

## NEWS SUMMARY JANUARY 18 – JANUARY 24

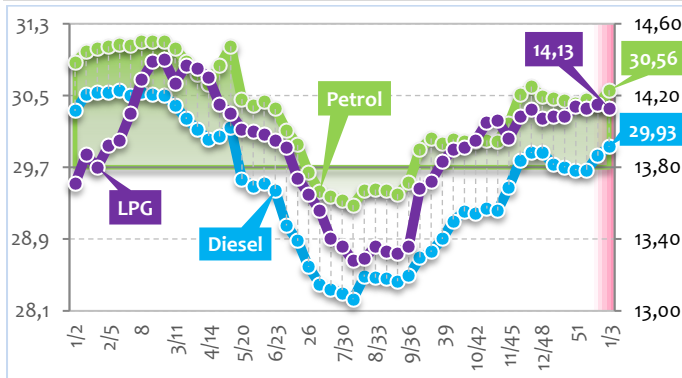
注:本報告は、チェコ政府公表資料、新聞、インターネット等報道資料をとりまとめたもの。  
詳細情報については、それぞれの情報ソースを参照願いたい。

### ECONOMY & FINANCE

#### FUEL PRICES – 19. 1.

Natural 95 increased by 16h<sup>1</sup> to CZK<sup>2</sup>30.56/l<sup>3</sup> over the past week. Diesel oil increased by 10h to CZK29.93/l.

Graph 1: Average fuel prices<sup>4</sup>, 2017 – 2018, Month/Week (in CZK/l)

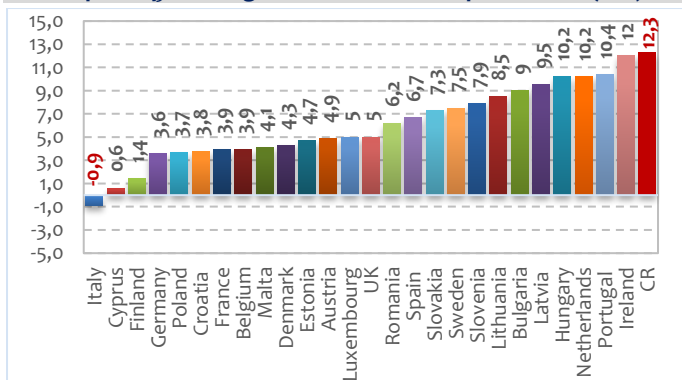


#### CZECH PROPERTY PRICES KEEP RISING – 18. 1.

Czech property prices keep rising at the fastest pace in the EU<sup>5</sup>, however, the growth rate seems to have decelerated, experts said. "Obviously it has to be taken into account that it is an average for the whole country ... with big regional differences."

According to Eurostat<sup>6</sup>, Czech prices of homes posted an annual increase of 12.3% in Q<sub>3</sub><sup>7</sup>, while the EU average was 4.6%. Q<sub>2</sub> saw a 13.3% hike on the Czech market.

Graph 2: Q<sub>3</sub> annual growth/fall of homes prices in EU (in %)



<sup>1</sup> 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.

<sup>2</sup> CZK: Czech Crown, the currency of the CR since 8 February 1993

<sup>3</sup> l: litre

<sup>4</sup> 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

<sup>5</sup> EU: European Union, is a politico-economic union of 28 member states that are located primarily in Europe. It has an area of 4,324,782 km<sup>2</sup>, and an estimated population of over 510mn. The EU has developed an internal single market through a standardised system of laws that apply in all member states. EU policies aim to ensure the free movement of people, goods, services, and capital within the internal market, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries, and regional development. Within the Schengen Area, passport controls have been abolished. A monetary union was established in 1999 and came into full force in 2002, and is composed of 19 EU member states which use the euro currency.

<sup>6</sup> Eurostat: Eurostat is a Directorate-General of the European Commission. Its main responsibilities are to provide statistical information to the institutions of the EU and to

promote the harmonisation of statistical methods across its member states and candidates for accession as well as EFTA countries.

Compared to 2015, Czech property prices are now 21% higher. There is a price slowdown on the Czech market in q-o-q<sup>8</sup> terms, while the EU's growth is accelerating although the pace is still much slower than in the CR.

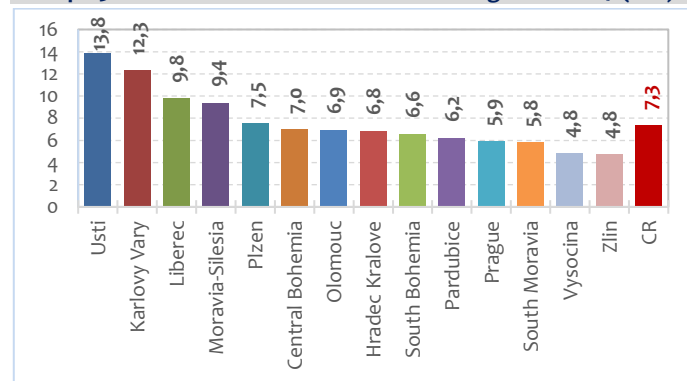
Administrative obstacles are behind a low number of new homes in the country and their supply has not yet even reached the level of 2008 when the CR fell into recession. Prices of new homes therefore keep growing.

With gradual demand saturation, interest rate rises and stricter conditions of the CNB for provision of mortgage loans, new homes prices will be rising at a slower rate.

#### SHARE OF CR'S DEBT DEFAULTERS – 18. 1.

Czechs' ability to pay off their debts further improved last year, 7.32% of adult Czechs had outstanding debts at the end of the year, the lowest number since the middle of 2008, and the share of debt defaulters was at 7.44% in 2016.

Graph 3: Share of debt defaulters in Czech regions in 2017 (in %)



There were 635,000 natural persons in the Solus<sup>9</sup> register at the end of last year, with their debts in default amounting to CZK50.6bn<sup>10</sup>. The number is 15,000 lower than at the end of 2016.

In particular legislative changes, strong economic growth and record-low unemployment contributed to the improvement. Solus registered positive development in all regions at the end of last year.

<sup>7</sup> Q<sub>3</sub>: \* quarter of the year

<sup>8</sup> Q-o-q: quarter on quarter, compared with preceding quarter

<sup>9</sup> Solus: an interest association of legal persons, whose goal is to contribute to the prevention of overindebtedness of clients, to prevent growth in number of debtors in delay, to increase enforceability of existing debt overdue and also to reduce the potential of financial losses to creditors within so called responsible lending. Solus members can learn about the existence of their clients' debts or their possible repayment from the Solus register which stores the information for up to three years. Solus was established in the summer of 1999. Its members include 13 banks and building societies, 26 non-banking financial institutions, 11 telecommunication operators, four energy companies, two peer-to-peer loans providers, and two retail chains. New legislation on consumer protection allows Solus member companies to put information about unpaid debts in the register even without the client's approval. At the same time, it demands that financial institutions thoroughly check the ability of clients to pay a loan before signing of a loan contract.

<sup>10</sup> bn: billion

**S&P AFFIRMS AA-RATING – 20. 1.**

The SP's <sup>11</sup> has affirmed the CR's <sup>12</sup> AA- long-term foreign currency sovereign credit rating. The outlook remains stable.

**MORTGAGE VOLUME ALMOST UNCHANGED IN 2017 – 23. 1.**

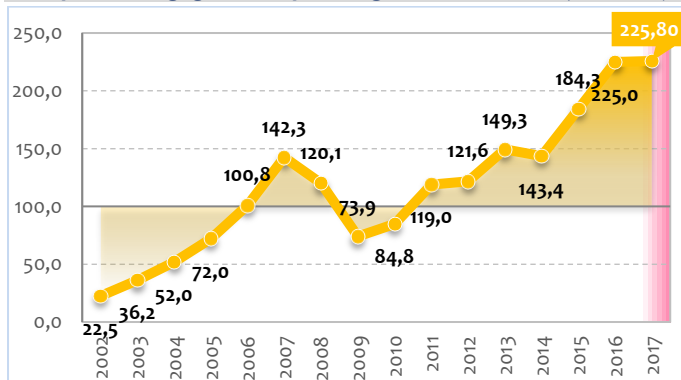
Mortgage numbers sank by nearly 5,000 to 109,600 on the Czech market last year and their volume reached CZK225.8bn, which was almost the same figure as in the record year 2016, according to Fincentrum Hypoindex.

The average interest rate rose to 2.02% from 2016's 1.87%, the data have shown.

**Graph 4: Average mortgage rate, m-o-m, 2003-2017 (in %)**



**Graph 5: Mortgage development, growth, 2002-2017 (in CZKbn)**



According to Fincentrum, "Interest in mortgage loans was still high thanks to very favourable interest rates". The regulator's effort to slow down the mortgage market was obvious for the entire year, however, a lack of real estate on the market was more important in this respect than the CNB's recommendations<sup>13</sup>.

June was the best month last year, recording 10,822 mortgages worth CZK22.2bn in total.

Interest rates were rising during the whole year to hit the highest value of 2.19% in December, up from 1.82% at the beginning of the year.

<sup>11</sup> **S&P Rating:** Standard & Poor's Financial Services LLC (S&P) is an American financial services company. It is a division of S&P Global that publishes financial research and analysis on stocks, bonds and commodities. S&P company issues credit ratings for the debt of public and private companies, and other public borrowers such as governments and governmental entities. It is one of several CRAs that have been designated a nationally recognized statistical rating organization by the U.S. Securities and Exchange Commission. S&P issues both short-term and long-term credit ratings. The short-term rating rates specific issues on a scale from A-1 to D. Within the A-1 category it can be designated with a plus sign (+). This indicates that the issuer's commitment to meet its obligation is very strong. The long-term rating rates borrowers on a scale from AAA to D. Intermediate ratings are offered at each level between AA and CCC (e.g., BBB+, BBB and BBB-). For some borrowers, the company may also offer guidance (termed a

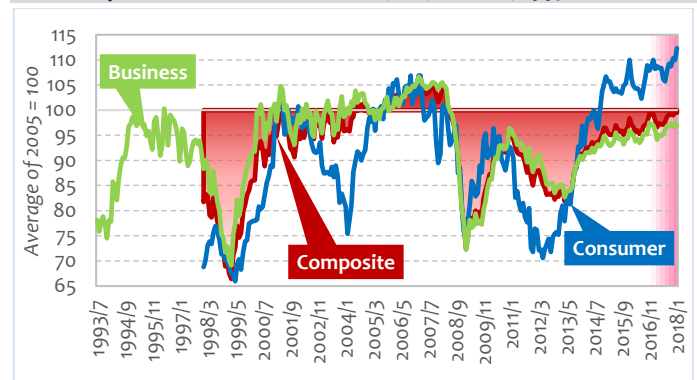
The average mortgage loan climbed up to a new all-time high of CZK2,153,542 in December, surpassing the previous record from January 2016 by CZK14,547.

An outlook for 2018 is uncertain, according to Fincentrum. Experts, however, agree that mortgage loans will be getting more expensive. Interest rates are estimated to rise to 2.75 - 3% at the end of the year. Like in the past, there will be demand for 3- and 5-year mortgages but the number of mortgage loans will likely go down.

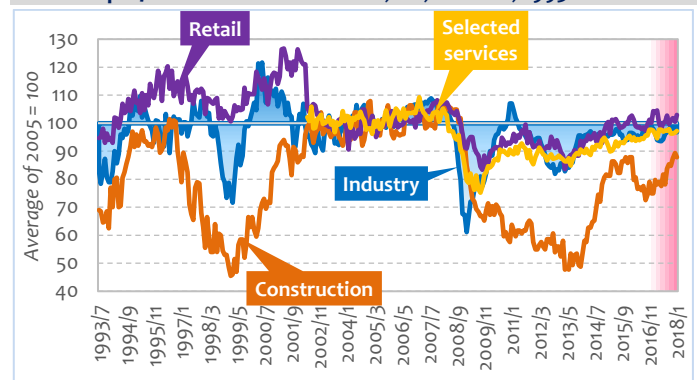
**BUSINESS CYCLE SURVEY – 24. 1.**

Overall confidence in domestic economy is almost unchanged in January. The composite confidence indicator<sup>14</sup> decreased very slightly by 0.1 p. p. <sup>15</sup> to 99.5 m-o-m <sup>16</sup>. Confidence of entrepreneurs decreased slightly by 0.6 p. p. to 96.9 compared to December. Consumer confidence indicator increased by 2.3 points to 112.3, m-o-m. Composite confidence indicator and consumer confidence indicator are higher, entrepreneurs confidence indicator is slightly lower, compared to January 2017.

**Graph 6: Confidence Indicators, SA, Overall, 1993 – 2018**



**Graph 7: Confidence Indicators, SA, Sectors, 1993 – 2018**



"credit watch") as to whether it is likely to be upgraded (positive), downgraded (negative) or uncertain (neutral).

<sup>12</sup> **CR:** the Czech Republic, a nation state in Central Europe. The Czech Republic covers an area of 78,866 km<sup>2</sup> with a mostly temperate continental climate and oceanic climate. It is a unitary parliamentary republic, has 10.5 million inhabitants and the capital and largest city is Prague, with over 1.2 million residents.

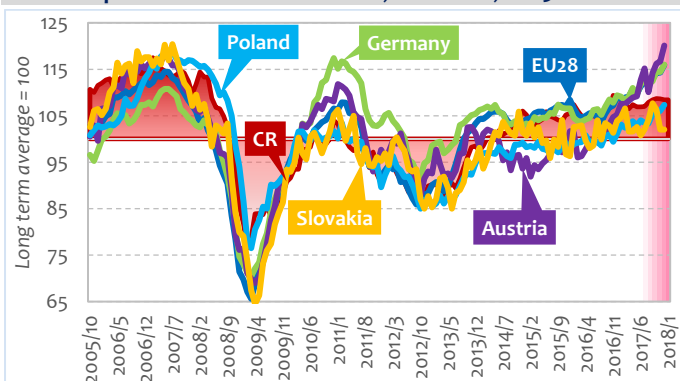
<sup>13</sup> According to recommendations by the CNB of April 2017, the loan to value ratio should not cross 90%. Bank can also provide only 15% of mortgages above 80%.

<sup>14</sup> economic sentiment indicator, stated by basic indices

<sup>15</sup> P.p.:%age point

<sup>16</sup> M-o-m: month-on-month

Graph 8: Confidence Indicators, Countries, 2005 – 2018

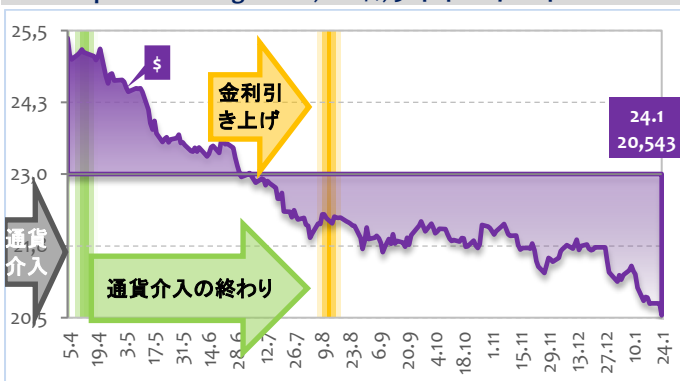


CZKVs EURO, US DOLLAR, YEN – 24. 1.

Graph 9: Exchange rates, CZK/€, 5. 4. 2017 – 24. 1. 2018



Graph 10: Exchange rates, CZK/\$, 5. 4. 2017 – 24. 1. 2018



Graph 11: Exchange rates, CZK/100¥, 5. 4. 2017 – 24. 1. 2018



<sup>17</sup> ASF: African swine fever, a haemorrhagic fever with high mortality rates in pigs, but persistently infects its natural hosts, warthogs, bushpigs, and soft ticks of the Ornithodoros genus, with no disease signs. The virus causes a lethal haemorrhagic disease in domestic pigs.

<sup>18</sup> MA: Ministry of Agriculture

AGRICULTURE & ENVIRONMENT

REDUCTION OF WILD BOAR POPULATION NEEDED – 19. 1.

The CR should reduce the numbers of its wild boar population by 90% in order to prevent the spread of the ASF<sup>17</sup>, MA<sup>18</sup> Minister Milek said. He said the wild boar population should be reduced across Europe for the measures approved to be successful.

The Czech authorities have ordered a cull on wild boar in the affected area of the Zlin region and a ban has been issued on keeping domestic pigs. The CR is expected to spend CZK200mn<sup>19</sup> this year on measures aimed at containing and eliminating the infectious disease.

AREA INFECTED BY ASF TO BE CUT – 22. 1.

The area marked as infected by ASF will be cut to roughly 40% of the Zlin district as of February 1, the decision was made by the EC<sup>20</sup> on the CR's application, MA Minister Milek said.

Thanks to the prepared change, large pig breeding farms will be outside of the monitored zone, which will help them with pig meat sales. In the areas removed from the map of the infected zone, people will be allowed to eat meat from the shot wild boars again.

The Regional SVA<sup>21</sup> will in the coming period take care of checking farms and individuals which have just a few pigs in the whole Zlin Region. Such breeds pose a high risk of potential further spread of the disease, Milek said.

Policemen have returned to the Zlin district to help with wild boar hunting. They will not hunt in the high-risk area where an estimated ten to 15 pigs still stay but around this area.

Milek noted that the MA had prepared financial compensations for farmers who incurred damage in connection with ASF. "Damage of large pig farms is estimated at up to CZK2.5mn as of the end of January. We are prepared to compensate it," Milek said.

SVA has confirmed ASF in 8<sup>th</sup> wild boar found outside of the original high-risk area surrounded by electric and scent fences in the Zlin district.

The dead animal was found last week in the cadastral area of Kudlov, a part of the regional capital Zlin.

This is 2<sup>nd</sup> case in Kudlov, SVA said, adding that the animal was dead for a longer time.

ASF has spread beyond the high-risk area at the turn of the year. Tests first confirmed the infection in 6 wild boars of different age and sex on December 29 and on January 3 also in an animal younger than 24 months.

SVA therefore on January 9 extended the high-risk area to another 4 towns and local areas. The CR had asked the EC earlier already for permission to cut the infected area and the EC has now allowed it.

On January 19, the remuneration for one shot adult wild boar in the Zlin district was raised to CZK8,000.

The CR has reported ASF, which is not harmful to people, around Zlin last year in June. To date, the disease has been confirmed in 213 wild boars found dead, shot or caught in traps. It has not spread to farms.

<sup>19</sup> mn: million

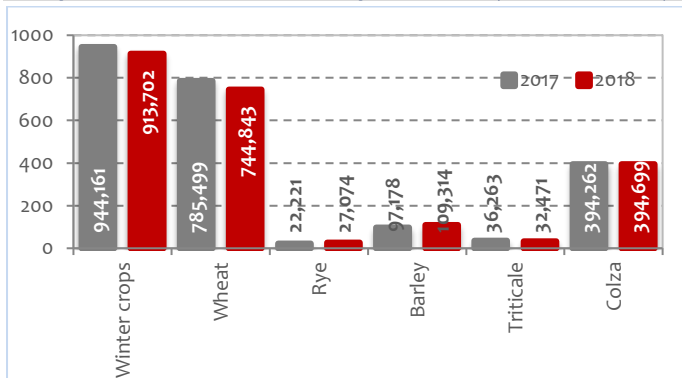
<sup>20</sup> EC: European Commission, is the executive body of the EU responsible for proposing legislation, implementing decisions, upholding the EU treaties and managing the day-to-day business of the EU.

<sup>21</sup> SVA: Czech State Veterinary Administration

**AREAS UNDER WINTER CROPS – 23. 1.**

By November, 2017, winter crops were planted on 914,000ha, colza on 395,000ha. Y-o-y, the area of winter crops decreased by ▲27,000ha (▲2.9%), while the area of winter colza remained almost unchanged (+0.1%).

**Graph 12: Areas under winter crops, 2017-2018 (in thousands ha)**



**WATER, SEWER RATES UP – 23. 1.**

Czech water supply and sewerage prices will go up by an annual rate of up to 3% to CZK86-88/m<sup>3</sup> on average, including VAT<sup>22</sup>, this year, according to the SOVAK<sup>23</sup>.

The average price hike, being close to inflation projected at 2.9% this year, will be more or less the same as last year. Individual water management companies will set their own prices.

The Prague-based company Prazske vodovody a kanalizace said late last year water rates would grow by inflation as of this year, which means people will pay CZK87.39/m<sup>3</sup>, against CZK85.42/m<sup>3</sup> last year.

The Brno-based company leaves prices unchanged at last year's CZK75.74/m<sup>3</sup>, not raising prices for the first time since the 1990s de facto.

Ostravske vodarny a kanalizace, a company based in Ostrava in northern Moravia, said at end-2017 it would up water and sewer rates by 68h or 0.9% to CZK77.30/m<sup>3</sup>.

Prices in Plzen in western Bohemia stay unchanged at CZK86.14/m<sup>3</sup> this year, and prices in the north of Bohemia have grown by 0.4% to CZK98.67/m<sup>3</sup> of water.

Households paid an average CZK2,023/person for these services in 2016, which was 1.24% of their net annual income. The association has been calling on governments to cut VAT on these services that also include wastewater treatment.

The policy statement of the cabinet of PM<sup>24</sup> Babiš comprises a drop in VAT on these services from 15 to 10%. It would be a fall of CZK4/m<sup>3</sup>, SOVAK said and pointed out that 85% of the water assets are in the hands of municipalities. The Czech water infrastructure has been underfinanced in the long run. The sector needs annual investments of about CZK20bn.

Data of the MA showed that investments in repairs, reconstruction and the construction of a new infrastructure totalled CZK13.7bn in 2016. It was more than 38% of payments for water supply and sewerage services, SOVAK said.

<sup>22</sup> VAT: Value-added tax

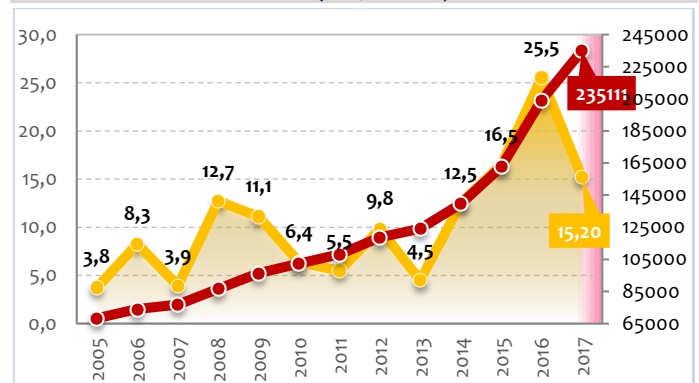
<sup>23</sup> SOVAK: Water Supply and Sewerage Association

<sup>24</sup> PM: Prime Minister

**HOSPODÁŘSKÉ NOVINY MARKET PRICE OF AGRICULTURAL LAND – 24. 1.**

The market price of agricultural land last year rose to almost CZK24/m<sup>2</sup>. Farmers paid for a unit of land by 6% more than in 2016.

**Graph 13: Development of market prices of agricultural land, 2005 - 2017 (in %, CZK/ha)**



**SOCIAL & HEALTH**

**MOST ATTRACTIVE COUNTRY FOR WORK – 22. 1.**

The CR is the world's 25<sup>th</sup> most attractive country in terms of working conditions and opportunities, ranking first in CEE<sup>25</sup>, according to the Adecco.

Switzerland is the most attractive country in working conditions and opportunities, followed by Singapore, the USA, Norway, Sweden and Finland, the study showed.

Czechs obtained the above-average evaluation thanks to a high level of expert and technical abilities, and a relatively good level of gender equality and social mobility opportunities.

On the other hand, the CR should improve especially on its interest in recruiting foreign talented workers, bigger tolerance of minorities, and making cooperation between companies more effective.

The CR was the most successful in the category of keeping talented workers where it ranked 17<sup>th</sup>.

The main reason was a high score in safety, high level of social and pension security, and excellent living, health and hygienic conditions.

The survey assessed working attractiveness of 90 selected cities, with Prague coming 25<sup>th</sup> surpassing New York, Berlin, Barcelona, Singapore and Rome.

Prague is in the long term interesting for foreign companies because of its strategic location in the centre of Europe and its very good transport accessibility, with good living conditions. Brno ranked 51<sup>st</sup> among the evaluated cities.

**CZECHS SPEND 4/5 OF LIFE IN GOOD HEALTH – 22. 1.**

Czech men and women spend roughly 4/5 of their lifetime in a good health, only being troubled in this sphere in the last 1/5 of their lives, according to the Eurostat, the CSO and the Demografie journal.

The proportion of "healthy years" in the CR is higher than the EU average, the data have revealed.

<sup>25</sup> CEE: Central and Eastern Europe, is a generic term for the group of countries in Central Europe, Southeast Europe, Northern Europe (Baltic countries), and Eastern Europe



In 2015, Czech women and men had 63.7 years and 62.4 years of healthy life before them at birth.

The life expectancy in the CR is increasing. Between 2000 and 2016, it rose by 4.6 years for men and by 3.8 years for women, having reached 76.2 years and 82.1 years, respectively.

Not only the life span, but also the time spent with good health is rising.

The time spent in good health is increasingly long, too.

Demografie writes that between 2007 and 2014, 2 healthy years and 1.7 years were added to men and women, respectively. "In the CR, the proportion of healthy years in the life expectancy is relatively high. In 2015, it was 78% for men and 82.4% for women, while the EU average was 2% lower".

However, Czech men and women have a shorter life span than the EU average, by 2.5 years and two years, respectively. The populations of Sweden and Malta have the highest number of healthy years, Eurostat said.

The Swedish men and women born in 2015 are ahead of 74 and 73.8 years without health troubles, respectively.



#### EMPLOYEES OF ŠKODA AUTO UP – 23. 1.

Škoda Auto's plant in Kvasiny has finished its massive recruiting, with the number of employees increasing by more than 3,000 to nearly 8,500 over the past 3 years.

The Kvasiny plant produced record-breaking 295,000 cars last year and it wants to exceed 300,000 units this year. In 2015, the output was 142,000 vehicles.

The plant makes about 1,150 cars/day.

The large growth of the factory started in 2015 being connected to the sport utility vehicle segment development. Škoda Auto has invested about CZK11bn in the Kvasiny plant since 2015, with the amount invested from 2001 reaching a few tens of billions of crowns.

The Kvasiny plant produces Škoda's models Superb, Kodiaq and Karoq, and Spanish Seat's model Ateca.

In 2019, the plant will start making Škoda's first plug-in hybrid electric car - the Superb model.

Thanks to the development in Kvasiny, the Rychnov district has one of the lowest unemployment rates in the CR reaching 1.4% at the end of December.

Cars have been produced in Kvasiny for over 80 years.

#### INDUSTRY & TRANSPORT & ENERGY



#### NUMBER OF E-SHOPS IN CR GROWS IN 2017 – 21. 1.

The number of e-shops in the CR increased annually by 3,900 to 40,100 in 2017 and the number will grow in the coming years, experts said.

The online stores numbers had stagnated since 2013.

The CR ranks 1<sup>st</sup> in Europe in terms of the number of e-shops per capita.

More and more bricks-and-mortar stores are launching web shops, with Lidl, Humanic and IKEA starting theirs last year.

<sup>26</sup> APEK: Association of E-commerce

<sup>27</sup> JAWA: a motorcycle and moped manufacturer founded in Prague, Czechoslovakia in 1929. In the past, especially in the 1950s, JAWA was one of the top motorcycle manufacturers and exported its 350 (Pérák) into over 120 countries. Another famous model in the 1970s was the 350 Californian. After 1990, there was a significant loss of

The development is affected by the generally good situation in the Czech economy and established companies entering the e-commerce area, which encourages others.

The online shopping segment has been doing well in the CR over the past few years.

Thanks to high-quality suppliers of e-shop solutions it is getting easier to set up an online store. However, an absolute minimum of new e-shops succeed in the tough Internet environment, the APEK<sup>26</sup> said.

Czech e-shops' share in retail sales crossed 10% for the first time last year, and sales of Internet retailers grew by 18% to CZK115bn, according to data from APEK and Heureka.cz.

E-commerce Europe data for 2016 rank the CR among countries with the highest share of online shopping in Europe. With a 24% share, Denmark ranks 1<sup>st</sup> and the CR occupies the 5<sup>th</sup> place.



#### JAWA MOTO INCREASES OUTPUT IN 2017 – 22. 1.

Jawa Moto<sup>27</sup> made 1,331 motorbikes in 2017, which is roughly 8% more y-o-y, according to the AIA.

February 23 will mark the 140<sup>th</sup> anniversary of the birth of Frantisek Janeczek, Jawa's founder.

Last year, the company exported 1,157 motorbikes, increasing the number by 1% annually. Jawa sold 174 motorbikes on the Czech market, up by 120% y-o-y.

At the end of the Q<sub>3</sub> 2017, there were 1.116mn motorbikes registered in the CR, which is nearly 27,000 more compared to the end of 2016. The number has been growing steadily over the past 5 years.

While the number of new motorbikes dropped by 10% last year to 16,045 units, the number of imported used motorbikes rose by 9% to 15,810 units.



#### CR IS AMONG PIONEERS IN INDUSTRY 4.0 – 23. 1.

According to the WEF<sup>28</sup>, the CR is one of the 25 countries which are in the best position to benefit from changes in the production systems before the upcoming exponential industry development.

As part of the readiness for the 4<sup>th</sup> industrial revolution and future of production, the CR is among the pioneering countries having a strong current base and high readiness for the future.

The CR is in the 1<sup>st</sup> place in the category evaluating the share of population working in production.



#### BEST TIME TO DECIDE ON CR'S NUKE UNIT MISSED – 23. 1.

The CR's previous governments missed the optimum time to decide on the NPP<sup>29</sup> unit construction in the CR; however, it does not mean that the current cabinet is giving up on the issue, MIT Minister Hüner in resignation said.

It would be better if a decision about such a step were made by a cabinet winning the confidence vote, Hüner said.

The delay in preparations is roughly 5 years, he said.

The new nuclear units construction was supposed to be completed in 2025 with the costs estimated at CZK200bn-CZK300bn, according to original plans.

production. A successor company was formed in 1997 in Týnec nad Sázavou, continuing the name as JAWA Moto

<sup>28</sup> WEF: World Economic Forum

<sup>29</sup> NPP: Nuclear Power Plant

Currently, the construction of a new unit at Dukovany NPP<sup>30</sup> has priority, Hüner said.

The decision about a new nuclear unit in the CR is hampered by uncertainties about the project's financing.

Babiš had said repeatedly as MF<sup>31</sup> Minister that ČEZ<sup>32</sup> should be the one to finance the unit's construction.

That could, however, be unfavourable for minority shareholders, which is why there have been speculations about a possible split-up or transformation of the company.

Babiš's government says in its policy statement that it will secure preparation of new nuclear units in the needed time.

Jan Štuller, government envoy for nuclear energy, said in the middle of December that the new government should decide on the investor for the new unit at Dukovany and the way of its financing as soon as possible, preferably in the H<sub>1</sub><sup>33</sup> 2018.

Hüner said that he would like for the way of financing to be clear by the end of this year.

In the middle of last year, the government committee for nuclear energy said that it would deal with only three possibilities. In the 1<sup>st</sup> scenario, the construction would be supervised by ČEZ subsidiaries. In the 2<sup>nd</sup> one, the state would buy the subsidiaries from ČEZ through which it would then be in charge of the project. In the 3<sup>rd</sup> scenario, the state would take over a part of ČEZ.

#### Koyo Bearings ČR TO BUILD NEW PRODUCTION HALL – 24. 1.

Koyo Bearings ČR will build a new production hall and expand its production in 2019.

Koyo Bearings ČR's portfolio consists of needle and roller bearings and rollers for automotive and engineering industries. The company's products are used e.g. in transmission units, engines, starters, brakes or compressors. The company has already signed the first contract for the production of bearings for electric vehicle engines for the Jaguar brand.

According to company, Koyo Bearings cooperates on innovations with research institutes and universities, e.g. the Brno University of Technology.

<sup>30</sup> **Dukovany NPP:** Dukovany NPP annually supplies approximately 14 TWhr of electric energy to the national power network. NPP is owned and operated by ČEZ Group. Dukovany covers a 1/5 of the total electricity consumption in the CR with its installed output of 2,040MW. The NPP has 4 units. ČEZ has submitted request for new licences for further operation of units 3 and 4 to the SONS. Current 10-year licences for the units will expire at the end of this year. SONS has granted new operation licences for units 1 and 2.

<sup>31</sup> **MF:** Ministry of Finance

<sup>32</sup> **ČEZ:** ČEZ Group is a conglomerate of 96 companies (including the parent company ČEZ, a.s.), 72 of them in the CR. It is involved in the electricity generation, trade, distribution and heat, as well as coal mining.

<sup>33</sup> **H:** Half of year

<sup>34</sup> **AIA:** Automotive Industry Association (AutoSAP), an interest industrial grouping of the manufacturing, commercial and other companies which make up the Czech automotive and allied industries. AIA represents companies making up nearly 90% of the Czech automotive industry. Their share in total industrial production posted an annual rise of 1% to 22%.

<sup>35</sup> **Škoda Auto:** is a Czech automobile manufacturer founded in 1895 as Laurin & Klement. It is headquartered in Mladá Boleslav, Bohemia, Czech Republic. The car manufacturer was acquired by Škoda Works in 1925 and became a wholly owned subsidiary of the Volkswagen Group in 2000, positioned as the entry brand to the group. Its total global sales reached 1.127 million cars in 2016.

<sup>36</sup> **Hyundai CZ:** Hyundai Motor Manufacturing Czech based in the Industrial Zone of Nošovice was founded in 2006.

<sup>37</sup> **TPCA:** Toyota Peugeot Citroën Automobile Czech (TPCA) is an automobile manufacturing company in Kolin, Czech Republic. It is a joint venture between Toyota Motor Corporation of Japan and PSA Peugeot Citroën of France.



#### PASSENGER CARS OUTPUT IN 2017 – 24. 1.

The CR's passenger cars production rose by 5% to record-breaking 1.414mn units in 2017, which was impacted by high demand in the CR and Europe, and exports went up by 5%, while domestic sales by nearly 7%, the AIA<sup>34</sup> said.

Škoda Auto<sup>35</sup> increased its output by 12% to 858,103 vehicles. Hyundai's<sup>36</sup> production decreased by 0.5% to 356,700 cars, and TPCA<sup>37</sup> saw a drop of 10% to 199,078 units despite growing at the beginning of 2017.



#### NO. OF PASSENGER CARS IN 2017 – 24. 1.

The number of passenger cars in the vehicle register increased annually by 224,000 to 5.593mn in 2017, the CIA<sup>38</sup> said. Over the past 5 years, the number of vehicles in the register has risen by more than a 1mn.

The average vehicle age grew y-o-y from 14.48 years to 14.62 years, increasing by almost a year from 2011. The ageing is caused by insufficient renewal of the car fleet and imports of old used cars.

The sales of new cars went up by nearly 5% to record-breaking 271,595 units last year.

Imports of used cars increased by 4% to more than 170,000 vehicles. The share of cars older than 10 years in the total number exceeded 53%.

Škoda Auto's cars account for 1/3 of the Czech fleet, followed by Volkswagen vehicles with 9% and Ford with 7.5%.

#### TRADE & INVESTMENTS & SERVICERS



#### EXPORTS EXPECTED TO REACH RECORD – 18. 1.

According to the CAE<sup>39</sup>, exports in 2017 reached a record level of CZK4.2tn<sup>40</sup>, up 5.0% on the results in the previous year. Last year's figure is unlikely to be beaten this year because of the ever strengthening crown and shortages of workers and spare capacity across Czech industry and services.



#### EIB BANK RAISES CZECH PROJECT FINANCING – 19. 1.

EIB<sup>41</sup> provided financing totalling €1.16bn in the CR in 2017, i.e. 0.6% of GDP<sup>42</sup>. Financing in Slovakia totalled €320mn (0.38% of GDP). All in all, EIB approved financing totalling €78.16bn for 901 projects (up 15% y-o-y) in 2017, with investment costs

<sup>38</sup> **CIA:** Car Importers Association (Svaz dovozců automobilů), a voluntary association of legal entities importing, selling and servicing road motor vehicles in the Czech Republic, 39 members by 2014

<sup>39</sup> **CAE:** Czech Association of Exporters, a voluntary association that represents its members in the promotion of common interests, a transparent, non-discriminatory and free business environment in order to maintain and increase the competitiveness of domestic companies and companies, especially export companies. AE acts with state administration bodies, promotes its goals in the media, organizes educational, social and promotional actions aimed at achieving the goals.

<sup>40</sup> **tn:** trillion

<sup>41</sup> **EIB:** The European Investment Bank is the European Union's non-profit long-term lending institution established in 1958 under the Treaty of Rome. As a "policy-driven bank" whose shareholders are the member states of the EU, the EIB uses its financing operations to bring about European integration and social cohesion. It should not be confused with the European Central Bank (ECB).

<sup>42</sup> **GDP:** Gross domestic product, an aggregate measure of production equal to the sum of all resident and institutional units engaged in production in a period (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). GDP can be determined in three ways, all of which should, in principle, give the same result. They are the **production approach**, the **income approach**, or the **expenditure approach**.

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

GDP = GVA + Taxes on products - Subsidies on products

totalling €250bn. The biggest portion of the funding was allocated to projects in the segment of SMEs<sup>43</sup> (€29.6bn).

#### SPENDING ON COMMUNICATION IN 2017 – 19. 1.

According to the AKA<sup>44</sup>, public institutions invested CZK1.34bn into communication in 2017, up 18% y-o-y. The financial value per one contract is decreasing. Contracts in the advertising and marketing campaign and services category grew to CZK835.35m and totally 225 contracts (up 52%). The no. of public tenders that were cancelled without a winner dropped to 9 from 19.

#### VALUE OF PUBLIC CONSTRUCTION CONTRACTS UP – 21. 1.

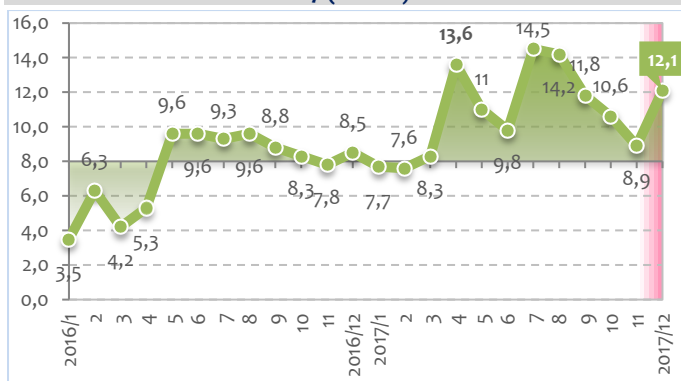
Public investors awarded 4,407 new contracts worth CZK130.1bn to building companies in the CR in 2017, with the number growing y-o-y by 25% and the value by 46.3%. The 2016 volume of awarded contracts was the lowest in the past 10 years.

The value of awarded building construction contracts rose annually by 2/3 to CZK37.9bn in 2017, while the civil engineering contracts value increased by 40% to CZK92.2bn. The average contract value went up annually by nearly a 1/3 to CZK24.1bn.

The ŘSD<sup>45</sup> was the biggest contracting authority within the public sector, accounting for CZK25.4bn of the total volume. The value of 14 contracts exceeded CZK1bn last year. There were 7 such contracts in 2016.

The biggest contract was the CZK3.56bn reconstruction of the Kocin switching station near Temelín NPP<sup>46</sup>, which was obtained by a consortium of companies Egem, ASE and Vuje. A total of 1,349 companies secured a public contract for building work.

Graph 14: Public contracts for construction work awarded in 2016, 2017 (CZKbn):



Eurovia made up the largest volume, being awarded 216 contracts worth CZK4.7bn.

The value of new tenders dropped y-o-y by ▲41% to CZK120.3bn. The main reason for the fall is a high number of declared tenders for transport infrastructure in September

<sup>43</sup> SME: Small and medium enterprises

<sup>44</sup> AKA: Czech Association of Communication Agencies

<sup>45</sup> ŘSD: Road and Motorway Directorate, is an organization established by the Ministry of Transport. Its basic task is the exercise of state ownership rights to the immovable property formed by motorways and roads of the first class, and maintenance of their administration, repair, and modernization.

<sup>46</sup> Temelín NPP: Temelín NPP is owned by ČEZ Group, which employs 1000 workers at this site. It is, with 2,000 MW of installed capacity and 4 units, largest power resource in the Czech Republic.

<sup>47</sup> CRA: České Radiokomunikace, a telecommunications company in the Czech Republic, offering a complex portfolio of telecommunication and ICT services via their own

2016. In October 2016, an amendment to the public procurement law came into effect.

The significant growth in the value of awarded contracts indicates an ongoing recovery in construction output for the public sector in 2018. On the other hand, the major drop in new tenders signifies a fall of the public sector in the forthcoming 2 to 3 years.

The decline is registered mainly in transport construction where the value of declared tenders plunged by nearly 2/3 y-o-y.

Public contracts accounted for 32.6% of sales of building companies in 2016, which is the lowest share since 1996, according to the CSO. The largest share of 55.1% was reported in 2002.

#### CRA<sup>47</sup> RAISES COVERAGE OF DVB-T2<sup>48</sup> NETWORK – 24. 1.

CRA extended on January 23, 2018 the coverage of the transitional DVB-T2 network. The company started broadcasting from localities Ústí nad Labem - Buková hora and Mikulov - Děvín. Some 97.6% of households can tune channels in the new TV broadcasting format. The transitional DVB-T2 was newly joined by channels run by groups Nova and Česká televize. Some 18 channels are currently broadcasted with help of the new DVB-T2.

#### CR'S M&A<sup>49</sup> VOLUME – 24. 1.

According to the the Emerging Europe M&A Report 2017, a total of 2,113 mergers and acquisitions in the volume of €71.5bn took place in 15 European countries in CEE/SEE region listed among emerging markets in 2017.

The CR ranked 4<sup>th</sup> in the chart of the most active countries in the field of both volume and number of transactions.

The first 3 positions are occupied by Russia, Turkey and Poland. The CR ranked 4<sup>th</sup> also in the chart of the most active investors from the region.

#### SURVEYS & RATINGS & OTHERS

#### ECONOMIC SITUATION – 18. 1.

A total of 45% of people considered the Czech economic situation positive at the end of 2017, which is the biggest share since 1999 and it breaks the record of 40% set at the beginning of 2017, according to the CVVM<sup>50</sup>.

Nearly 2/5 of respondents said they see the current economic situation in the CR as neither good nor bad.

Compared to the October poll, the share of people thinking the Czech economic situation is good increased by 8 p. p., while the portion of those considering it bad fell by ▲6 p. p. to 14%.

A total of 51% of people saw their household's standard of living as good at the end of last year, with 1/3 thinking it is neither good nor bad, and 14% considering it bad. The results did not change much compared to October.

infrastructure for wholesale and corporate customers. The company has its own extensive backbone network and broadcast infrastructure, offers wireless solutions, or connecting nearby locations by optical fiber

<sup>48</sup> DBV-T2: DVB-T2 is a digital terrestrial transmission system, the extension of the television standard DVB-T. This system transmits compressed digital audio, video, and other data in physical layer pipes (PLPs), using orthogonal frequency-division multiplexing (OFDM) modulation with concatenated channel coding and interleaving.

<sup>49</sup> M&A: Merge and acquisition

<sup>50</sup> CVVM: Public Opinion Research Centre of the Institute of Sociology of the Academy of Sciences of the CR



People who are retired or unemployed, blue-collar workers and left-wing supporters consider their standard of living worse than those who earn more and are more satisfied with their lives and the political situation, and people supporting ODS<sup>51</sup>, TOPog<sup>52</sup> and ANO<sup>53</sup>.

#### PRESIDENT TO ACCEPT GOVERNMENT'S RESIGNATION – 18. 1.

President Zeman will accept the resignation of PM<sup>54</sup> Babiš and his cabinet on January 24.

The timing is later than originally indicated and just 2 days ahead of the start of 2<sup>nd</sup> round voting in presidential elections in which Zeman is seeking a further 5 year term. Zeman's spokesman said the head of state could not find a gap in his programme earlier.

Zeman is expected to give the ANO<sup>55</sup> leader another shot at forming a government but has said he wants to see proof of a majority in the ChD<sup>56</sup> this time round. The minority government decided to resign on January 17, a day after failing to win a confidence vote.

#### DNES NEW GOVERNMENT BY END OF FEBRUARY – 19. 1.

PM Babiš wants his new government to be appointed by President Zeman even if he is defeated by Jiří Drahoš in the 2<sup>nd</sup> round of the presidential election, while the cabinet should be formed by the end of February, Babiš said.

#### CHD STRIPS PM OF IMMUNITY – 19. 1.

The ChD has voted to strip PM Babiš of his parliamentary immunity, opening the way for prosecution. The motion was supported by 111 deputies, 69 deputies of the PM's ANO party voted against.

#### SECOND ROUND OF PRESIDENTIAL ELECTIONS TIGHT – 21. 1.

Surveys conducted for Czech public television suggests that the 2<sup>nd</sup> round of presidential elections will be extremely tight. The incumbent president, Miloš Zeman and his challenger academic Jiří Drahoš are running neck and neck, according to polls conducted Median<sup>57</sup> and TNS Kantar<sup>58</sup>.

Judging by the preferences of voters who are decided, Zeman would get 34.5% of the vote and Drahoš 36.5%. Among the undecided voters, 11% said they are more likely to support Zeman while 8.5% would be more inclined to favour Drahoš.

#### ONLY GENERAL KNOWLEDGE OF GDPR – 22. 1.

Czech companies have a high general knowledge of the GDPR<sup>59</sup>, but lack more detailed information, according to the Microsoft.

<sup>51</sup> ODS: Civic Democratic Party, Liberal conservative, centre-right party, soft Eurosceptic party

<sup>52</sup> TOPog: conservative, centre-right party, it has been noted for its support of fiscal conservatism and is considered pro-EU.

<sup>53</sup> ANO: ANO 2011, centre-right party

<sup>54</sup> PM: Prime Minister

<sup>55</sup> ANO: ANO 2011, centre-right party

<sup>56</sup> ChD: Chamber of Deputies, is the lower house of the bicameral Parliament of the CR. The seat of the Chamber of Deputies is Thun Palace in Malá Strana, Prague.

<sup>57</sup> Median: a research agency in the area of market research, media and public opinion.

<sup>58</sup> TNS Kantar: TNS is a company providing market research, global market information and business analysis. It is part of Kantar, one of the world's largest insight, information and consultancy groups.

<sup>59</sup> GDPR: EU General Data Protection Regulation, GDPR applies to all companies, state institutions, non-profit organisations and self-employed persons registering employees, members and customers. It is a regulation by which the European Parliament, the Council of the European Union and the European Commission intend to strengthen and unify data protection for all individuals within the European Union (EU). It also addresses the export of personal data outside the EU. The GDPR aims primarily

Many Czech companies are not informed about, for example, the size of the potential sanctions and the date of the regulation's validity.

2/3 of the companies in a survey conducted before Christmas, for example, thought that they still have 12 months for preparation.

Some 90% of Czech companies are aware of GDPR existence. ¼ of companies know the exact size of the fines for breaking this regulation - it can reach up to 4% of the company's total turnover.

Czech firms provide staff training focused on GDPR (80%) and they have raised investments in IT safety (80% as well). 1/5 have created a position of data protection manager and over 1/3 have introduced a data management program.

Over 2/3 of Czech firms believe that they are able to protect personal data from leak or unauthorised access. At the same time, nearly ½ of firms say they lack formal processes for monitoring IT security incidents in the personal data protection area.

They see hackers as the biggest threat (54%) but ¼ of companies still consider own employees as number one threat. The problem for Czech companies is the fact that the government has not released the exact wording of a new bill which will incorporate GDPR requirements in the Czech legislation.

PM Babiš has called on the MI<sup>60</sup> to submit a bill on GDPR fast, but he has criticised the EU legal norm.

According to the new rules, millions of people will have to grant their approval for personal data processing. Most databases will thus have to undergo renewal, including those of e-shops, doctors, schools and employers.

#### GOVERNMENT'S RESIGNATION AND FORMATION – 24. 1.

President Zeman accepted a resignation of the minority government of PM Babiš, assigned it to govern until the appointment of a new cabinet and entrusted Babiš with talks on the formation of a new cabinet.






Zeman wished Babiš, who submitted the resignation to him at Prague Castle, all success in his effort.

Zeman also said that if he were not re-elected president, he would no longer require the signatures of a majority of MPs<sup>61</sup>, at least 101 in the 200-seat ChD, from ANO chairman Babiš in support of his new government, and that he would appoint him PM in February.

to give control back to citizens and residents over their personal data and to simplify the regulatory environment for international business by unifying the regulation within the EU. When the GDPR takes effect, it will replace the data protection directive (officially Directive 95/46/EC)[2] of 1995. The regulation was adopted on 27 April 2016. It becomes enforceable from 25 May 2018 after a two-year transition period and, unlike a directive, it does not require national governments to pass any enabling legislation, and is thus directly binding and applicable.

<sup>60</sup> MI: Ministry of the Interior

<sup>61</sup> MP: Member of Parliament

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)
	Hospodářské noviny Daily