

NEWS SUMMARY DECEMBER 14 – DECEMBER 20

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ECONOMY & FINANCE

CR'S CURRENT ACCOUNT ENDS IN CZK37.7BN DEFICIT IN Q3 – CNB – 14.12.

The current account of the CR's balance of payments ended in a CZK37.7bn deficit in the third quarter of this year, the Czech National Bank (CNB) said today.

The central bank updated information on the Q2 current account deficit, with the gap deepening by CZK1bn to CZK8.6bn.

For the first three quarters of this year, the current account shows a surplus of CZK51.3bn.

The financial account recorded CZK2.1bn worth of net inflow of money from abroad owing to external liabilities rising faster than external assets.

Reserve assets increased by CZK13.4bn, adjusted for exchange rate differences, because of a surplus on transactions for CNB clients, the central bank said.

The goods and services balance ended in a CZK70.4bn surplus in Q3, decreasing by CZK2.4bn y-o-y, which was due to a lower goods surplus, while the services surplus increased slightly.

Receipts from goods processed for foreign owners increased, and so did receipts from pipeline transport and electricity transmission. Repair services imports declined.

The travel surplus decreased annually, which was due to growth in Czechs' spending abroad.

The primary income deficit widened annually by CZK6.7bn to CZK93.9bn because of a rise in reinvested earnings for foreign owners of domestic corporations, and lower income from the EU budget recorded under primary income.

Direct investment registered a net inflow of CZK11.9bn, being affected mainly by foreign owners in domestic corporations reinvesting earnings, and drawing loans from corporations within the direct investment group.

Selected items of CR's balance of payments in Q2, Q3 (CZK bn)

item	Q3	Q2
current account	-37.677	-8.627
- goods and services	70.456	104.769
- primary income	-93.929	-97.837
- secondary income	-14.204	-15.561
capital account	8.260	7.745
financial account	-2.137	30.838
- direct investment	-11.914	-26.203
- portfolio investment	152.608	-45.855

CZECH MPs PROPOSE TRANSFERS OF 100BN CROWNS IN 2018 STATE BUDGET – 15.12.

The members of the lower house of Czech parliament proposed financial transfers of nearly 100bn crowns to be made in the 2018 state budget bill in the bill's second reading today, wanting to increase spending on social services, schools and road repairs.

The lower house will take the final third vote on the budget on Tuesday.

The budget revenues are 1,314.5bn crowns and the expenditures are 1,364.5bn crowns. These figures cannot be changed anymore.

The proposals for changes made today concern about 7% of the budget's total expenditures.

The right-wing Civic Democrats proposed to take 28.2bn crowns from nine budget chapters in order to use this money for the state debt servicing.

On the contrary, a number of MPs proposed to lower the sum for the debt servicing and use the money for various other purposes. New Finance Minister Alena Schillerova told the lower house that she would resolutely oppose any proposal that meant cutting the expenditures of the servicing of the state debt.

Several proposals want to increase the financial support for regional schools. MP Vera Kovarova (Mayors and Independents, STAN) recommended that additional 15.6bn crowns go to the salaries of teachers.

Many MPs also proposed higher spending on social services. MP Jan Volny (ANO) proposes to move further 1.5bn crowns to social services, while MP Vit Kankovsky (Christian Democrats, KDU-CSL) considers a two times higher sum to be the necessary minimum.

ODS MP Jana Cernochova promoted a four-billion-crown increase in the defence spending.

Other MPs proposed transfers of up to a fewbns in order to have more money for road reconstruction, renewal of architectonic heritage, universities or science and research.

MP Mikulas Ferjencik (Pirates) proposed that the expenditures of the Presidential Office be lowered by one million crowns, which is approximately the cost of the security measures adopted at the presidential seat. The Pirates criticised these measures.

"This is just a showy demonstration of power. The checks are not dignified and they create an easy target in form of long queues of tourists and do not protect the Prague Castle," Ferjencik said.

CR IS INTERESTED IN GOOD OPERATION OF EURO ZONE – BABIS – 15.12.

The CR is interested in good operation of the euro zone, Czech PM Andrej Babis said today in Brussels, where he attended the euro zone summit meeting to which other EU countries' heads of state and PMs were invited as well.

Most of Czech exports head for EU member states and a majority of foreign investors in the CR also come from the EU, Babis noted.

Babis confirmed that he will seek to complete the CR's ratification of the Fiscal Stability Treaty of 2012.

The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union is an intergovernmental agreement signed in 2012 by all EU member states except the CR, the UK and Croatia, and ratified and entered into force

for all 25 signatories in 2014. The signatories are expected to transpose the treaty provisions concerning mainly fiscal and debt discipline into their national legislation.

The EU has recently proposed that the conditions of the treaty become part of the EU legislation in the future.

The previous Czech government had pledged to join the treaty. According to Babis, it failed to do so owing to a lacking agreement regarding the portion of votes in the Chamber of Deputies needed to pass the treaty.

"We will submit it again. I see no reason why we should not ratify it. Our country is faring very well in terms of public budgets," Babis said.

Prague is 6th most developed region in EU – CSU – 15.12.

Prague is the sixth most developed region in the European Union, surpassing Paris, Stockholm and Vienna with its gross domestic product per capita, representatives of the Czech Statistical Office (CSU) said at today's press conference referring to 2015 data.

Last year, Prague accounted for a quarter of the total GDP of the CR, followed by the Central Bohemia Region with 12% and the South Moravia Region with 11%.

Prague has been reporting a very good economic performance, the CSU vice-president Marek Rojicek said.

The CSU data show that the economic performance of the CR was at 88% of the EU average in 2016. Prague was at 182%.

Regions with a bigger share of services and production with higher value added are doing better, causing a faster increase in wages and standard of living, which was confirmed by comparing regional data in 1996-2016, Rojicek said.

Prague's share in the country's GDP has grown from 20% to 25% over the past 20 years, CSU's annual national accounts department head Vladimír Kermiet said.

The Central Bohemia and South Moravia regions are best in terms of agriculture performance of the CR, while the Central Bohemia and Moravia-Silesia regions excel in industry.

Prague reports best results in construction, thanks to the construction of flats, services, banking, health care and education.

Selected regions' GDP (based on purchasing power parity) per capita (EU28 = 100%)

Ranking	Region	Country	2015 (%)
1.	Luxembourg	Luxembourg	264
2.	Hamburg	Germany	206
3.	Brussels	Belgium	205
4.	Bratislava Region	Slovakia	188
5.	London	Britain	184
6.	Prague	CR	183
7.	Upper Bavaria	Germany	178
8.	Paris	France	176
9.	Stockholm	Sweden	174
16.	Vienna	Austria	155
65.	Berlin	Germany	119

PRODUCER PRICE INDICES - NOVEMBER 2017 – 18.12.

Y-o-y price increase in industry slowed again.

In November 2017 compared with the previous month, agricultural producer prices grew by 0.3%. Construction work prices and prices of market services both went up by 0.1%. Industrial producer prices went down by 0.1%. In comparison

to November 2016, agricultural producer prices rose by 10.1% and industrial producer prices grew by 0.9%. Construction work prices and prices of market services were also higher by 1.8% and 1.6%, respectively.

Month-on-month comparison:

Agricultural producer prices grew by 0.3%. Prices of eggs (+43.3%), fresh vegetables (+7.7%), poultry (+3.5%), milk (+3.0%), oil plants (+2.5%) and fresh fruit (+2.2%) went up. On the decrease were prices of pigs for slaughter by 4.1%.

Prices of industrial producers went down by 0.1%. On the decrease were prices in 'food products, beverages, tobacco' (-1.1%), thereof 'dairy products' (-2.2%) and 'preserved meat and meat products' (-1.2%). Lower were prices in 'transport equipment' (-0.5%), thereof 'parts and accessories for motor vehicles' (-1.0%). Prices rose the most rapidly in 'coke, refined petroleum products'. On the increase were prices in 'basic pharmaceutical products' (+1.4%) and 'mining and quarrying' (+0.2%).

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

Market services prices in the business sphere rose by 0.1% due to the price increasing of 'publishing services' (+0.2%), 'real estate services' (+0.3%) and 'employment services' (+2.3%). Market services prices excluding advertising services went up by 0.1%.

Year-on-year comparison:

Agricultural producer prices were higher by 10.1% (+8.3% in October). Prices of crop products grew by 6.2% due to increasing prices of fresh fruit (+77.4%), fresh vegetables (+13.4%), cereals (+7.9%) and oil plants (+2.5%). Prices of animal products went up by 16.1%. Higher were prices of eggs (+68.3%), milk (+34.5%) and cattle for slaughter (+4.1%). Prices of pigs for slaughter went down by 5.6%.

Prices of industrial producers were higher by 0.9% (+1.1% in October). Prices increased the most markedly in 'basic metals, fabricated metal products' (+4.9%). On the increase were also prices in 'coke, refined petroleum products'. Prices rose in 'food products, beverages, tobacco' (+1.8%), thereof 'dairy products' (+10.3%) and 'bakery and farinaceous products' (+3.9%). Lower were prices in 'transport equipment' (-3.8%), thereof 'parts and accessories for motor vehicles' (-5.8%) especially. On the decrease were also prices in 'electricity, gas, steam and air conditioning' (-1.1%).

Among the main industrial groupings, prices of 'intermediate goods' (+2.0%) increased the most.

According to an estimate, construction work prices rose by 1.8% (like in October) and construction material input prices grew by 2.1% (+2.4% in October).

Prices of market services in the business sphere were higher by 1.6% (like in October). Increasing were prices in 'publishing services' (+3.5%), 'architectural and engineering services' (+3.0%), 'insurance, reinsurance and pension funding services, except compulsory social security' (+2.2%), 'advertising and market research services' (+1.9%) and 'land transport services and transport services via pipelines' (+1.1%). Market services prices excluding advertising services increased by 1.5% (+1.4% in October).

Industrial producer prices in the EU – October 2017 (preliminary data)

According to the Eurostat News Releases, industrial producer prices increased in October by 0.4% (+0.5% in September) in EU28, month-on-month. The highest increase in industrial producer prices was observed in Belgium (+2.4%). Prices went up in Austria and Slovakia (+0.4% both), Poland (+0.3%), Germany (+0.2%) and remained stable in the CR. Prices decreased the most in Denmark (-1.5%).

Industrial producer prices were higher in October by 2.6% (+3.2% in September) in EU28, year-on-year. Industrial producer prices rose in all Member States, the most in Belgium (+6.9%). On the increase were prices in Poland (+4.5%), Slovakia (+2.8%), Germany (+2.5%), Austria (+1.6%) and the CR (+1.1%).

CHAMBER OF DEPUTIES HAS APPROVED A DRAFT BUDGET WITH A DEFICIT OF CZK 50BN – 20.12.

The Chamber of Deputies of the Parliament of the CR approved a government draft of the bill on the state budget for the year 2018 in the third reading on December 19, 2017. Revenues of CZK 1.314 trillion and expenditure of CZK 1.364 trillion are being expected. The balance reaches CZK -50bn, which is CZK 10bn less than in the budget for the year 2017. Within the negotiations in the Chamber of Deputies, the lawmakers, among other things, approved an increase of income for social services by CZK 3.3bn. PM Andrej Babiš (ANO) said that the government will also try to find finance for the regions for repair of secondary and tertiary roads.

AGRICULTURE & ENVIRONMENT & HEALTH

CTK PRAZDROJ RAISES PROFIT BY 30% TO CZK4.8BN IN 2016/17 – 14.12.

Beer maker Plzensky Prazdroj raised pre-tax profit by 30% y-o-y to CZK4.8bn in the fiscal year from April 1, 2016 to March 31, 2017 and its sales grew by 8% to almost CZK16bn, spokeswoman Jitka Nemeckova told CTK today.

The biggest Czech beer producer sold almost 11 million hectolitres of beer in the CR and abroad last year, nearly 1 million more than in the previous year.

Plzensky Prazdroj was taken over by Japan's group Asahi on March 31, 2017.

"We paid CZK5bn in direct and indirect taxes, CZK0.2bn more than in the previous fiscal year," Nemeckova said.

The company ranks among the 15 largest taxpayers in the CR in the long term.

In particular growing interest in traditional Czech lagers, mainly in Pilsner Urquell, was behind the growth in sales volumes last year when the brewery's total beer production increased by 5.7 percent, said CEO Grant Liversage.

Demand grew notably also for beers Velkopopovicky Kozel 11 and Radegast Purely Bitter 12. Gambrinus Full 12 is also gaining popularity.

Sales of non-alcoholic Birell beer rose as well last year, especially of its flavoured varieties, he added.

Plzensky Prazdroj's breweries employ 2,000 people. The beer maker creates another more than 20,000 jobs indirectly in supplier companies and trading partners, Liversage said.

Plzensky Prazdroj has started an investment in raising of production of Pilsner Urquell lager this year. Thanks to it, the

beer's production will increase by some one third to 3.5 million hectolitres.

"Work is now under way on the brewing plant's enlargement, as well as on the completion of construction of the necessary cylinder-conical tanks. The new equipment should be put in operation in April 2018," Nemeckova said.

Total costs of the investment are to move around EUR11m (CZK280m). The main target is to use Pilsner Urquell's potential for exports in particular to Asian markets, she added.

Pilsner Urquell's exports grew by 10% to 970,000 hectolitres last year.

At the end of June, Plzensky Prazdroj launched operation of a new line for canned beer built for CZK340m. It raised the capacity from 60,000 cans of beer per hour to 100,000 cans. The investment reacted to the growing demand for canned beer home and abroad.

CTK V4 COUNTRIES SIGN FOUR-YEAR PROJECT SUPPORTING KENYAN FARMERS – 14.12.

Czech, Hungarian, Polish and Slovak representatives today signed a four-year project that aims to improve the conditions of thousands of small farmers in Kenya and contribute to the dealing with the causes of illegal migration in this way.

"Through this initiative, we will support 15,000 farmers on the coast of Kenya by creating jobs and improving the social and economic situation," Slovak Foreign Ministry state secretary Lukas Parizek said.

The chief manager of the project, worth 14 million euros in total according to previous information, is the state-run Slovak Agency for International Developmental Cooperation. The project wants to help create new jobs in the production of cashew and sesame on the Kenyan coast.

The European Union will contribute two million euros through the Emergency Trust Fund for Africa. The four Central European countries signing the project, which form the Visegrad Group (V4), previously contributed over three million euros to third fund. In September, Slovakia decided to send further one million euros to it.

Jiri Hejkrlik, Vice Dean of the Faculty of Tropical AgriSciences of the Czech University of Life Sciences, said new cashew trees will be planted and the cashew nuts should be certified as fair trade and bio products.

The university would provide support for growing cashew nuts and sesame and also take part in the assessment of the whole project, Hejkrlik said.

The Czech University of Life Sciences and the Czech branch of the Fairtrade organisation will represent the CR in the project.

The PMs of the V4 countries today confirmed their plan to financially support the protection of the Libyan border with 35 million euros, through the EU Emergency Trust Fund, each of them contributing one fourth of the sum.

CHIA HEALTH INSURERS INCREASE BUDGETS FOR SERVICES BY 7% - 14.12.

Health insurance companies have submitted their budgetary plans for 2018 to the Ministry of Health and to the Ministry of Finance.

The total budgets amount to CZK 114bn and make it possible to increase health care expenditure by 7% compared to 2017. The highest cost increase (by 10%) is expected in the case of hospitals, which are followed by centre medicines (+8%).

FOOD COMPS GET CZK400M IN 2017 SUBSIDIES, AGROFERT HAS 27% -PRESS – 18.12.

The CR has paid CZK400m in subsidies to food producers this year, with Agrofert group receiving CZK106m or about 27% of the amount, business daily Hospodarske noviny (HN) said today.

Agrofert, which was earlier owned by the then finance minister and incumbent PM Andrej Babis (ANO movement), has thus ranked first among food companies, HN said.

In February, Babis transferred the shares of Agrofert and SynBiol company to trust funds because of the law on conflict of interest.

Agrofert, the largest group on the domestic agriculture and food market, employs more than 34,000 people. Its consolidated net profit reached CZK7.79bn on sales of CZK155.3bn last year.

State subsidies for the group have been rising in the past few years when Babis was a government member, and their share in the overall volume has been on the rise as well, HN wrote. In 2014, when the then Agrofert owner Babis became deputy PM and finance minister, CZK140m was distributed among food producers, with CZK28m or 20% going to Agrofert.

A year later, food companies received CZK203m and Agrofert CZK46m (23%) and in 2016, the respective figures were CZK396m and CZK104m (26%).

Outgoing agriculture minister Marian Jurecka (Christian Democrats, KDU-CSL) said Czech producers need support so that they might compete with foreign companies. Agrofert's share in the overall volume of subsidies was not decisive for him.

"It is impossible to exclude companies from one group. I cannot kill support for all the others because Andrej Babis went into politics," Jurecka told HN.

"We are using all the subsidies in line with the rules and for the purpose for which they had been designed," Agrofert spokesman Karel Hanzelka was cited as saying.

Subsidies for food companies might be even higher, up to CZK800m a year, according to Jurecka. The aid is part of national subsidies provided by the ministry primarily to breeders.

The previous cabinet of PM Bohuslav Sobotka (Social Democrats, CSSD) had allocated CZK2bn in aid for next year. However, the Chamber of Deputies agricultural committee, led by Jaroslav Faltynek, deputy chairman of Babis's ANO who was previously a member of Agrofert's board of directors, wants CZK1bn more, HN said.

Today, Jurecka has been replaced by Jiri Milek, owner of agricultural and food group Usovsko. Its units, too, have been receiving state subsidies.

Top 10 subsidy recipients in 2017 (in CZK millions)

Agrofert	106.00
Mlekarna Klatovy	19.74
LE&CO - Ing.Jiri Lenc	19.71
Moravia Lacto	19.68
Sladovny Soufflet	19.48
Hollandia Karlovy Vary	18.93
Zeman maso - uzeniny	18.09
Drubezarsky zavod Klatovy	17.41
Linea Nivnice	16.82
De Heus	12.85

Subsidies for Agrofert group members (in CZK millions)

Mlekarna Hlinsko	19.75
Kostelecke uzeniny	19.03
Vodnanska drubez	17.69
Olma	15.32
Afeed	9.06
Krahulik - Masozavod Krahulci	8.40
Penam	4.47
Cerea	4.43
ZZN Pelhrimov	4.24
Primagra	3.26

CZECH AGRICULTURE MINISTER SAYS FOOD SELF-SUFFICIENCY IS PRIORITY – 18.12.

Czech Agriculture Minister Jiri Milek (ANO) sees the country's food self-sufficiency as his priority and he also wants to prevent a lowering of EU subsidies for Czech farmers after 2020, he told reporters at a press conference today after being inaugurated in his post by PM Andrej Babis (ANO).

He ruled out the possibility of the state's Budvar brewery and Lesy CR forest company being sold.

Babis stressed the need to secure food safety as well and pointed out the problem of double standards for food in the EU market.

Milek said food self-sufficiency was his chief priority, which is why it was important to provide farmers and food producers with support comparable to that provided to farmers and producers in western EU countries.

"Every developed nation heeds food self-sufficiency in staple food as its priority," he said.

Milek is to discuss the joint EU agrarian policy after 2020 in Brussels, intending to prevent the lowering of the subsidies for Czech farmers, which is expected also due to the decreased EU budget after Britain's exit from the union.

Milek said another priority of his was protection of the Czech market from food and agrarian products' imports of poor quality or at dumping prices.

According to Babis, the problem with varying quality of the same products in different EU states should be resolved by EU regulations.

Milek also suggested the possibility of staff changes in the ministry, without detailing them.

He will have to deal with his being a board chairman of the Usovsko agrarian and food concern due to the conflict of interests law prohibiting such involvement of cabinet members in companies that receive subsidies. Placing his share into a trust fund would be a solution, he said earlier.

President Milos Zeman appointed Babis's ANO 15-member minority cabinet on December 13. On the same day, Babis inaugurated seven new ministers in their posts and he is inaugurating another four today. Out of the total of 14 ministers, nine are newcomers and five were members of the previous coalition cabinet of Bohuslav Sobotka (Social Democrats, CSSD).

INDUSTRY & TRANSPORT

CTK SKODA AUTO EXCEEDS 100,000 ORDERS IN CR IN ONE YR FOR FIRST TIME – 14.12.

Car maker Skoda Auto this year for the first time in its history exceeded the level of 100,000 client orders in the CR in one calendar year, the company said in a press release today.

Interest in new models of small utility vehicles Kodiaq and Karoq played an important role in the result.

Model Fabia in the Monte Carlo version was the 100,000th car ordered in the CR.

"We are happy about the constant interest in our car models which enjoy a growing popularity among private, as well as corporate clients," said Skoda Auto CR head Lubos Vlcek

The company keeps the leading position in the corporate segment and demand for all its models is strengthening also in the retail segment, he added.

Model Octavia takes up roughly a third of the orders for Skoda cars in the CR. Estate cars make up 63% of the orders for Octavias. Model Citigo is the least popular, people in the CR have ordered 3,600 Citigo cars this year, according to statistics.

Skoda Auto sold 114,600 cars in November, recording a rise of 17.5% annually and November this year was the best month in the car maker's history, Sales grew significantly also in Europe and China.

Skoda Auto, a part of German group Volkswagen, is one of the biggest employers in the CR. It has around 30,000 employees.

It also makes cars in China, Russia, Slovakia and India, mostly via partnerships, and in Ukraine and Kazakhstan, in cooperation with local partners.

Skoda Auto will begin to produce model Octavia also in Russia next year in reaction to the high demand for this car, the car maker's spokeswoman Kamila Biddle told CTK today, confirming the information of the iHNED.cz portal.

Octavia will be produced in Nizhny Novgorod and will fully correspond with the specifications of the target country, including emission limits, she said.

CTK CAR MAKERS TO PRODUCE RECORD 1.4 MILLION UNITS THIS YEAR – AUTO SAP – 14.12.

Domestic manufacturers will produce a record amount of 1.4 million motor vehicles of all categories this year, which will be an annual increase of about 50,000 units, AutoSAP said today.

The production of cars, lorries, motorcycles and buses was 4.5% higher at a record 1.314 million units in January-November, the association said.

Car makers and supplier companies as well as other organisations in the automotive industry have been doing well, said AutoSAP head Bohdan Wojnar.

"A majority of our members have so much work that they have to decline orders mainly because of an urgent lack of qualified labour," Wojnar said at the association's general meeting.

Passenger car output, the key driver of the automotive industry, went up by an annual rate of 4.49% to 1.307 million vehicles in the January-November period.

Skoda Auto was a major contributor to the overall production volumes, showing a rise of 12.7% to 795,903 units. Hyundai's production in the Nosovice plant stagnated at 333,900 units and TPCA's production of mini cars went down by 15.9% to 177,744 units.

TPCA plans to hire tens of new employees to fill the position of production operators in the first quarter of next year, TPCA spokesman Marek Hovorka told CTK in a press release today.

The car maker managed to get new contracts for the first half of next year that will boost its performance, said TPCA president Koreatsu Aoki.

The new employees will be hired in the first half of next year, he said.

Tatra lorry maker recorded a 18.8% growth in production to 1,354 units. The revived Avia brand may boost the lorry production next year. Avia and Tatra have the same owner.

Bus production saw a 5% increase to 4,200 units. Iveco Bus is the market leader with a 5.5% increase to 3,718 buses.

Jawa Moto producer of motorcycles upped production by 13% to 1,337 units, with 1,169 motorbikes going abroad.

The car industry makes up about a quarter of the CR's industrial production volumes. Sales of domestic car makers and car part suppliers rose by 12% annually to a record-breaking CZK1,020bn last year. Exports were 11% higher at CZK865bn. Since 2009, the share of exports has increased by 6 percentage points to nearly 85% of the sales figure at present.

One car is made every 23 seconds in the CR.

CTK BMW TO START BUILDING AUTONOMOUS CAR TEST TRACK FOR EUR200M IN CR – 15.12.

German car maker BMW will start building its main test track for self-driving vehicles in western Bohemia, near the Svaty Kruz/Waldsassen border crossing, investing about EUR200m (roughly CZK5.1bn) in the centre covering 500 hectares in area, BMW representatives said at a press conference today. BMW Group will launch the centre, creating a few hundred jobs, approximately in 2022.

The investment near Sokolov will help in the area of employment and education, and create opportunities for companies in the region, representatives of the Karlovy Vary Region, municipalities and entrepreneurs told CTK.

Opening of the first development centre in Eastern Europe will create new possibilities, and it represents a milestone in the company's history, BMW Vice-president Herbert Grebenc said.

18.12.

Annual terms of trade improved for the first time in twelve months.

In October 2017, export prices decreased by 0.6%, import prices fell 0.5%, the terms of trade figures reached 99.9%, month-on-month. Export prices dropped 1.7%, import prices declined 2.2%, the terms of trade reached 100.5%, year-on-year.

Month-on-month comparison:

Exports: export prices declined 0.6% in October (+0.1% in September). The change of the total m-o-m export price index was led mainly by a 0.8% price decrease in 'machinery and transport equipment'. Biggest price drop was registered in 'food and live animals' (-1.2%), 'miscellaneous manufactured articles' (-1.1%), and 'manufactured goods classified chiefly by material' (-1.0%). Prices rose only in 'mineral fuels, lubricants and related materials' (+1.9%, mainly coal).

Imports: import prices decreased by 0.5% in October following a 0.3% advance in September. The change of the total m-o-m import price index was driven mainly by a 0.7% price drop in 'machinery and transport equipment'. Prices in 'crude materials, inedible, except fuels' declined 1.4%, 'food and live animals' dropped 1.2%, and 'manufactured goods classified chiefly by material' prices fell 0.5%. Only price growth was recorded in 'mineral fuels, lubricants and related materials' (+0.9%).

The terms of trade increased to the value of 99.9% (99.8% in September), nevertheless they were still worsening. Negative values of terms of trade were reached in 'miscellaneous manufactured articles' (99.3%), 'manufactured goods classified chiefly by material' (99.5%), and 'machinery and transport equipment' (99.9%). Significant positive values of terms of trade were reached by prices of 'crude materials, inedible, except fuels' and 'mineral fuels, lubricants and related materials' (101.0% for both of them).

Year-on-year comparison:

Exports: mainly due to strengthening of koruna against euro and U.S. dollar export prices fell 1.7% (-0.9% in September). A 3.7% price decline in 'machinery and transport equipment' contributed to the decrease in overall y-o-y export price index. 'Miscellaneous manufactured articles' prices dropped 3.6%, 'chemicals and related products' prices fell 1.2%. Prices were rising in 'crude materials, inedible, except fuels' (+10.2%; mainly metal scrap) and 'mineral fuels, lubricants, and related products' (+5.9%; mainly coal).

Imports: import prices decreased by 2.2% after a 0.8% decline in September. The fall of the total annual import price index was primarily driven by a 5.4% drop in 'machinery and transport equipment'. Prices also fell in 'miscellaneous manufactured articles' (-4.2%) and in 'chemicals and related products' (-1.0%). Biggest price growth was reported in 'manufactured goods classified chiefly by material' (+3.5%), 'mineral fuels, lubricants, and related products' (+1.6%), and 'crude materials, inedible, except fuels' (+1.3%).

The terms of trade figures increased to the value of 100.5% (99.9% in September) switching to the positive values for the first time in twelve months. Among significant groups,

A declaration of cooperation between the Czech government and BMW Group is under way in connection with the information about BMW investing in the Karlovy Vary Region, Industry and Trade Minister Tomas Huner said.

The BMW Group network in the CR consists of 25 branches, with the company being represented on the market as an importer from 2006.

BMW sold 6,985 BMW and Mini vehicles in the CR in the first ten months of this year, adding 18% annually.

CZECH FIRMS LAG BEHIND IN NO. OF REGISTERED PATENTS - ANALYSIS - 19.12.

The number of national patents registered by Czech entrepreneurs declined eight times from 3,972 in 1930 to 792 last year, according to an analysis conducted by the Association of Small and Medium-Sized Enterprises (AMSP) and the Industrial Property Office (UPV).

In comparison, companies in Sweden registered 2,384 national patents last year, which means three times more than the CR.

In terms of international patents, the CR lags behind Sweden with a 20-times lower amount.

"Face to face their foreign competitors, our entrepreneurs lower their assets unnecessarily as they are unable to integrate the value of patents, utility models and trademarks in their assets. Thus, the value of entire companies is lower," AMSP chairman Karel Havlicek said.

Czech companies registered mere 199 international patents last year, compared with 18,315 registered in Germany, 3,720 registered in Sweden and 7 times more registered in Austria, the analysis has shown.

As regards European patents, the situation is similar. While Czech firms obtained only 74 European patents, Swedish firms obtained 1,939 and Austrian firms 1,041.

In terms of trademarks, the CR reaches about one third of the volume registered in Sweden and Austria. Czech entrepreneurs registered 1,103 trademarks in the EU last year.

MOBILE PRICES IN CR ARE STILL TENS OF % ABOVE EU AVERAGE—STUDY - 19.12.

Prices of Czech mobile operators are still tens of % above the European average, according to a study conducted by consumers' association Telefonujici.cz.

A four-member family in the CR pays 19% more for mobile phone services than a family of the same size abroad, the study has shown.

While mobile prices in the EU keep falling gradually, prices of the main three operators on the Czech market have remained unchanged since the adjustment of prices for roaming within Europe in spring, according to Telefonujici.cz. "The price correction of Czech operators in Q2 brought their offers closer to the EU average just for a brief period. The prices of other European operators have been falling rapidly in the meantime. Within six months, prices in the CR have receded from the European ones markedly," association head Svatopluk Bartik said.

While a Czech four-member family pays CZK314 more than the EU average, a Czech pensioner pays CZK161 (47%) more and an employee with higher data consumption CZK421 (64%) more.

positive values were reached by prices of ‘mineral fuels, lubricants, and related products’ (104.2%), ‘machinery and transport equipment’ (101.8%), and ‘miscellaneous manufactured articles’ (100.6%). Only ‘manufactured goods classified chiefly by material’ and ‘chemicals and related products’ reached negative values of terms of trade – 97.7% and 99.8%, respectively.

EU No ISLAND OF MISFIT TOYS: CR IS EU’S TOP TOY EXPORTER TO NON-EU COUNTRIES – 18.12.

According to the statistics office Eurostat, the CR is the biggest exporter of toys to non-EU states from the entire EU. In its report, Eurostat confirmed that Czech production last year accounted for 32% of the EU’s overall toy exports outside the EU, worth a total of 1.5bn euros in all.

The Czechs have a saying ‘Kdo si hraje nezlobí’ – A person who plays does not have time to be naughty. If that is the case, there are a lot of well-behaved children and even parents worldwide thanks to Czech toy export. The Czechs have ranked first as the No. 1 exporter of toys out of 28 (soon to be 27) EU member states, exporting toys as far off as South Korea, Russia, Japan, Israel and the United States.

The CR counted 32% of the pie, compared to 20% from neighbouring Germany, which finished second on the list. The main destinations for toys from the EU overall in 2016 were Russia and Switzerland (15 percent) and the United States (13 percent).

Czech Radio reported on one Czech company, Efko, which has making toys at two factories since 1993. It specializes in puzzles, wooden blocks, card and board games, as well as the Czech “answer” to Playmobil called Igraček. The firm’s Miroslav Kotík told Czech Radio how Efko had gone from strength to strength, with exports going up between eight and 12% annually:

“The CR is regarded as technologically highly advanced as well as an advanced and robust economy. All of those things are factors which help.”

Another Czech firm, Detoa, which manufactures wooden toys at its plant in the vicinity of the Jizera Mountains, has seen its production go up by around eight% each year over the last three.

EU CONSTITUTIONAL COURT ABOLISHED SEVERAL PARAGRAPHS OF EET ACT – 18.12.

The Constitutional Court has partially granted the proposal made by 41 deputies and abolished several provisions of the electronic revenue reporting (EET) act. Among other things the court abolished the requirement to record cashless payments and to list the payer’s tax identification number on receipts. It also decided about the necessity to cancel the launch of remaining EET phase. The relevant provision will be abolished after February 28, 2018 in order to rule out negative effects stemming from the launch of further phases. The act in question is according to the Constitutional Court not unconstitutional as a whole.

SKODA AUTO DEFENDS EXPORTER OF THE YEAR TITLE – 18.12.

Czech car manufacturer Skoda Auto was the biggest exporter last year again, it was declared the winner of the 23rd Exporter of the Year contest today, and engineering

company Skoda JS, involved in supplies for nuclear energy, won the category of the highest growth in exports.

Representatives of the winning companies took over the awards at a ceremonial evening in the Kaiserstejnsky palace in Prague today.

Skoda Auto’s exports reached CZK310.3bn last year, which is nearly 9% of the total Czech exports. Electronic producer Foxconn CZ ranked second and chemical, food and media group Agrofert came third.

“Besides electromobility and digitisation, further strengthening of our presence on global markets is part of our Strategy 2025,” said Skoda Auto board member Bohdan Wojnar.

“Planned production of electric components and electric cars is also an important element in this strategy. They will become an important export article in our country,” he added.

In the category of year-on-year growth in exports, aircraft producer Aircraft Industries was second and engineering firm Buzuluk came third. Number one Skoda JS raised exports by CZK1,261bn (93.7 percent).

CommScope CR, a producer of telecommunication and electronic equipment, won the award for exports to the highest number of countries. Its exports targetted 131 foreign markets last year.

Valves producer ABO valves won the category of medium-sized exporters up to CZK500m.

According to Association of Exporters estimates, Czech exports will rise to a record CZK4,150bn this year.

EU BISNODE: ŠKODA JS IS BEST CZECH EXPORTER – 19.12.

According to Bisnode’s Top Rating, ŠKODA JS, with a 94% year-on-year increase in exports, is the best Czech exporter of 2016, followed by BUZULUK with a 52% year-on-year increase and 2N TELEKOMUNIKACE with a 36% increase. The top ten exporting companies further include Česká Zbrojovka (25.49%), KOH-I-NOOR HARDTMUTH (24.48%), DGS Druckguss Systeme (24.04%), Robertshaw (19.63%), Federal-Mogul Friction Products (17.44%), Kovohutě Příbram Nástupnická (17.35%) and MAHLE Behr Mnichovo Hradiště (15.49%).

ENERGY

EU ČEZ AND EIB WILL SUPPORT GROWTH OF CLEAN ENERGY SECTOR WITH EUR 100M – 18.12.

ČEZ will provide its fund Inven Capital with EUR 50m for a joint investment initiative to support the growth of SMEs in the clean energy and intelligent technology sector. The same sum will be provided for the creation of such an initiative by the European Investment Bank (EIB). The transaction takes advantage of a guarantee from the European Strategic Investment Fund. This activity will strengthen investments into innovations and sustainable development which will contribute to the creation of jobs in Europe. The executive director and chairman of the board of directors of Inven Capital, Petr Míkovec, said that together with the capital originally provided by ČEZ and additional financing from the EIB, the fund will have capital of up to EUR 240m. This was reported by ČEZ.

**CTK SUJB ISSUES LICENCE FOR FURTHER OPERATION OF
DUKOVANY'S UNITS 3, 4 – 19.12.**

The State Office for Nuclear Safety (SUJB) issued licences for further operation of Dukovany nuclear power plant's units 3 and 4 today, with their current ten-year licences expiring at the end of this year, according to information published on the SUJB website.

CEZ energy group can thus operate all Dukovany's four units, as units 1 and 2 have been granted permission for an indefinite period of time.

CTK BASIC INFO ON DUKOVANY NUCLEAR POWER PLANT – 19.12.

The State Office for Nuclear Safety (SUJB) issued licences for further operation of Dukovany nuclear power plant's units 3 and 4 today.

The following is basic information on Dukovany:

- Construction of Dukovany started in 1978, with its four units being put into operation in 1985-1987.
- Dukovany originally had four VVER 440/213 reactors (water-water energy reactor) each with the installed output of 440 megawatts (MW). Output of all reactors was increased to 500 MW after the modernisation in 2005-2012.
- The installed output of Dukovany is now roughly 2,000 MW, practically the same as of Temelin nuclear power plant with two units.
- Annual production of Dukovany, which is together with Temelin the largest energy source of CEZ energy group, was around 15 terawatt hours (TWh) for a long time. It hit a record of 15.689 TWh in 2013. However, last year's output was hampered for a second year in a row by long shutdowns because of repeated welds' checks and investment in further long-term operation, and the plant supplied 11.954 TWh of electricity to the grid, the lowest amount since 1988.
- SUJB granted permission for further operation of Dukovany's unit 1 in March 2016 and unit 2 in June 2017 for an indefinite period of time (licences used to be renewed after ten years). Current licences of units 3 and 4 will expire at the end of this year.

CONSTRUCTION

**CTK CONSTRUCTION TO ADD 3.1% THIS YEAR, 3.5% IN 2018 –
BUILDERS – 14.12.**

Czech construction will rise by 3.1% this year and by 3.5% next year in annual terms and builders' sales will add 6.3% and 4.4 percent, respectively, according to a survey of CEEC Research analytical company.

The outcome of the survey that was conducted among 104 CEOs of Czech building companies in October and November was presented by CEEC Research director Jiri Vacek at today's meeting of Czech construction leaders.

"Construction is faring relatively well in the past few months mainly thanks to the growing economy," said Trigema Building head Karel Branda.

On the other hand, the willingness of contracting authorities, namely the state and municipalities, to implement new projects stays at a low level, Branda added.

According to data from the Czech Statistical Office (CSU), the sector recorded an annual hike of 2.3% at end-October this year, however, there was a big difference between the

segment of building construction (flats, offices, industrial halls) and that of civil engineering (mostly transport infrastructure). The former increased by 6 percent, while the latter declined at about the same rate.

Builders' heads expect the gap between the two segments to narrow markedly next year.

The capacity utilisation rate went up by 2 percentage points annually to 94%. Firms have contracts for the next 7.7 months on average, with nearly a half of builders recording a higher number of contracts than a year ago.

Building companies have long been complaining that, in terms of competences, the sector falls under several ministries.

As much as 58% of respondents said they would welcome the creation of a new construction ministry. A third of builders said they did not want any new office to be formed.

One of the objectives should be unification of construction activities under one ministry or at least their better coordination, said Tomas Kalab, head of builder Kalab - stavebni firma.

The poll showed that two-thirds of companies employ foreigners. They employ 79% of workers from the CR on average, 10% of Ukrainians, 8% of Slovaks and 1% of people from both Poland and Romania. Companies also have employees from Bulgaria, Moldova and Russia.

**CTK VALUE OF PUBLIC BUILDING CONTRACTS 44% HIGHER Y-O-Y BY
NOV – 17.12.**

Czech contracting authorities awarded 4,193 contracts worth CZK115.3bn to building companies in Jan to Nov this year, their number and value rising by 16 and 44 percent, respectively, according to data made available to CTK by URS Praha company.

A total of 11 contracts were worth more than CZK1bn, with November seeing no such big project.

The Road and Motorway Directorate (RSD) was the largest contracting authority in the government sector, with contracts amounting to CZK19.3bn.

The value of building construction contracts soared by 57% annually to CZK34bn and civil engineering projects, mostly transport infrastructure, reported a rise of 39% to CZK81.3bn. The average size of a contract reached CZK23.5m, nearly a quarter more in annual terms.

The biggest contract awarded in the Jan-Nov period was for the reconstruction of the Kocin switching station near the Temelin nuclear power plant for CZK3.56bn, which was awarded to a consortium of Egem, ASE and Vuje.

For the entire year 2016, there were seven contracts that surpassed CZK1bn.

Construction work contracts were granted to 1,297 companies by the end of Nov. Eurovia ranked first, with 192 public contracts for CZK4.4bn. In consortia with other companies, Eurovia was bidding for construction work in another 180 tenders worth CZK6.8bn.

The value of new tenders went down by 46% to CZK106.7bn, the reason being a high number of transport infrastructure tenders declared in Sept 2016 because a new public procurement law took effect in Oct, said URS Praha's Petra Lupiskova.

Public contracts made up 32.6% of builders' total sales last year, which was the worst result since 1996, according to data from the Czech Statistical Office. On the other hand, 2002 was the best year in this respect, with a 55.1% share.

Public building contracts awarded since Jan 2016 (CZK bn)	
Jan 2016	3.5
Feb 2016	6.3
March 2016	4.2
April 2016	5.3
May 2016	9.6
June 2016	9.6
July 2016	9.3
Aug 2016	9.6
Sept 2016	8.8
Oct 2016	8.3
Nov 2016	7.8
Dec 2016	8.5
Jan 2017	7.7
Feb 2017	7.6
March 2017	8.3
April 2017	13.6
May 2017	11.0
June 2017	9.8
July 2017	14.5
Aug 2017	14.2
Sept 2017	11.8
Oct 2017	10.6
Nov 2017	8.9

PRAGUE HAS 900 PROJECTS IN APPROVAL PROCESS – CHAMBER – 17.12.

A total of 900 projects with some 40,000 flats have been in the approval process in Prague, with the number of zoning and planning decisions and building permits issued a year going down by about 75% since 2000, the Chamber of Commerce has said in a press release.

The information is based on an analysis of consulting company Deloitte.

The big number of the "blocked" projects is behind an extreme growth in prices of flats in the past few years, said Chamber of Commerce head Vladimír Dlouhý.

What occurs on the market is not a property bubble but the market shows a real lack of new homes, the chamber said.

Data from Trigema, Skanska Reality and Central Group developer companies show the price of a new flat in Prague increased by an annual rate of 19.6% to CZK83,150 per square metre at the end of Sept, with prices rising by nearly a half in the past two years.

Flats sold at present are tied to applications for building permits filed in 2010 to 2014, said Dlouhý.

There are virtually no projects at present that would be dealt with and approved within dates set by the law, he pointed out. The Chamber of Commerce therefore urges that such conditions be created in Prague and in the CR that would significantly speed up the project approval process, Dlouhý said.

In 2000, more than 8,000 building permits were issued for flats in Prague, while this year the figure is estimated at about

2,000, the chamber said. But the number of new applications keeps rising, said Deloitte analyst Michal Melc.

Building permits issued for blocks of flats from 2005 until Oct 2017

Year	Number
2005	7,485
2006	7,265
2007	6,432
2008	5,743
2009	5,081
2010	4,819
2011	4,636
2012	4,165
2013	3,107
2014	3,017
2015	2,910
2016	2,848
2017 (end of Oct)	1,865

MISCELLANEOUS

CZECH PM BABIS INSISTS ON REJECTION OF REFUGEE QUOTAS IN BRUSSELS – 14.12.

The CR should not convince the European Commission to withdraw its legal complaint against it over its rejection of quotas for the redistribution of migrants by accepting some refugees, PM Andrej Babis told journalists during the EU summit today.

This is a matter of principle, Babis said.

The individual countries must not be forced to accept any people to work or just live in them, he added.

Babis wants to discuss the issue with President of the European Commission Jean-Claude Juncker.

On December 7, the European Commission (EC) decided to file a legal complaint over the refusal of migrant quotas against the CR, Poland and Hungary.

The court can impose a one-off high fine on the countries in question.

Slovakia has avoided the action, although it only received 16 people.

Babis said the situation was paradoxical. "If you remember it, Slovakia was the first to have protested against the quotas," he added.

There is the question of whether any migrants really came to Slovakia, Babis said.

Babis said it was a matter of principle and he would not accept even a low number of migrants just to make the EC drop its lawsuit against the CR.

"We cannot resolve the fine by accepting 20 refugees," Babis said.

Babis had a brief meeting with President of the European Council Donald Tusk briefly before the opening of the summit. Babis praised him for his criticism of the mechanism of migrant quotas.

Babis said they had also discussed the active involvement of the Visegrad Four (the CR, Slovakia, Hungary and Poland) in European affairs.

CTK FOUR FIFTHS OF CZECHS ARE AGAINST MIGRANT QUOTAS – POLL – 14.12

Four fifths of Czechs said the CR should not be fulfilling the EU quotas for accepting asylum seekers, according to the latest poll by the CVVM public opinion research centre released today.

While 55% of the respondents said a definite no to the quotas, 25% tended to reject them and 11% supported them.

The poll corresponds to a view of the public on the acceptance of migrants from Muslim countries even if facing the situation of the country losing the EU funds due to it. The latter threat does not impact the public opinion, CVVM wrote. In the CR and Slovakia, 81 and 82% of the countries' respondents, respectively, were opposed to the acceptance of migrants from Muslim countries and in Poland 74% were opposed to it.

The opposition to meeting the quotas slightly decreases with an improving living standard and it is higher among voters of the left.

On the other hand, a higher share of those agreeing with the quotas is among the voters of the right centre.

At an informal meeting this evening within the two-day EU summit in Brussels, the solution to the migration crisis will be debated.

The Visegrad Four countries (CR, Slovakia, Poland, Hungary) presented their willingness to help resolve the situation in another way than by accepting the asylum seekers at a joint meeting with EC President Jean-Claude Juncker and Italian PM Paolo Gentiloni.

From April to October, the share of Czechs absolutely rejecting to accept refugees from countries hit by arms conflicts markedly increased to 69%. One fourth of Czechs would accept these refugees temporarily.

Slovaks hold a similar position, while Poles are more open to accepting refugees from regions hit by war.

Most Czechs consider refugees a major security threat for Europe (88% of them), the world (78 percent) and their country (76 percent).

CTK DRAHOS IS MOST ACCEPTABLE CZECH PRESIDENTIAL CANDIDATE – POLL – 14.12.

Former Czech Science Academy chairman Jiri Drahos has the biggest support among the voters who know him, followed by President Milos Zeman, who seeks re-election, according to a poll conducted by STEM/MARK in December and released today.

The worst result was scored by Civic Democrat (ODS) chairman and PM Mirek Topolaneck.

Some 60% of the respondents expressed clear or possible support for Drahos, while 40% were against him.

Out of the nine contenders, only Drahos has more supporters than opponents.

Zeman gained support from 47% of the respondents, but was rejected by 53%.

Former diplomat Pavel Fischer is popular with 40% and rejected by 60%.

Businessman and lyricist Michal Horacek, Skoda Auto former board chairman Kulhanek (Civic Democratic Alliance, ODA), Defence and Security Industry Association President Hynek

(Realists) and musician and producer Hannig, head of the marginal Reasonable party, have all more opponents than supporters.

STEM/MARK also asked 724 respondents about who they think will be the winner of the contest in mid-December. For 56 percent, Zeman is the favourite, for 15 percent, it is Drahos. Horacek's victory is expected by 6% of Czechs.

Support for the president (percent)

	"definitely yes" and "fairly yes"	fairly no" and "definitely not"
Jiri Drahos	60	40
Milos Zeman	47	53
Pavel Fischer	40	60
Michal Horacek	38	61
Marek Hilser	38	62
Jiri Hynek	20	79
Vratislav Kulhanek	20	80
Petr Hannig	13	87
Mirek Topolaneck	10	90

CTK FORMER CZECH CABINET MEMBERS JOIN VARIOUS COMMITTEES IN CHAMBER – 15.12.

The Czech Chamber of Deputies saw changes to the composition of its committees and commissions, as former Social Democrat (CSSD) and Christian Democrat (KDU-CSL) cabinet members joined them today.

Former PM Bohuslav Sobotka (CSSD) joined the social policy committee and the environment committee.

Former deputy PM Pavel Belobradek (KDU-CSL) joined the control and petition committees and he became a member of the constitutional commission and of the commission supervising the General Inspection of Security Forces (GIBS). On the other hand, the newly appointed Regional Development Minister Klara Dostalova (ANO) left the budgetary committee and the new Health Minister Adam Vojtech left the health, constitutional and legal, and mandate and immunity committees.

Former interior minister Milan Chovanec joined the security committee and the commission supervising the GIBS, while former foreign minister Lubomir Zaoralek (both CSSD) joined the foreign affairs committee. Zaoralek may become its chairman today.

Former human rights minister Jan Chvojka (CSSD) joined the constitutional and legal and public administration committees and the commission for release of data from central registry of accounts. Former agriculture minister Marian Jurecka (KDU-CSL) will sit on the economic and agriculture committees.

At the start of today's Chamber session, the First Deputy PM and Environment Minister Richard Brabec introduced the individual members of the new one-colour cabinet of ANO, which was appointed on Wednesday.

PM Andrej Babis (ANO) had informed he could not attend the session as he was participating at the EU summit in Brussels.

CFE MAIN POINTS OF DRAFT POLICY STATEMENT OF NEW CZECH

GOVERNMENT – 18.12.

A list of the main points of the draft policy statement of the new Czech minority government of Andrej Babis (ANO) follows:

Finance and economy

- Support for pension and pay rise of selected professions (teachers, workers providing social care).
- Abolition of supergross wage, introduction of 19% income tax (plus higher 24% rate).
- Application of 10% VAT to more goods and services (meals, draft beer, running water for households).
- Electronic registration of sales (EET) not to apply to all entrepreneurs, the level of income has not been set yet.
- Support for "working families" through tax reductions.
- The country will not accept the euro in near future, mainly in order to maintain its own currency policy and due to the unfinished process of the Czech living standard getting closer to the standard in the euro zone.
- To save operation costs, a new administrative compound for government offices is to be built in Prague.
- Reform of the operation of the Czech Exports Bank and similar institutions with the aim of supporting small businesspeople and start-ups.

Social policy and unemployment

- Monthly pensions of people aged over 85 to go up by 1,000 crowns, earlier retirement for physically demanding professions.
- An expert commission will prepare a pension reform.
- Development of social services for senior citizens and children. Salaries in social services should be comparable with those in healthcare services.
- Clear rules for the increase in the minimum wage.
- Social insurance paid by employers should be lowered.
- Some welfare benefits will not be provided unless certain duties are fulfilled.

Digital country

- Launch of a "digital revolution" - high-speed Internet available all over the country, interconnection of all state databases, electronic identity for every citizen. All services of the state to be available in one place.
- Introduction of a central IT authority for digitisation controlled by a government commissioner subject to the PM.
- Government will present a clear action plan with deadlines within 100 days.
- Introduction of clear rules for services like Uber and Airbnb.
- All data created for taxpayers' money must be promptly released for free.

Education, science, research

- Salaries of teachers to increase by at least 50% by 2021.
- Factual and financial revision of inclusive education in order to make it sustainable. The government wants to support both standard and special schools for slow learners.
- More lessons of foreign languages, IT and technology knowledge.
- More stress on quality at universities, support for selected fields (future doctors, teachers, technicians).
- Setting of national priorities in research, support for long-term funding of applied research to increase the country's ability to compete on the global market.

Transport

- Speeding up transport construction is the priority, including simplified approval process of projects for the public benefit.
- By 2021, 210 km of motorways (110 km new plus 100 km modernised D1), construction of further 180 km of motorway to start.
- Use of private public partnership (PPP) projects in building transport infrastructure (pilot project of D4 motorway).
- Completion of tender for new form of road toll by 2020. Introduction of electronic motorway stamp.
- Open tenders for high-speed train connections, introduction of rail ticket for all railway transport companies.

Defence policy and military

- Reinforced participation in peacekeeping and training missions in Afghanistan, more troops in Iraq.
- NATO membership is crucial, it has no alternative. The government will try to make NATO more involved in tackling migrant crisis.
- A gradual increase in defence spending with the aim of reaching 2% of GDP in 2024-25.
- The military is to get preferably Czech-made equipment and gear.
- By 2025, the military is to have at least 30,000 professional soldiers, creation of a third brigade.

Interior security

- Priority is to stop illegal migration. In cooperation with other EU member countries, the abandonment of the refugee quota system should be achieved. Support for the formation of operative police units trained to defend Schengen area.
- Creation of a special cyber force to prevent and fight cyber threats.
- Passage of a law on private security agencies.
- Introduction of correspondence voting, introduction of a one-round election to the Senate.
- Release of all valid contracts of central state bodies and all new contracts signed by state bodies, including CEZ and Ceska posta state-controlled companies.
- Introduction of a new law to make public service more open to experts outside the state sector.

Law and justice

- Introduction of new rules for distraint proceedings and the law on mass legal complaints.
- A new law on judges and courts to introduce transparent rules for careers of judges.
- More opportunities for people in a debt trap to get rid of their debts, fight against usury.

Foreign policy

- Foreign policy will be based on NATO and EU memberships and active defence of national interests. EU needs a reform and the CR should actively contribute to it.
- The EU's task is to protect its external border, fight terrorism and manifestations of radical Islamism and effectively defend itself against cyber attacks.
- Migration must be dealt with outside Europe.
- In Europe, the government wants to maintain close relations with V4 countries (Hungary, Poland, Slovakia). Diplomacy will focus on reinforcement of partnerships with France and Britain.
- In the EU, the government wants to take an active part in discussions about relations with Russia. Relations with China should be balanced and mutually advantageous.

- Outside Europe, the key partners are the United States, Israel, Japan and South Korea.

- The government maintains the emphasis on non-violation of human rights. It wants to encourage economic diplomacy.

Culture

- Employees in cultural sphere should have their salaries increased by 50% by 2021.

- Creation of a general system of competitions for cultural projects paid from public budgets.

- Support for "the export of Czech culture." Tourism agenda will move to Culture Ministry.

- The government will fully support the independence of media through the councils for public television, public radio and TV and radio broadcasting.

Health care

- Drafting a new law on health insurance companies, increasing their responsibility for providing services and increasing the competition. Number of insurance companies may be lowered.

- Introduction of central purchases, release of data on financing of the Health Ministry and hospitals it controls.

- New law on electronic health care, change in the electronic prescription, no sanctions to be imposed on those who do not use it for 12 months.

- More powers for general practitioners, better conditions for young doctors.

- Support for prevention, rewarding of patients who take good care of their health, programme of care for chronic patients.

Industry and Trade

- Easier process of receiving work permits for foreign workers, especially if local people are not interested in the given jobs.

- Investment incentives to be provided only in exceptional cases.

- Maximum effect from mining of all minerals should remain in the hands of the state. Checking the possibilities of lithium mining by Diamo state company.

- The government will prepare construction of new units of nuclear power plants and permanent deep nuclear waste repository.

Public investment, regional development

- Introduction of new laws on aid to people in need of accommodation and on real estate agencies.

- A single office will be responsible for public investment.

- The government will create condition for successful and reasonable drawing of EU subsidies within the 2014-2020 budget.

Agriculture

- The goal is to achieve complete self-sufficiency in the production of the broadest possible spectrum of basic foods and guarantee quality and safe food for people.

- Fair attitude in subsidies for plants of various size. The government is against the setting of ceilings on subsidies for medium-sized and big plants, but it will support higher subsidies for small farmers.

- Higher payments for livestock farming and sensitive plant commodities (fruits, vegetables, hops, potatoes, sugar beet) at the expense of payments per area.

- Lowering the administrative burden for all farmers and food producers, especially small ones.

Environment

- Support for the construction of smaller water reservoirs in the landscape, new drinking water sources and innovative ways of liquidating waste water.

- Introducing a central strong and independent regulatory body for water management.

- Protection of arable land, emphasis on recultivation of brownfields.

- Financial support for clean mobility (low-emission vehicles and the related infrastructure).

Sport

- Support for sports and active life style, aiming to improve people's quality of life and health.

- Better preparation of talented youths and national teams, support for facilities for the preparation of top athletes and players.

- Passage of new comprehensive law on support for sports. Creation of a central body, led by a commissioner subject to the PM, responsible for the state policy for sports.

**CTK BABIS WANTS HIS CABINET TO SET PRIORITIES IN EU AFFAIRS
BY JAN 11 – 18.12.**

The Czech minority government of Andrej Babis (ANO) will discuss its priorities in European affairs on January 11, one day after the lower house of parliament takes a vote of confidence in it, the ministers of the new cabinet agreed today.

Individual ministries are to submit its reports on their European agenda by January 5. PM Babis will prepare the general document by January 10.

Babis said he wants all ministries to regularly report about their talks with European Union bodies at cabinet meetings. Babis today talked about the EU summit and the meetings he had in Brussels last week.

"We decided to pay higher attention to this agenda," he said. The minority government today approved its policy statement, with which it will address the other parties in parliament. Babis wants to negotiate about their possible tolerance of his cabinet.

According to the policy statement, the CR should be an active and self-confident EU member that will clearly present its opinions and promote its interests and take part in the EU reform.