central bank for very short term loans to other banks against an approved collateral.

⁸ Discount rate: An interest rate that a central bank charges depository institutions that borrow reserves from it.

government having posted an agriculture diplomat to the country.

PRAZDROJ OPENS FIRST RADEGAST BRAND PUB – 22.11.

Brewery Plzeňský Prazdroj has opened the first Radegast brand pub in the CR in the new design. The Radegastovna concept, created by architect Jan Bouček, is based on the idea of using individual materials in their original form. The restaurant will offer meals from Beskydy and Walachia regions. Radegast Ryze Hořká 12 is the main beer served in the pub.

INDUSTRY & TRADE & INVESTMENTS

ŠKODA SELLS 37,100 OCTAVIA AND 12,800 SUPERB MODELS IN OCTOBER – 16.11.

In October 2017, ŠKODA sold its customers 37,100 OCTAVIA models. This information was provided by ŠKODA AUTO, which added that this was a 3.0% decrease on the year. The brand also recorded a drop for the RAPID (18,300; -4.6%), FABIA (17,000; -1.7%) and YETI (5,100; -29.4%) models. The CITIGO model, only available in Europe, also reported a drop (3,200; -11.5%). The SUPERB model posted a positive result (12,800; +4.5%). There were 12,500 KODIAQ and 1,400 KAROQ models sold. Overall, 107,400 vehicles were supplied in the tenth month of the year, up 9.7% on the year.

CR REGISTERS 3.7MN ACTIVE TRADE LICENCES AT PRESENT – CRIF – 16.11.

A total of 3.7mn trade licences have been active in the CR nowadays, and the business activity is at its highest since the overthrow of the communist regime in 1989, said an analysis of CRIF company that was presented to CTK.

As many as 8.9mn licences for sole traders and legal persons had been registered in the country from the beginning of 1990 until the end of October this year, CRIF said.

The highest demand for trade licences was recorded in 1992 when the Small Businesses Act took legal effect. The number of trade licences reached 1.38mn within a year.

During the economic transformation which began in the 1990s many of people decided to start a business but as time went by the number of new trade licences had been declining, CRIF data department head Jan Cikler said.

Between 1993 and 2000, 446,000 trade licences were registered in the country a year on average, their number not falling below 300,000 in any of the years during the period.

In the next eight years, the pace fell to an average amount of 283,000 licences registered annually, and in the following eight years, the annual figure reached 195,000 on average.

The CR registered 5.6mn trade licences as of the end of 2007, while in December 2008 it was fewer than 2.8mn licences.

Starting in 2009, trade licence numbers grew by an average 112,000 annually, rising by 909,000 to the current figure of 3.7mn at end-October this year.

Manufacturing, trade and services record 2.1mn active licences, the highest figure, followed by road transport with 230,000 licences.

TWO MODELS ZETOR TRACTORS WILL BE MANUFACTURED IN SOUTH KOREA – 16.11.

ZETOR TRACTORS has partnered with tractor manufacturer TYM Tractor to manufacture ranges Hortus and Utilix in South Korea. The company told ČIANEWS that the production will likely begin in mid-2018. The model range of the tractors will be extended to six models thanks to the measure.

HK ČR: CZECH COMPANIES TO RECEIVE ORDERS FOR BILLIONS OF KORUNAS IN RUSSIA – 16.11.

The entrepreneurial mission, which will accompany president of the CR Miloš Zeman during a state visit to the Russian Federation on November 21 to 24, 2017, will enable companies to sign contracts reaching billions of korunas.

The Chamber of Commerce of the CR (HK ČR) has informed about this, adding that industries with good prospects on the Russian market include aviation among others, and there is growing demand for sewage treatment plants and other water management facilities here, too.

HK ČR is cooperating on the mission with the Chamber of Economic Contacts with Countries of the Commonwealth of Independent States and will be led by HK ČR president Vladimír Dlouhý and president of the Confederation of Industry of the CR, Jaroslav Hanák.

ŠKODA AUTO TO MAKE E-VEHICLES IN MLADÁ BOLESLAV – 20.11.

ŠKODA AUTO will manufacture purely electric vehicles in its plant in Mladá Boleslav. According to the carmaker, it will offer five e-vehicles to customers by 2025 in various segments. In addition to e-vehicle production, the local plant will also produce electric components for plug-in hybrid vehicles of several VW brands from 2019. Electrification of the ŠKODA model range and production of electric components are among the key pillars of Strategy 2025. Other fields include product and process digitisation, entry to new markets and expansion of traditional car production with other mobility-related services.

AUTOŠAP: PRODUCTION OF VEHICLES INCREASED TO 1.17MN – 20.11.

The number of road motor vehicles produced in the CR in the first nine months of 2017 increased by 4.4 % y/y to 1,179,060. Of this total, production of passenger cars totaled 1,173,005 (+4.37 %). The largest share of this total was accounted for by ŠKODA AUTO (710,530 vehicles). It was followed by Hyundai Motor Manufacturing Czech (300,900) and Toyota Peugeot Citroën Automobile Czech (161,575). This was reported by the Automobile Industry Association (AutoŠAP).

AMSP: IMPACT OF ČNB INTERVENTIONS ON TRADE IS OVERESTIMATED – 20.11.

During the entire period of interventions by the Czech National Bank (ČNB), the CR's overall exports increased by 25.2 %. During the same length of time prior to the artificial weakening of the crown (2011-2013), exports had increased by 25.3 %. During the intervention regime imports increased by 23.8 %. In the 2011 to 2013 period the tempo of imports had

reached 17.0 %. This is based on an analysis conducted by the Association of SMEs and Trade License Holders of the CR (AMSP ČR).

AERO COMPLETES L-39CW AIRCRAFT DEVELOPMENT – 21.11.

AERO Vodochody AEROSPACE (AERO) has completed with air and ground tests the development phase of the L-39CW aircraft, with the FJ44-4M engine from Williams International. L-39's existing users include ca. 40 governments, with 600 aircrafts still in use. The new avionics is ready for the training of future pilots of fourth and fifth generation aircrafts and may be customised according to customers' specific requirements. The company plans to start delivering new engines for existing L-39 aircrafts in 2018.

COMCHAM: COMPANIES TO SIGN CONTRACTS WORTH CZK 20BN IN RUSSIA – 21.11.

Czech firms are set to sign 13 contracts worth over CZK 20bn during the business mission to Russia. The planned contracts include e.g. the expansion of BRISK Tábor's investments in Samara region and PRAGOIMEX's contract with URALVAGONZAVOD for the upgrade of ČKD T-3 tramways for Russian cities in the URALTRASMAS plant. The information was provided by the Chamber of Commerce, which organises the business mission accompanying President Miloš Zeman on his official trip to Russia together with the Confederation of Industry (SP ČR) and the Chamber of the Commonwealth of Independent States. The business mission, which will depart on November 21, 2017, will consist of 132 representatives of Czech firms. SP ČR's president Jaroslav Hanák has stated that Russia was, is and will be interesting for export and for financially strong investors.

DOOSAN ŠKODA POWER LAUNCHES TURBINE FOR PKN ORLEN – 22.11.

Doosan Škoda Power has launched a counter-pressure collection turbine for PKN Orlen. The 70 MW turbine delivers electricity and steam to the chemical plant in Plock, Poland. Beside complex gear deliveries, the contract covered also building work and electrical output installation on the spot. With the investment totalling several hundreds of millions of korunas, the client has secured higher quality of electricity production and boosted the existing facility's availability. Fewer than two years since the contract's signature were needed to complete the project, incl. permission procedures and required tests.

ŠKODA ELECTRIC PRESENTS ŠKODA E'City ELECTRIC BUS – 22.11.

ŠKODA ELECTRIC has presented its new electric bus, ŠKODA E'City, at the CZECHBUS 2017 fair. The vehicle was built in cooperation with Iveco CR, which has delivered the car body. ŠKODA ELECTRIC's business Radek Svoboda said that the electric bus' design may be customised for clients. The vehicle is 12m long, with 10m/ 18m options to be added soon.

AMSP: TRADING WITH RUSSIA IS PICKING UP SPEED – 22.11.

The four-year decline of mutual trade between the CR and the Russian Federation has come to an end. Foreign trade with Russia grew 12.1% in 2017. The information was provided

by the Association of Small and Medium Enterprises and Sole Traders of the CR (AMSP) and the bank Komerční Banka (KB), which have presented an analysis of mutual trade an investments on the occasion of President Miloš Zeman's visit to Russia. A survey carried out by AMSP on a sample of 500 SMEs has yielded similar results. According to the survey, 38% of exporters are delivering to markets in the Commonwealth of Independent States and 6% plan to start exporting their goods to the region soon. Czech exports to Russia totalled CZK 118bn in 2012 and CZK 75.2bn in 2016. Import dropped from CZK 154.9bn in 2012 to CZK 83.9bn in 2016.

TRANSPORT

AIR TRAFFIC OVER CR RECORD-BREAKING IN MAY-OCT – 16.11.

Air traffic in the CR's skies was record-breaking during this year's summer season, with the number of aircraft movements increasing annually by 1.8% to 498,309 from May until October, the Czech air traffic controller RLP said today. July reported 90,005 flights, take-offs and landings, which was the biggest number of the period, RLP said.

The Vaclav Havel Airport Prague saw the number of take-offs and landings increase by 12% to 84,924.

Traffic in the Czech airspace can be expected to exceed 850,000 aircraft movements in 2017 taking the current development into account, RLP spokesman Richard Klima said. Planes had no delay on average even at the peak of the season, RLP said.

The number of kilometres travelled and the maximum aircraft weight have been growing. Lufthansa, Emirates and Turkish Airlines are the RLP's biggest clients.

RLP, a state-run company, was established in January 1995. It offers services to users of the CR's airspace including services at the Vaclav Havel Airport Prague, Brno - Turany, Ostrava - Mosnov, and Karlovy Vary airports.

BENZINA MODERNISES ITS PETROL STATIONS – 16.11.

Petrol stations chain BENZINA is redeveloping its petrol stations and extends its catering offer by healthy food made of fresh sources. It thus targets all groups of customers including families with children and vegetarians. BENZINA started the renovation project in August 2017 and it plans to redevelop 30 stations by the end of this year. The company modernised for instance petrol stations Devět křížů and Průhonice at the D1 motorway and Drahelčice and Kladruby at the D5 motorway.

ŘVC WILL INCREASE VLTAVA NAVIGATION PARAMETERS FOR CZK 1.66BN – 20.11.

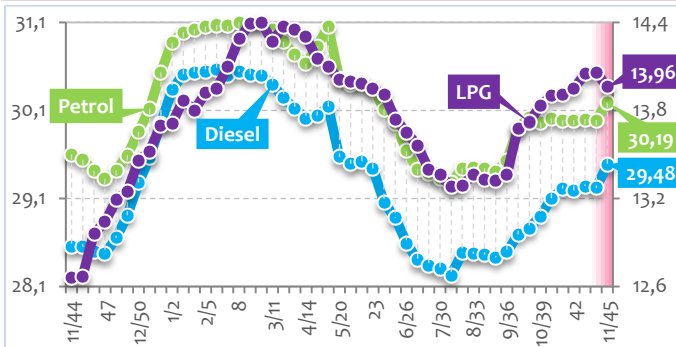
The Czech Waterways Directorate (ŘVC) will spend CZK 1.66bn to increase the parameters of the Vltava water route to Prague. The ŘVC received a subsidy totaling EUR 10.7m from European Union funds. At the start of 2018, once supplier tenders are completed, the implementation of the first construction works will commence. The project should be completed in 2020 and will be co-financed by the State Transport Infrastructure Fund. As part of the modification, the underpass height of bridges will increase and the fairway from Mělník to Prague-Radotín will be made deeper.



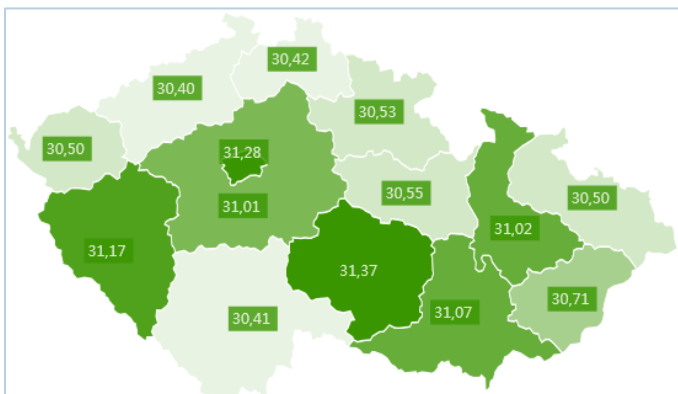
FUEL PRICES – 21. 11.

Natural 95 increased by 31h⁹ to CZK¹⁰30.79/l¹¹ over the past week. Diesel oil increased by 29h to CZK29.81/l.

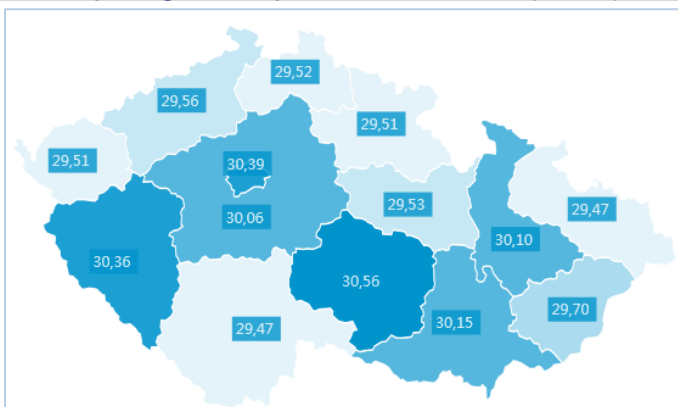
Graph 9: Average fuel prices¹², 2016/2017, Month/Week (in CZK/l)



Map 1: Regions, fuel prices, Petrol, 21. 11. 2017¹³ (in CZK/l)



Map 2: Regions, fuel prices, Diesel, 21. 11. 2017 (in CZK/l)



MD CONSIDERS INTRODUCTION OF CONCESSION MODEL ON RAILWAYS – 22.11.

The Ministry of Transport of the CR (MD) is considering the introduction of the concession model on railways with payments by carriers for exclusivity on particular lines. This was stated by Deputy Minister of Transport Tomáš Čoček at the 216th Žofínské fórum conference. According to his words, the system could be currently considered on the line Prague-Ostrava. Based on a demand from carriers, it is possible to expect the operation of such trains on more lines (Prague-

⁹ 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.

¹⁰ CZK: Czech Crown, the currency of the CR since 8 February 1993

¹¹ l: litre

Brno, Ostrava-state border, Přerov - Staré Město u Uherského Hradiště - state border).

THE TRANSPORT COMPANY HAS COMMISSIONED A STUDY TO EXTEND THE METRO A AND C – 22.11.

The Prague Transport Company (DPP) has commissioned a study on the possible extension of the Metro A line from Motol to Václav Havel Airport. It is due by the end of this year. The company will also examine the possibility to extend route C from Letňany to Čakovice. Documents for DPP are prepared by Metroprojekt and the company will pay for them altogether CZK859,500.

ENERGY

ČEZ DISTRIBUCE: NETWORK DAMAGE FROM HURRICANE EXCEEDED CZK 71MN – 16.11.

Damages caused by hurricane Herwart in energy distribution company ČEZ Distribuce's distribution territory exceeded CZK 71m.

Totally 628 collection points were without electricity.

Half amn points were reconnected within 18 hours.

The hurricane, which swept through the CR on October 29, 2017, caused 3,571 defects in the distribution network, making it the fourth worst calamity ever in terms of disconnected users.

The worst damage was caused by hurricane Kyrill, which disconnected 1.1mn users and caused damage totalling CZK 85m.

CR CAN'T REACH EU'S ENERGY SAVING TARGET WITHOUT SUBSIDIES – 20.11.

The CR cannot reach the energy saving target, considered by the EU, without state subsidies, according to a study made by consulting company Enviros for the Confederation of Industry.

According to the most probable scenario, Brussels will demand from the CR energy savings of 73.5 petajoules (PJ) between the years 2021 to 2030.

The EC presented the draft energy effectiveness directive last year. Its foundation is raising of energy effectiveness by 30% as of 2030.

"According to the saving measures' cost curve, it will be necessary to spend Kc510bn to Kc1,025bn on investments, Kc190bn to Kc660bn of the amount from public resources," Enviros consultant Jan Harnych said today.

These amounts are related to the most probable option of the proposed directive, Bohuslav Cizek of the Confederation of Industry remarked.

"However, if the EC decides to adopt the toughest of the considered options, costs of energy savings could climb to more than double," he warned.

Technical potential of energy savings in the CR is 240 PJ, according to the study, and economic potential reaches 150 PJ.

¹² 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

¹³ data issued by the CCS Company

Without state participation, the CR would be able to save only 36 PJ in the given period, the study says.

Further savings of energy up to the required 73.5 PJ will demand state support, the confederation noted.

According to Czech Statistical Office (CSU) data, total energy consumption of EU countries was close to 55,000 PJ in 2005. A sudden drop in consumption came in 2009 due to lower industrial production as a consequence of the global economic crisis. The year-on-year decline at that time reached 5.9% but in the CR the fall was a bit smaller.

In 2015, energy consumption in the EU reached 49,400 PJ and in the CR 1,100 PJ, which represented 2.3% of the EU's consumption.

CTK LAST TRAIN CARRYING CZECH DIESEL OIL TO LEAVE GERMANY ON THURSDAY – 21.11.

Viktoriagruppe in Krailling, Bavaria, will leave for the CR on Thursday, Pavel Svagr, the head of the Administration of State Material Reserves (SSHR), told CTK today.

The CR had diesel oil worth more than Kc1bn stored in Krailling. After Viktoriagruppe was declared insolvent, the CR was unable to get the diesel oil back for nearly two years.

In July last year, SSHR signed an agreement with Viktoriagruppe's insolvency administrator and Krailling Oils Development, the new owner of the storage facility, enabling the CR to get the diesel oil back.

The CR will not, however, get back all the diesel oil stored in Krailling. According to a check carried out by German customs officers in December 2014, 6.3mn litres of the fuel are missing compared to records.

According to SSHR, the exact amount of the missing diesel oil can be determined after the last train departs from Krailling. The insolvency administrator of Viktoriagruppe has never recognised the CR's ownership right to the diesel oil in Krailling.

CTK TS ČR: HEAT PRICES WILL MOSTLY STAGNATE – 21.11.

Heat prices will continue to stagnate in 2018, the Heating Association of the CR (TS ČR) has informed. The prices of heat made from natural gas will mostly remain unchanged or will drop. Heat prices in coal-burning heating plants will either be preserved or will grow less than the annual inflation rate. Heating plants, power plants, company energy facilities and gas boiler rooms deliver heat to more than 1.7mn households. Approximately 55% of heat for residents is made from coal and one third from natural gas. Biomass accounts for ca. 7% of production and facilities for energy utilisation of waste, secondary energy sources and other fuels for 4%. Heating plants invested almost CZK 19bn into their modernisation in 2013-2016.

SOCIAL & HEALTH

CTK CZECH FINANCIAL SECTOR STRIKE THREAT HIGHLIGHTS SECTOR CONDITIONS – 16.11.

The financial sector in the CR is one where some of the top paying jobs are to be had. But there's a reverse side to the coin as well with some back office and low level jobs earning relatively poor wages. And that's one of the main reasons for a strike threat by workers from Czech in the financial sector.

The strike threat from the Trade union of Banking and Insurance Employees was issued November 14 and covers workers in banks, insurance companies, and health insurers.

CTK SLOVAKIA HAS HIGHER UNEMPLOYMENT, LOWER WAGES THAN CR – 19.11.

Slovakia has had higher unemployment than the CR since Czechoslovakia's split in 1992, which is also reflected in higher wages in the CR, according to data from the Czech Statistical Office and Slovak Statistical Office.

Average unemployment in the CR reached 6.4% in the years 1994 to 2016 and average unemployment in Slovakia was at 14% in the same period.

In none of the years between 1994 and 2016 was the average annual unemployment rate in Slovakia lower than the average annual unemployment rate in the CR. The smallest difference at 5.2 percentage points was registered in 2008.

The CR did not register a comparable decline in the purchasing power of employees. Slovakia broke through the real wage level from the breakthrough year 1989 for the first time in 2007 and the CR already in 1996.

Before Slovakia's entry in the euro zone in 2009, Czech wages were 20 to 25% higher than Slovak wages in nominal terms for many years.

The difference in wages was even bigger in the first years when Slovaks used the euro due to the crown's firming to the euro. In the first quarter of 2011, for example, the difference in the wage level increased to 27%

When taking into account the different price level in the two countries, it can be said that wages in some individual professions are comparable in both countries and in some cases, Slovak wages are even higher. This is the case of professions like drivers, machine fitters and office employees.

CTK NO. OF CLIENTS IN PENSION SCHEME'S 3RD PILLAR DOWN THIS YEAR – 20.11.

The third pillar of the Czech pension scheme registered 4.472mn clients in Q3, a drop of about 47,000 persons compared to the end of 2016, the Association of Pension Companies told CTK today.

The third pillar, providing state contributions, consists of transformed and participating funds.

Compared to December 2016, the number of clients of transformed funds, which are now closed and do not accept new clients, went down by 217,000 to 3.76mn.

A total of 711,000 people had supplementary pension savings, replacing the previous private pension scheme in 2013, displaying a rise of 169,000 from December last year.

Pension companies managed Kc405.5bn worth of assets in the third pillar funds - Kc378.8bn in transformed funds and Kc26.7bn in participating funds, with the latter's assets growing by 48.1% from the beginning of this year.

Q3 ranks among the best quarters since the launch of the supplementary pension savings system in 2013, with client numbers and the pension savings market rising, said the association's head Ales Poklop.

The average employer's contribution to the supplementary pension savings and private pension systems amounted to Kc824 and Kc772 a month at the end of September. These

contributions were paid to more than 967,000 clients or 21.6% of the total figure.

Conservative investments prevailed in transformed funds, with Czech government bonds making up 60% of their assets. Private pension schemes with state contributions were introduced in the CR in 1994.

SKODA AUTO EMPLOYEES DON'T HAVE TO FEAR ABOUT JOBS - VW UNION HEAD – 21.11.

Employees of car maker Skoda Auto do not have to fear that Volkswagen Group, which owns the car maker, will move part of production to Germany, daily Hospodarske noviny (HN) writes today citing VW trade union head Bernd Osterloh.

Speculations about moving part of production to Germany appeared in October. The daily recalls that Osterloh ranks among the most influential men in Volkswagen, he is also on its supervisory board where union members hold a half of the 20 seats. No decision is made without their approval.

No one from the side of the unions would allow a decision which would put jobs in Skoda Auto in danger, HN says, citing Osterloh.

Volkswagen's unions do not know anything about potential taking of part of production from the Czech car maker, Osterloh declared.

MISCELLANEOUS

LABOURMIN TERMINATES CONTRACT WITH OKSYSTEM – 20.11.

Ministry of Labour and Social Affairs terminated on November 16, 2017, the contract on the creation of the single information system for labour and social affairs (SOCIAL BENEFITS IS). The ministry requested guarantees from OKsystem that deadlines will be met. The company has not provided the guarantees and does not expect to complete work on the project to the set deadline. The ministry has also announced preliminarily the opening of a new tender, which will be opened as soon as possible.

HALF OF CZECHS OVER 16 USE MOBILE INTERNET ACCESS – CSU – 20.11.

The share of mobile broadband users increased by 9 percentage points to 50% of Czechs older than 16 this year, while it was 13% five years ago, according to data of the Czech Statistical Office (CSU) published at today's press conference. A total of 87% of people in the 16 to 24 age group use mobile Internet access, while it is four out of five users in the 25 to 34 age group, and a mere 6% in the 65 plus group.

The CR ranks fourth last in the EU in terms of using mobile broadband.

Investing in the telecommunication sector is hampered by excessive administration in the area of building procedures, and increasing regulation, said Jiri Grund, the executive director of the mobile operators' association.

As much as 17% of people in the CR do not use the Internet mostly because they do not need or want it.

A total of 77% of households in the country have Internet access.

Czechs use the Internet to send emails (73%), read the news (71%), and look up information about products and services (68%).

Roughly 52% of Internet users shop online and the same share uses online banking.

The share of people shopping online grew by 8 percentage points year on year, with the CR still being below the EU 2016 average of 55%

The share of people buying food online has risen from some 1% to 11% since 2010, the CSU's society development statistics department head Martin Mana said.

Czechs do not use shared services much, with 4% of respondents ordering accommodation online and roughly 2% using shared transport.

A total of 44% of people use social networks, which is 3 percentage points more in annual comparison. The share was 5% in 2009.

As much as 93% of people under 24 use social networks, said Lenka Weichetova of the CSU's society development statistics department.

E-SHOPS EXPECTING RECORD SALES THIS YEAR – 20.11.

E-shops in the CR are gearing up for Black Friday, the first major load test ahead of the Christmas shopping frenzy. E-shops are becoming increasingly popular with clients and this year their sales figures are expected to cross the 100 billion mark for the first time ever.

The number of E-shops on the market saw a peak in 2014 when there were over 37,000 of them competing for attention. Despite a slight drop since, to just over 36,000 last year, the e-market is still highly overcrowded. Experts predict many mergers not just among e-shops but also with stone and mortar stores which then serve as delivery points and a home base for e-shops.

Books, perfumes, clothes and toys are the most frequent goods ordered online and market experts predict that the selection will gradually expand and, as in the United States, the pressure on stone and mortar shops will steadily increase putting many of them out of business.

THIRD OF FIRMS IN CR NOT PREPARED FOR EU'S GDPR REGULATION-SURVEY – 21.11.

About a third of Czech companies have not yet made any preparations related to the new EU General Data Protection Regulation (GDPR) that will take effect at the end of May next year, according to a survey that was conducted by the SmartEmailing application operator.

More than a quarter of companies do not know what GDPR is, the survey showed.

Preparations are under way in nearly 38% of firms. Most of them are currently in a stage of studying documents, a lower portion is analysing data and 2% are implementing changes.

Only four out of 1,400 businesses polled in the CR and Slovakia said they had been prepared for the new regulation. Some 70% of respondents have not yet picked a GDPR implementation supplier. More than a half of firms envisage no GDPR-related costs, while a third predict costs at up to Kc50,000, the survey has revealed.

According to Karin Pomaizlova, a partner at Taylor Wessing law firm, GDPR is dealing with issues such as the right to data portability for individuals, the right to be forgotten and the right to child protection.

The Interior Ministry has drafted a bill on personal data processing that implements the EU directive. The draft will be submitted to a new Chamber of Deputies. The new lower house of Czech parliament resumed its operation after the October 20-21 general election at a constituent session that began on November 20.

The Czech draft envisages sanctions for authorities of up to Kc10m. Fines for violating a ban on personal data publishing are proposed at a maximum of Kc5m.

 **CZECH PM WILL ATTEND PLATFORM 16+1 AFTER SUMMIT –**

22.11.

Czech PM Bohuslav Sobotka (ČSSD) will meet European leaders in Brussels on November 24, 2017. They will meet in the framework of the Eastern Partnership summit. The summit will issue a joint declaration with a document determining goals in the field of the practical cooperation until 2020. The PM will then go to Budapest to meet PMs of 16 countries of the region of Central and Eastern Europe and China on November 27, 2017.



News outside the time span of this News summary
CIA News (Česká informační agentura)



CNB (Česká národní banka)
Czech Press Agency (Česká tisková kancelář)
Czech Statistical Office (Český statistický úřad)