

NEWS SUMMARY FEBRUARY 2 – FEBRUARY 7

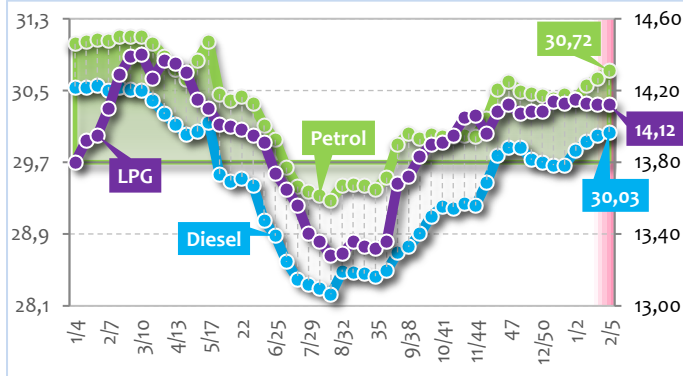
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ECONOMY & FINANCE

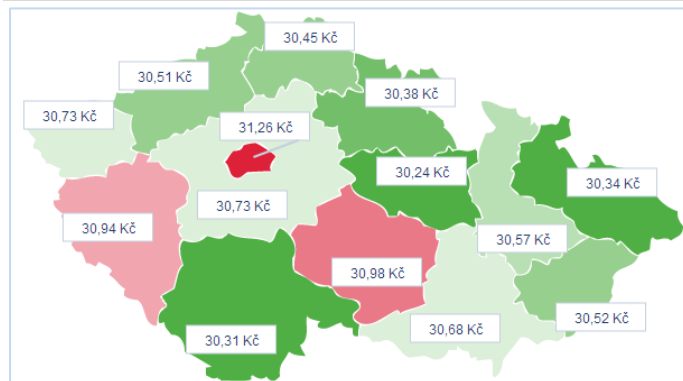
FUEL PRICES – 2. 2.

Natural 95 increased by 8h¹ to CZK²30.72/l³ over the past week. Diesel oil increased by 3h to CZK30.03/l.

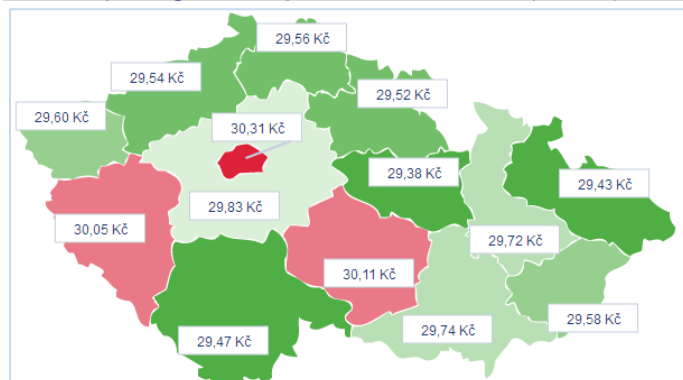
Graph 1: Average fuel prices⁴, 2017 – 2018, Month/Week (in CZK/l)



Map 1: Regions, fuel prices, Petrol, 2. 2. 2018⁵ (in CZK/l)



Map 2: Regions, fuel prices, Diesel, 2. 2. 2018 (in CZK/l)



¹h: 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.

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

³ l: litre

⁴ 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

⁵ data issued by the mBenzin.cz

⁶ Y-o-y: year on year, compared with the corresponding month of preceding year

⁷ CR: the Czech Republic, a nation state in Central Europe. The Czech Republic covers an area of 78,866 km² with a mostly temperate continental climate and oceanic climate. It



ECONOMIC ACTIVITY RATE – 2. 2.

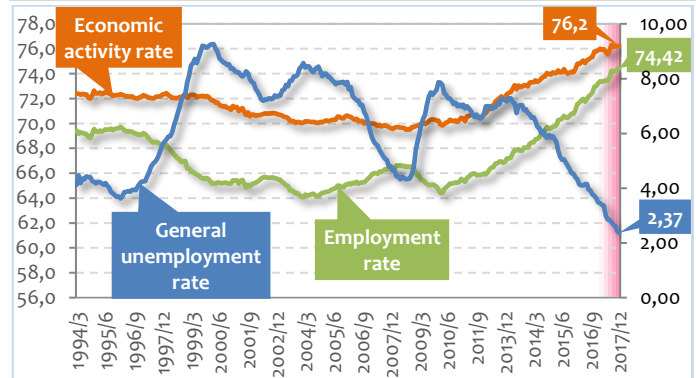
Total employment in Q4 2017 increased by 75,300 persons, y-o-y⁶ and reached 5,262,700 persons. That was the highest value since the independent CR⁷ was established. The employment rate⁸ was 74.3%. The number of the unemployed dropped by 63,100 persons, y-o-y. The general unemployment rate⁹ declined by ▲1.2 p.p.¹⁰, y-o-y, compared to Q4 2016, and was 2.4%.

The **employment rate SA**, reached 74.4% in December 2017 and increased by 1.4 p. p., y-o-y.

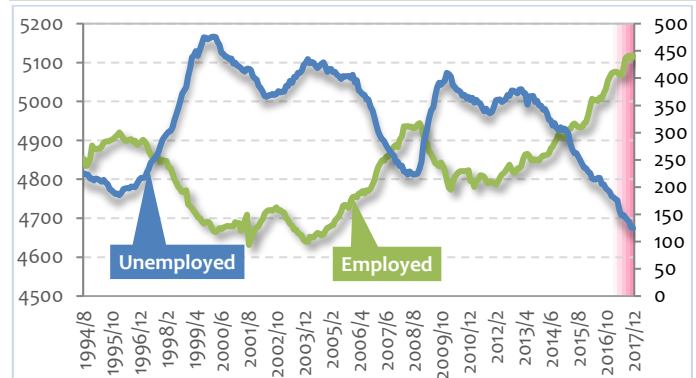
The **general unemployment rate SA**, reached 2.4 in December 2017 and decreased by ▲1.3 p. p., y-o-y.

The **economic activity rate**¹¹ SA, reached 76.2% and rose by 0.4 p.p., y-o-y.

Graph 2: Rates of employment, unemployment and economic activity, SA, 1994- 2017 (in %), LFS



Graph 3: Employed, unemployed, SA, 1994 - 2017 (in thousands)



is a unitary parliamentary republic, has 10.5 million inhabitants and the capital and largest city is Prague, with over 1.2 million residents.

⁸ **Employment rate**: the share of the employed persons in the age group 15 – 64 years, as%age, seasonally adjusted, **data are issued by the CSO based on the results of the Labour Force Survey (LFS).**

⁹ **General unemployment rate**: the share of the unemployed in the labour force in the age group 15 – 64 years, that is in the total number of the employed and the unemployed, as%age, seasonally adjusted, **data are issued by the CSO based on the results of the Labour Force Survey (LFS).**

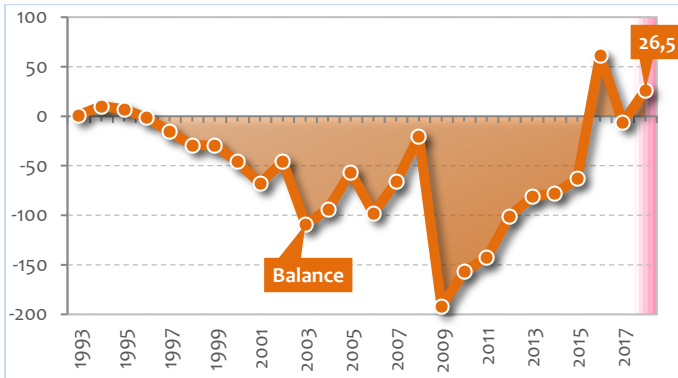
¹⁰ P. p.: percentage point

¹¹ **Economic activity rate**: the share of the number of the economically active in the total number of persons in the age group 15 – 64 years, as%age, seasonally adjusted, **data are issued by the CSO based on the results of the Labour Force Survey (LFS).**

STATE BUDGET SHOWS SURPLUS – 2. 2.

Total income of the state budget of the CR reached CZK132.2bn as of the end of January 2018. Expenditures totalled CZK105.7bn. The budget thus showed a surplus in the amount of CZK 26.5bn. According to the MF, the surplus totalled CZK9.1bn in January 2017. The result was impacted by funds received from EU¹² and financial mechanisms, which grew CZK17bn in January 2018.

Graph 4: Balance of the State Budget, 1993-2018, January (CZK bn)



CNB'S PUBLIC FINANCE DEVELOPMENT ESTIMATE – 2. 2.

The CNB¹³ improved its GDP¹⁴ growth estimate in a new forecast, made public today, to 3.6% for this year from 3.4% predicted in November, and for next year to 3.2% from the previous estimate of 3.1%. For last year, the CNB left its economic growth estimate unchanged at 4.5%, Rusnok said. He said the new forecast actually sees space for one more rate hike this year, however, even this hike will be conditioned by further development and other circumstances, Rusnok said. He pointed out he said earlier he was in favour of 2 rate increases this year.

The CNB downgraded its inflation estimate to 1.9% in Q₁¹⁵ next year, while in November it predicted a 2% inflation rate. For Q₂ next year, the estimate stayed unchanged at 1.8%.

"Overall inflation will stay above the 2% target, being a touch below it in the monetary policy horizon," Rusnok said.

Risks to the estimated development are balanced, he said. Domestic inflation pressures and the exchange rate of the CZK may pose a risk to a possible growth or fall of inflation.

The new forecast is consistent with a growth in domestic market interest rates this year and mainly in 2019. This year's hike will be slowed by the ECB's¹⁶ monetary policy.

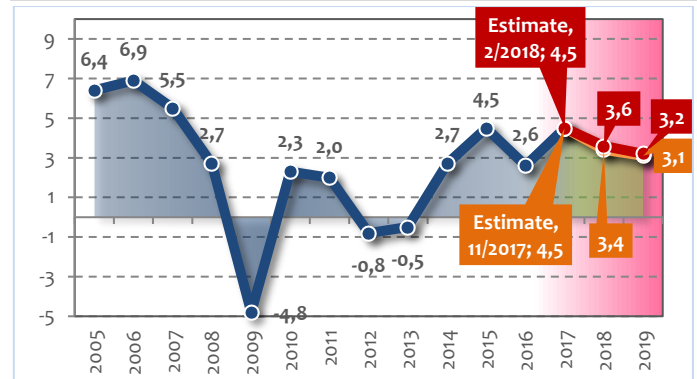
¹² EU: European Union, is a politico-economic union of 28 member states that are located primarily in Europe. It has an area of 4,324,782 km², and an estimated population of over 510mn. The EU has developed an internal single market through a standardised system of laws that apply in all member states. EU policies aim to ensure the free movement of people, goods, services, and capital within the internal market, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries, and regional development. Within the Schengen Area, passport controls have been abolished. A monetary union was established in 1999 and came into full force in 2002, and is composed of 19 EU member states which use the euro currency.

¹³ CNB: Czech National Bank, is the central bank and financial market supervisor in the Czech Republic and a member of the European System of Central Banks. In accordance with its primary objective, the CNB sets monetary policy, issues banknotes and coins and manages the circulation of the Czech koruna, the payment system and settlement between banks. It also performs supervision of the banking sector, the capital market, the insurance industry, pension funds, credit unions and electronic money institutions, as well as foreign exchange supervision.

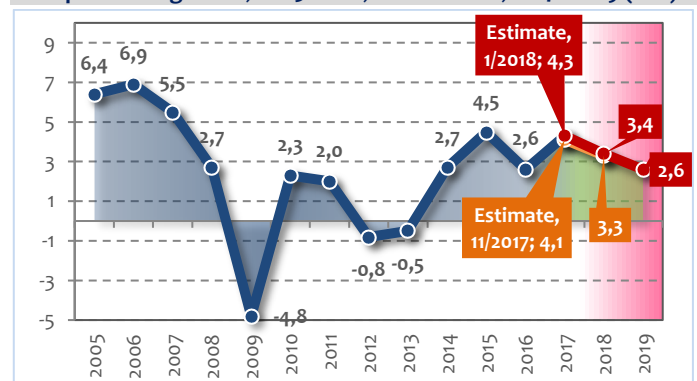
¹⁴ GDP: Gross domestic product, an aggregate measure of production equal to the sum of all resident and institutional units engaged in production in a period (plus any taxes, and minus any subsidies, on products not included in the value of their outputs).

In a new forecast, released on January 31, the MF¹⁷ improved its estimate of this year's economic growth to 3.4% and of 2017's GDP growth to 4.3%, envisaging economic expansion at 2.6% in 2019.

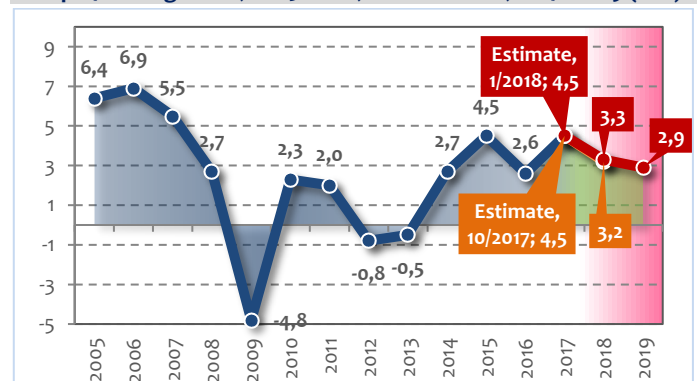
Graph 5: GDP growth, 2005–2019, CNB estimate, 2017–2019 (in %)



Graph 6: GDP growth, 2005–2018, MF estimate, 2017–2019 (in %)



Graph 7: GDP growth, 2005–2018, CBA estimate, 2017–2019 (in %)



Last week, the CBA¹⁸ upgraded its GDP growth estimate to 3.3% for this year, predicting a growth of 2.9% for next year.

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.

$$GDP = GVA + Taxes on products - Subsidies on products$$

¹⁵ Q: * quarter of the year

¹⁶ ECB: is the central bank for the euro and administers monetary policy of the Eurozone, which consists of 19 EU member states and is one of the largest currency areas in the world. It is one of the world's most important central banks and is one of the seven institutions of the European Union listed in the Treaty on European Union. The capital stock of the bank is owned by the central banks of all 28 EU member states.

¹⁷ MF: Ministry of Finance

¹⁸ CBA: Czech Banking Association, a voluntary association of legal persons, doing business in banking and in closely connected areas. Membership has two forms, full membership, reserved for banks and for branches of foreign banks, licensed by the

At the same time, the CNB started releasing again the estimated development of the CZK's rate to €¹⁹. It puts the average exchange rate at CZK24.90/€ for this year. For next year, the CNB expects the crown to firm to CZK24.50/€ on average.



EXTERNAL TRADE – 5. 2.

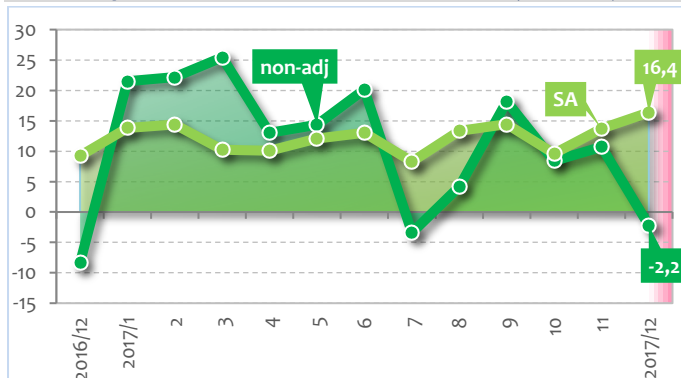
According to preliminary data in current prices, in December 2017 the external trade balance in goods ended in a deficit of ▲CZK2.2bn²⁰, which was by CZK6.2bn better result, y-o-y. The total NC²¹ trade balance was favourably influenced mainly by an increment of surplus in 'motor vehicles' and 'machinery and equipment' by CZK5.9bn and CZK2.5bn respectively.

A larger deficit of the trade balance in 'basic metals', 'coke and refined petroleum products' and 'products of agriculture and hunting' by ▲CZK1.6bn, ▲CZK1.0bn and ▲CZK0.9bn, respectively, affected primarily the total trade balance in a negative manner.

In December 2017 the trade balance with the EU²⁸²² Member States ended in a surplus of CZK35.9bn, and thus it was by CZK5.2bn higher, y-o-y. The trade deficit with the non-EU countries shrank by ▲CZK0.8bn to reach the amount of CZK36.4bn.

Compared to November 2017 the NC SA²³ exports and imports rose by 2.2% and 1.3% respectively. The development trend shows increasing exports (+0.4%) and stagnating imports.

Graph 8: External Trade, CuP²⁴, 2016 – 2017 (in CZKbn)



Compared to the same month of 2016, exports and imports fell by ▲0.1% (to CZK247.2bn) and by ▲2.5% (to CZK249.4bn) respectively.

In 2017, the NC trade balance surplus reached CZK152.6bn which represented a decrease by ▲CZK11.1bn, y-o-y.

Czech National Bank, and associate membership, opened primarily to representative offices of foreign banks and to auxiliary organisations, related to the banking sector. It associates currently 37 banks and branches of foreign banks with full membership status, forming 99% of the banking sector.

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

²⁰ bn: billion

²¹ National Concept: the national concept of external trade reflects export and import performance of the Czech economy, i.e. the external trade balance of the CR as well. It measures real trade in goods carried out between Czech and foreign entities, i.e. a change of ownership between residents and non-residents.

²² EU28: 28 member states of the EU, which are party to the founding treaties of the union and thereby subject to the privileges and obligations of membership

²³ SA: seasonally adjusted, Seasonal adjustment is a statistical method for removing the seasonal component of a time series that exhibits a seasonal pattern, which allows to analyse the trend of a time series independently of the seasonal components.

Compared to the previous year, exports and imports went up by 5.6% and 6.3% respectively.

GOVERNMENT COMMENTS ON TAX LAW CHANGES – 6. 2.

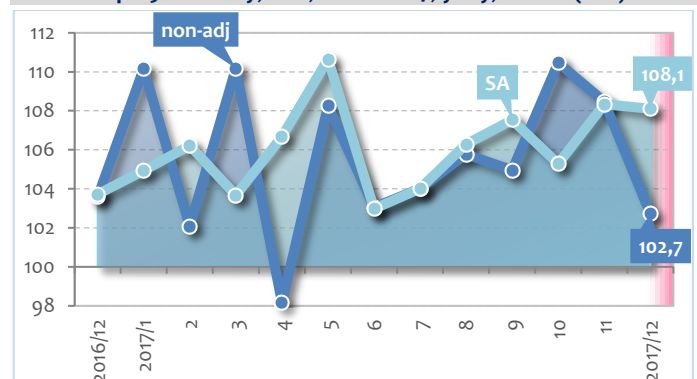
The OGCR²⁵ has accepted into the comments proceeding the bill that amends selected tax laws with effect from 2019. The proposal was processed by the MF due to the need to implement the EU law into the Czech legal system. The main changes include the amendment to the income tax act, which e.g. cancels the supergross wage²⁶ and replaces the single income tax rate for natural persons with 19% and 24% rates. The amendment covers also the tax on hazard games, VAT²⁷ and excise tax²⁸.



INDUSTRY – 6. 2.

In December 2017, SA and WDA²⁹ CoP³⁰ industrial production decreased at constant prices by 1.5%, m-o-m³¹. WDA industrial production increased by 8.0%, y-o-y; non-adj³² industrial production increased by 2.7%, y-o-y. The value of new orders increased by 6.8%, y-o-y.

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



The following contributed the most to the y-o-y increase of industrial production: manufacture of motor vehicles, trailers and semi-trailers (+1.8 p.p., +10.3%), manufacture of electrical equipment (+0.7 p.p., +9.9%), and manufacture of fabricated metal products (+0.4 p.p., +4.3%). Industrial production decreased in manufacture of basic metals (▲0.3 p.p., ▲17.1%), manufacture of other transport equipment (▲0.3 p.p., ▲10.8%), and repair and installation of machinery and equipment (▲0.2 p.p., ▲4.5%).

CuP sales from industrial activity decreased by ▲0.4%, y-o-y, in December 2017. CuP direct export sales of industrial enterprises decreased by ▲0.4%. CuP domestic sales, which include also indirect export via non-industrial enterprises decreased by ▲0.3%.

²⁴ CuP: current (or "nominal") prices for each year are in the value of the currency for that particular year, are influenced by the effect of price inflation.

²⁵ OGCR: Office of the Government of the Czech Republic

²⁶ Supergross wage: a total costs of labor. Gross employment income increased by the mandatory social security and health insurance contributions paid by the employer. The personal income tax rate has been set at a flat rate 15 % from the supergross wage.

²⁷ VAT: Value-added tax

²⁸ Excise Duty Tax: Subject to excise duty are selected types of goods (mineral oils, spirit, beer, wine, tobacco products).

²⁹ WDA: working days adjusted

³⁰ CoP: constant prices are used to measure the true growth of a series, i.e. adjusting for the effects of price inflation.

³¹ M-o-m: month on month, compared with preceding month

³² Non-adj: non-adjusted

The value of new orders in selected industrial CZ-NACE activities increased by 6.8%, y-o-y, in December 2017. Non-domestic new orders increased by 3.7%, while domestic new orders increased by 13.2%.

The number of employees³³ increased in December 2017 by 2.1%, y-o-y. Their average gross monthly nominal wage increased in December 2017 by 6.5%, y-o-y, and reached CZK32,268.

In the Q4 2017, SA industrial production increased by 4.2% compared to the Q3 2017. In the y-o-y comparison it increased by 7.3%.

CuP sales from industrial activity were higher by 4.8%, y-o-y, in the Q4 2017. CuP direct export sales of industrial enterprises increased by 5.1%. CuP domestic sales, which include also indirect export via non-industrial enterprises, increased by 4.4%.

The value of new orders in selected industrial CZ-NACE activities increased by 6.7%, y-o-y, in the Q4 2017. Non-domestic new orders increased by 4.8%, while domestic new orders increased by 10.6%.

The number of employees increased by 2.0%, y-o-y, in the Q4 2017. Their average gross monthly nominal wage in the Q4 2017 increased by 7.4%, y-o-y, and reached CZK33,428.

In 2017, industrial production increased by 5.7%, y-o-y. WDA industrial production increased by 6.2%.

The following contributed the most to the y-o-y growth of industrial production: manufacture of motor vehicles, trailers and semi-trailers (+1.8 p.p., +9.1%), electricity, gas, steam and air conditioning supply (+0.8 p.p., +6.8%), and manufacture of electrical equipment (+0.7 p.p., +9.6%). Industrial production decreased in manufacture of other transport equipment (▲0.2 p.p., ▲11.1%), repair and installation of machinery and equipment (▲0.2 p.p., ▲6.4%), and mining and quarrying (▲0.2 p.p., ▲6.1%).

CuP sales from industrial activity were higher by 6.5%, y-o-y, in 2017. CuP direct export sales of industrial enterprises increased by 6.3%. CuP domestic sales, which include also indirect export via non-industrial enterprises, increased by 6.7%.

The value of new orders increased by 6.6%, y-o-y, in 2017. Non-domestic new orders increased by 5.3%, while domestic new orders increased by 9.1%.

The number of employees increased by 2.0%, y-o-y, in 2017. Their average gross monthly nominal wage in 2017 increased by 6.9%, y-o-y, and reached CZK31,418.

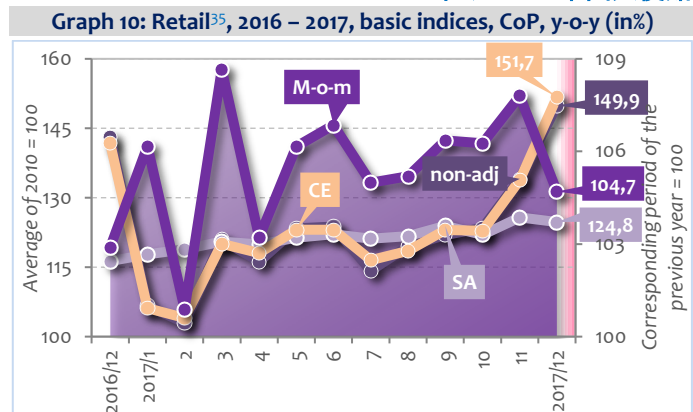
RETAIL TRADE – 6. 2.

In December 2017, CoP SA sales in retail trade decreased by ▲0.8%, m-o-m. CE³⁴ sales increased by 7.1%, y-o-y; non-adj sales increased by 4.7%, y-o-y.

In Q4 2017, CoP sales in retail trade increased by 6.2%, y-o-y

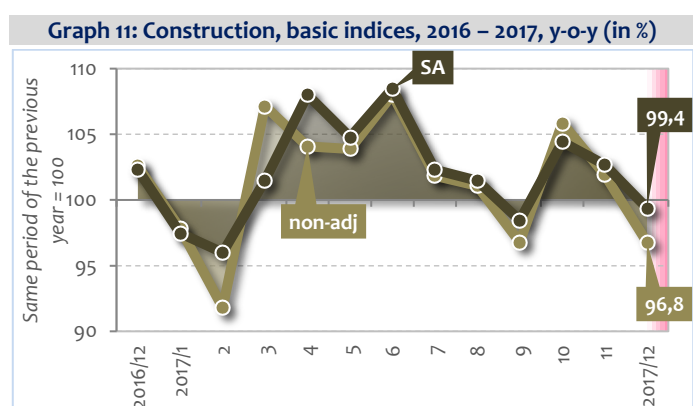
In 2017, CE CoP sales in retail trade increased by 5.6%, y-o-y.

³³ **Average registered number of employees:** in industrial enterprises with 50+ employees, the registered number of employees indicator does not include persons working under various contracts for work, working owners of enterprises, and cooperating household members, who do not have contracts of employment. The piece of data on the registered number of employees in industry also excludes agency workers, who have contracts of employment within activities of services (CZ-NACE 78.2).



CONSTRUCTION – 6. 2.

In December 2017, SA construction output decreased by ▲1.1%, m-o-m, in real terms. The WDA construction output in December 2017 was by ▲0.4% lower, y-o-y. The non-adj construction output decreased by ▲3.2%, y-o-y, in real terms. The planning and building control authorities granted by ▲11.1% less building permits, y-o-y, and the approximate value of permitted constructions dropped by ▲19.7%, y-o-y. The number of started dwellings fell by ▲5.4%, y-o-y, and the number of completed dwellings grew by 16.5%, y-o-y.



In Q4 2017, the SA construction output was by 1.4% higher, q-o-q³⁶, in real terms. The SA construction output increased by 1.7%, y-o-y, in real terms. The number of building permits granted decreased by ▲3.6%, y-o-y and the approximate value of constructions permitted jumped up by 24.9%, y-o-y. The number of dwellings started increased by 5.4%, the number of completed dwellings decreased by ▲1.7%, y-o-y.

In 2017, the WDA construction output increased by 2.1%, y-o-y, in real terms; the non-adj grew by 1.7%, y-o-y, in real terms. The planning and building control authorities granted by 1.0% more building permits, y-o-y, and the approximate value of permitted constructions jumped up by 24.1%, y-o-y. The number of started dwellings increased by 15.8%, y-o-y, and the number of completed dwellings grew by 4.6%, y-o-y.

³⁴ **CE:** adjusted for calendar effects, the pre-adjustment for calendar effects involves removing from the time series calendar effects such as working days/trading days effect, leap year effect and moving holidays effects.

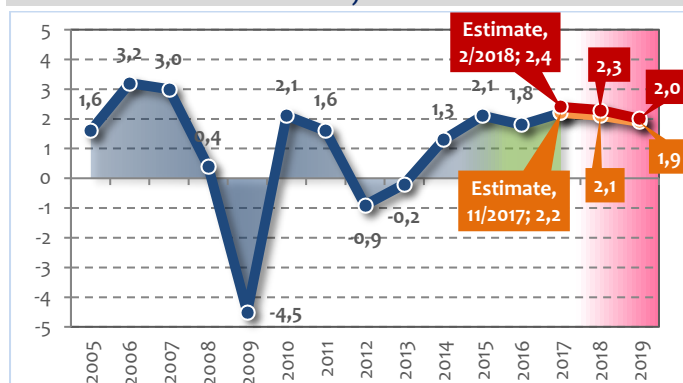
³⁵ **except of motor vehicles and motorcycles**

³⁶ **Q-o-q:** quarter on quarter, compared with preceding quarter

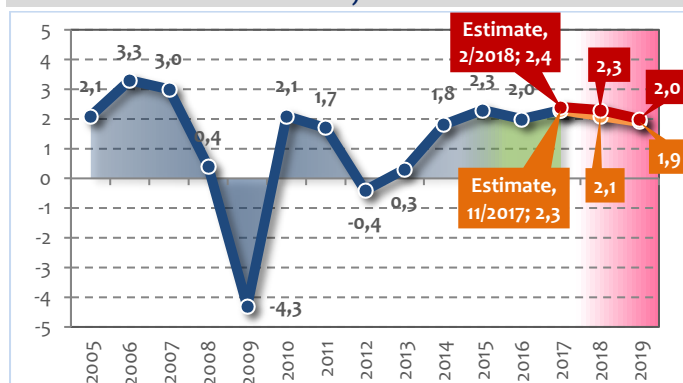
EC's³⁷ ECONOMIC FORECAST FOR THE EA AND THE EU – 7.2.

Growth rates for the EA³⁸ and the EU beat expectations last year as the transition from economic recovery to expansion continues. The EA and EU economies are both estimated to have grown by 2.4% in 2017, the fastest pace in a decade. This robust performance is set to continue in 2018 and 2019 with growth of 2.3% and 2.0% respectively in both the EA and EU.

Graph 12: EA, GDP growth, 2005–2018, EC estimate, 2017–2019 (in %)



Graph 13: EU, GDP growth, 2005–2018, EC estimate, 2017–2019 (in %)



The 2.4% GDP growth now estimated for 2017 is above November's Autumn Economic Forecast projections of 2.2% for the EA and 2.3% for the EU. The growth forecasts for 2018 and 2019 have also been raised since November for both the EA and EU economies: from 2.1% to 2.3% for this year and from 1.9% to 2.0% for 2019. This is a result of both stronger cyclical momentum in Europe, where labour markets continue to improve and economic sentiment is particularly high, and a stronger than expected pick-up in global economic activity and trade.

Strong demand, high capacity utilisation and supportive financing conditions are set to favour investment over the forecast horizon.

Core inflation, which excludes volatile energy and unprocessed food prices, is expected to stay subdued as labour market slack recedes only slowly and wage pressures

³⁷ 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.

³⁸ EA: Eurozone, officially called the **euro area** is a monetary union of 19 European Union (EU) member states that have adopted the euro (€) as their common currency and sole legal tender.

³⁹ H: Half of year

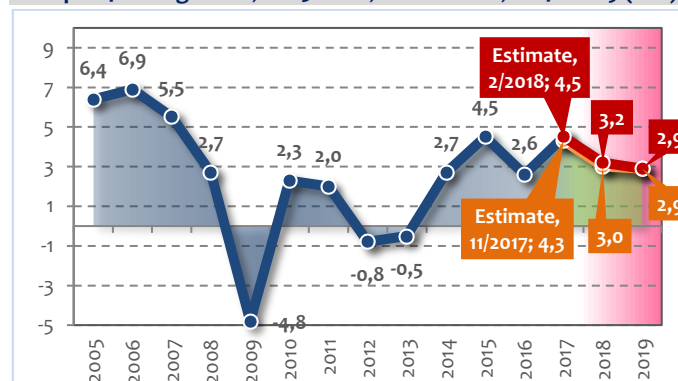
remain contained. Headline inflation will continue to reflect the significant influence of energy prices and is forecast to rise modestly. Inflation in the EA reached 1.5% in 2017. It is forecast to remain at 1.5% in 2018 and to increase to 1.6% in 2019.

Risks to this growth forecast remain broadly balanced. Economic growth could exceed expectations in the short term as indicated by the high level of sentiment. In the medium term, high global asset prices could be vulnerable to a re-assessment of risks and fundamentals. Downside risks related to the uncertain outcome of the Brexit negotiations remain, as do those associated with geopolitical tensions and a shift towards more inward looking and protectionist policies.

EC's ECONOMIC FORECAST FOR THE CR – 7.2.

The CR is experiencing an economic upswing. Real GDP growth in 2017 likely exceeded potential growth by a significant margin, driven by private consumption and investment and in spite of a tightening labour market. Although growth is expected to moderate in 2018 and 2019, inflationary pressures will continue as a result of the positive output gap.

Graph 14: GDP growth, 2005–2018, EC estimate, 2017–2019 (in %)



The CR's economy is forecast to have grown by 4.5% in 2017, considerably higher than in 2016, when the economy expanded by 2.6%. After surging in H₁³⁹ 2017, GDP growth likely moderated in H₂ 2017 with estimated growth of 0.7%, q-o-q, in Q₄ 2017, following 0.5% in the Q₃. Labour market constraints are rapidly pushing wages up, which in turn is feeding into household consumption. At the same time, investment has started to again contribute strongly to growth, with increasing support of EU funds⁴⁰.

GDP growth is expected to moderate in 2018 and 2019 but to remain strong at 3.2% and 2.9%, respectively, underpinned by domestic demand. While exports are expected to continue growing solidly thanks to robust global demand, their positive effect on GDP growth will tend to be neutralised by strong import growth.

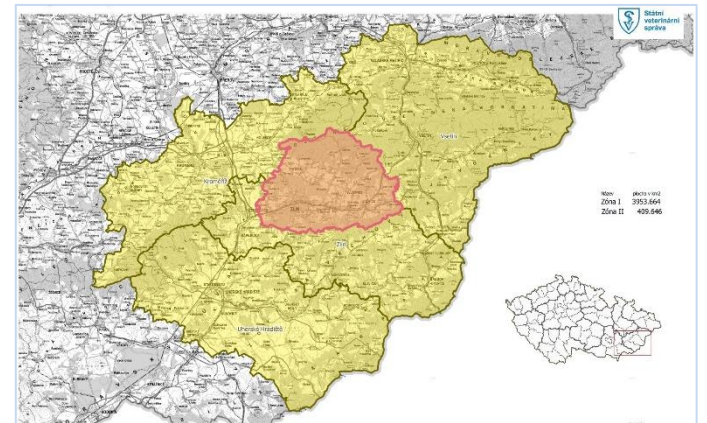
⁴⁰ EU Funds: financial tools set up to implement the regional policy of the EU (CP – Cohesion Policy and CAP – Common Agricultural Policy), funds under CP consist of the Structural Funds (the ERDF – the European Regional Development Fund and the ESF – the European Social Fund), and the CF – the Cohesion Fund. Funds under the CAP, consist of the EAGF – the European Agricultural Guarantee Fund, the EAFRD – the European Agricultural Fund for Rural Development, and the EFF – the European Fisheries Fund.

AGRICULTURE & ENVIRONMENT

ASF⁴² MEASURES NARROWED – 2. 2.

The area of the Zlín region covered by special measures to counter ASF has been reduced sharply. The area covered from February 1 by special measures now covers just 40% of the Zlín district. The reduction was agreed by the EC following a Czech request. Special measures had applied to the whole of the Zlín district from the middle of last year.

Map 3: ASF, Red Zone, Yellow Zone, February 2, 2018



DOUBLE STANDARD OF FOOD PRODUCTS - 2. 2.

The European Commissioner for Justice, Consumers and Gender Equality Jourová wants the double standard of food products in the EU to be put on the list of illegal business practices in the EU.

This means that consumers would be in a position to sue a company over the practice. The list is to be reviewed by the EC in April.

Meanwhile, a special working group made up of representatives from 15 EU member states⁴³ is working on a control mechanism which would gradually root out the practice.

CR HAS AGRICULTURAL DIPLOMATS IN LEBANON, USA – 4. 2.

The CR has posted agricultural diplomats to Lebanon and the USA and is repeating a tender for this position in Japan and preparing tenders for agricultural diplomats in Iran and Mexico, the MA⁴⁴ said.

A diplomat in Mexico will also have accreditation for Cuba, the ministry said.

The diplomats are expected to help Czech agriculture and food companies establish contacts and sign contracts.

The ACCR⁴⁵ welcomes the MA's activity but in the future it would prefer reinforcing the existing positions instead of creating positions in new destinations.

Agricultural diplomats have been working in Russia, China, Serbia and Saudi Arabia for nearly 2 years. The MA is now assessing their performance.

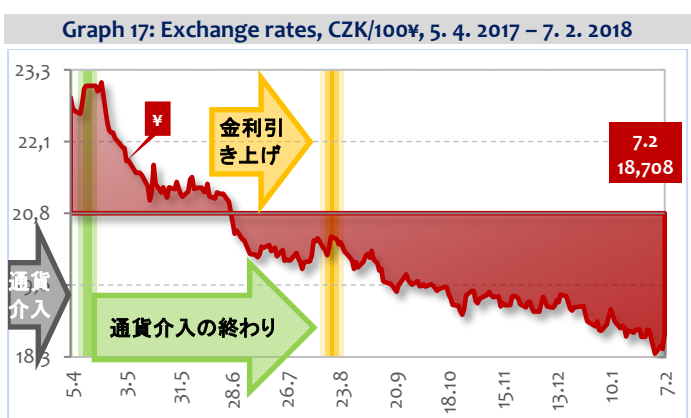
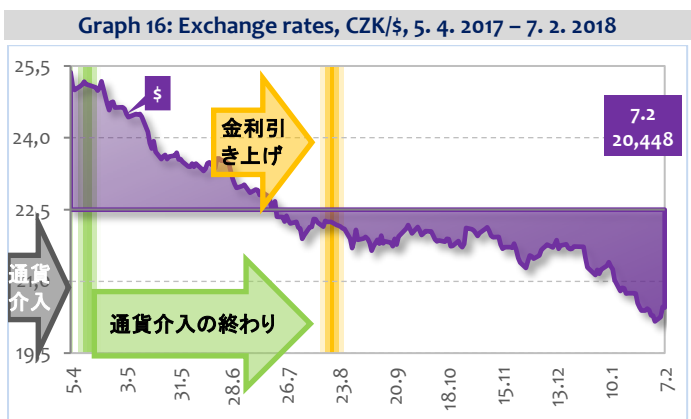
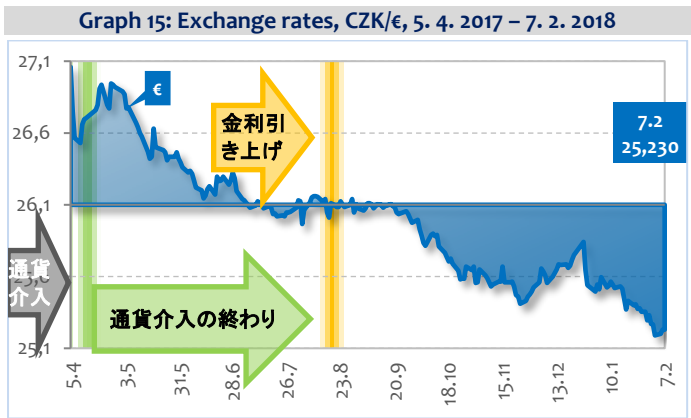
obligations of membership. Unlike members of most international organisations, the member states of the EU are subjected to binding laws in exchange for representation within the common legislative and judicial institutions. Member states must agree unanimously for the EU to adopt policies concerning defence and foreign affairs. Subsidiarity is a founding principle of the EU.

⁴⁴ MA: Ministry of Agriculture

⁴⁵ ACCR: Agrarian Chamber of the Czech Republic

HICP⁴¹ inflation accelerated to 2.4% in 2017, from 0.6% in 2016, largely due to higher food and services prices. The CNB's decision to remove its exchange rate peg in April 2017 and its subsequent interest rate hikes seem to have tempered inflationary pressures on imported goods and services. Headline inflation is expected to remain unchanged at 2.4% in 2018 and to stabilise at 2.0% in 2019. The main contributions in 2018 are once again expected to come from food and services, while energy prices are assumed to rise significantly in H₁ 2018. Overall, annual core inflation is expected to decrease slightly in 2018 and 2019.

CZK VS EURO, US DOLLAR, YEN – 7. 2.



⁴¹ HICP: Harmonized Index of Consumer Prices

⁴² 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.

⁴³ EU Member States: The EU comprises 28 member states. Each member state is party to the founding treaties of the union and thereby subject to the privileges and

"According to available information, the export of agricultural products, foodstuffs and related farm technology to most of the countries with agriculture diplomats has been on the rise," the MA said.

"We've also registered very positive feedback from Czech companies which emphasise (the diplomats') trustworthiness vis-a-vis foreign partners also because they are part of the diplomatic corps," the MA noted.

A tender for the position in Japan needs to be repeated because the winner of the previous tender withdrew from it. 2 positions have been created in Kazakhstan and Ukraine and filled with local residents who help Czech companies with access to the market. Their tasks include B2B⁴⁶ communications, seeking business partners, market monitoring, and maintaining contacts and relations with local agricultural and food institutions and associations, the ministry said.

The CR should have about 10 agricultural diplomats abroad in total, paying CZK3.5mn⁴⁷ for 1 position a year, the MA said previously.

INDUSTRY & TRANSPORT & ENERGY

ŠKODA AUTO WILL INTRODUCE ŠKODA VISION X – 2. 2.

Škoda Auto⁴⁸ will introduce the hybrid concept of an urban crossover Škoda Vision X at the Motor Show in Geneva in March 2018. The concept offers a dashboard with a colour display controlling infotainment services and connectivity. An extension of the offer with a focus on the growing SUV⁴⁹ segment is one of pillars of the Strategy Škoda 2025. Besides electric cars, the automaker will offer also plug-in hybrids by 2025. Each 4th globally delivered car branded Škoda will be an electric car or a plug-in hybrid.

GOVERNMENT TEAM FOR THE ČEZ⁵⁰ DIVIDING – 7. 2.

The government will set up a team of experts on energy and finance for negotiation with the ČEZ management on proposals for dividing the company, PM⁵¹ Babiš said.

⁴⁶ B2B: business-to-business

⁴⁷ mn: million

⁴⁸ 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.

⁴⁹ SUV: a sport utility vehicle or suburban utility vehicle, a vehicle classified as a light truck, but operated as a family vehicle. They are similar to a large station wagon or estate car, usually equipped with four-wheel drive for on- or off-road ability. Some SUVs include the towing capacity of a pickup truck with the passenger-carrying space of a minivan or large sedan.

⁵⁰ 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.

⁵¹ PM: Prime Minister

⁵² tn: trillion

⁵³ MFA: Ministry of Foreign Affairs

⁵⁴ CI: Confederation of Industry, Svaz průmyslu a dopravy, is an employer association in the Czech Republic founded in 1990. It is non-governmental, independent organization that influences the economic and social policy of the government and acting on the creation of optimal conditions for doing business. It defends the interests of employers in European and world organizations, especially as a member of the Confederation of European Business. The Association brings together 31 sectoral professional or regional associations and associations, 126 individual member companies and 6 observers, 11,000 companies employing 1.3 million workers.

TRADE & INVESTMENTS & SERVICES

RECORD EXPORTS – 2. 2.

Exports from the CR exceeded CZK4tn⁵² for the 1st time in history in 2017. The exports also formed 1% of the global trade, said MFA⁵³ Minister Stropnický at a meeting with representatives of the CI⁵⁴.

According to him, inhabitants of the CR form 0.14% of the global population and the share of the CR of the global GDP is 0.26%.

Senate⁵⁵ Chairman Štěch added that it was crucial to support Czech exports in Latin America, Asia and Africa. According to him, the Senate provides the CI or the CCC⁵⁶ with the necessary political support.

ČEB⁵⁷ FINANCES 181 BUSINESS CASES IN 2017 – 2. 2.

ČEB financed 181 business cases for CZK4.3bn⁵⁸ in 2017. This represents the highest number in the history of the bank. The majority of the financed exports are in the category of SMEs⁵⁹. According to the ČEB, all loans closed in last 4 years are being regularly paid. ČEB financing served primarily the engineering segment in 2017. The most important role in terms of the territory was played by Asia (69.45% of the volume) and Latin America (16.3%). ČEB was able to exact CZK1.33bn from bad loans in 2017.

CZECHINVEST'S APPLICATIONS FOR INVESTMENT – 2. 2.

CzechInvest received 83 applications for investment incentives in 2017. This involves investment projects in the aggregate value of more than CZK51bn, which should create 7,884 new jobs. The majority of applicants were Czech and foreign firms that are already operating in the CR. 14 cases involved completely new investments.

Predominantly large companies applied for investment incentives, though 15 applications were submitted by SMEs. The Ústí region is the site of the largest number of investment projects (12), followed by Central Bohemia (11). Investors intend to implement 6 projects in special industrial zones, where 622 new jobs should be created thanks to investments in the combined value of more than CZK4bn.

⁵⁵ Senate: the Senate of the Parliament of the CR, usually referred to as the Senate, is the upper chamber of the Parliament of the Czech Republic. The seat of the Senate is Wallenstein Palace in Prague.

⁵⁶ CCC: Czech Chamber of Commerce (also HK ČR in Czech), is an organisation which represents the business community in the Czech Republic and is an essential part of the Czech business environment. The chamber's competencies are defined by Act No. 301/1992 Coll., on the Czech Chamber of Commerce and the Czech Chamber of Agriculture. It is organised into two sections - region and industry-based chamber networks. The region-based network is broken down into district, area and Region chambers of commerce. The industry-based network is made up of business communities divided into four professional associations: Retail and tourism; Industry and transport; Business services and other; and Construction, technical crafts and technical equipment. It protects the interests of its members - small, mid-sized and large companies that are in the region-based chamber network and business communities. The Czech Chamber of Commerce has over 13,000 members organised in 65 regional and 83 industry subdivisions. Membership of the Czech Chamber of Commerce is voluntary.

⁵⁷ ČEB: Czech Export Bank, a specialised, directly and indirectly state-owned banking institution. Established in 1995, it forms one of the pillars of the government's pro-export policy system. Its mission is to support Czech exports and the renown of the Czech Republic as a well-established international exporter, and thus promote the overall competitiveness of Czech products throughout the world. ČEB focuses on financial services related to exports.

⁵⁸bn: billion

⁵⁹ SME: Small and medium enterprises

A large majority of investors are applying for support for their projects in the manufacturing industry, especially in the area of metalworking and metal-processing, as well vehicle manufacturing, rubber and plastics. 6 firms aim to use investment incentives to support the establishment or expansion of a shared-services centre, technology centre or software-development centre.

74 investment projects, some of which were submitted in previous years, received a decision that they will be able to obtain investment incentives in the CR in the future. These involve investment projects in the combined value of nearly CZK45bn, which should create 8,260 new jobs. The investors will be able to draw from the state investment incentives in the maximum amount of CZK10.75bn for these projects.

TAČR⁶⁰ INVESTS IN NANOMATERIALS SPRAYING – 2. 2.

The TAČR invested CZK23.6mn from the ALFA programme⁶¹ in the development of a plasma system making it possible to spray layers of nanomaterials to 3D objects at low temperatures. The project is co-developed by experts from SVCS PIN⁶² and scientists from the FZU⁶³ Institute of Physics of the CAS⁶⁴. According to TAČR, the company will offer the new technology on the market, or it will offer the spraying itself.

VACANT WAREHOUSES, PRODUCTION HALLS DOWN – 4. 2.

The area of vacant warehouses and production halls on the Czech market reached 286,900m² at end-2017, accounting for 4.1% of the total figure and displaying an annual drop of 0.6%. Prague's vacancy rate stayed at 3.5%.

The area of 286,900m² is an equivalent to about 6 Wenceslas Squares in Prague. The vacancy rate slightly increased from the end of Q₃ last year.

The total area of warehouses and production halls was 11% higher y-o-y at 6.98mn m².

The biggest deal in Q₄ was an Alza.cz lease on the P₃ Prague premises near D8 motorway.

The area for which new lease contracts were signed went down by an annual rate of 30% in Q₄, however, growing by 3% for the entire year.

A total of 685,400m² of new warehouses and production halls were completed last year, which was 24% more in annual

⁶⁰ **TAČR:** The Technology Agency of the Czech Republic is an organizational unit of the stat that was founded in 2009 by the Act No. 130/2002 Coll. on the support of research, experimental development and innovation.

⁶¹ **TACR's ALFA Program:** aims to support applied research and experimental development especially in the field of advanced technologies, materials and systems, energy resources and the protection and creation of the environment and the sustainable development of transport.

⁶² **SVCS PIN:** Czech SVCS Process Innovation, company established in 2000 and based in the Czech Republic, designs and manufactures batch horizontal furnaces for the semiconductor and photovoltaic industry.

⁶³ **FZU:** Institute of Physics of the Academy of Sciences of the CR, a public research institute, oriented on the fundamental and applied research in physics. The founder of the institute is the Czech Academy of Sciences. The present research programme of the Institute comprises five branches of physics: particle physics, the physics of condensed matter, solid state physics, optics and plasma physics.

⁶⁴ **CAS:** Czech Academy of Sciences, established by Act No. 283/1992 Coll. is set up as a complex of 54 public research institutions. The Academy employs over 8,000 employees more than a half of whom are researchers with university degrees. The primary mission of the CAS and its institutes is to conduct basic research in a broad spectrum of the natural, technical and social sciences and the humanities.

⁶⁵ **Budvar:** a Czech brewery, headquartered in České Budějovice, CR. Budweiser Budvar Brewery is a state-owned company in charge of Ministry of Agriculture, known for brewing a beer known as Budweiser Budvar, brewed in accordance with the 1516 Reinheitsgebot law, using water, barley and hops. The original Budweiser Bier was

terms, with more than a 1/3 of the total area finished in the Q₄ 2017.

Some 504,300m² were under construction at the end of 2017, more than 2/5 of the amount in Prague and its vicinity. About 70% of the area of new warehouses and production halls should be finished in Q₁ 2018.

NEW APARTMENTS PRICES UP – 5. 2.

The average offer price of new apartments in Prague in Q₄ 2017 grew 20% to CZK91,357/m². Over the last 2 years, the price increased by more than 40%. The apartments were on the average offered 7.5% above the final sales price. The average sales price totalled CZK85,223/m². Developers anticipated gradual transfer of production from vacant lots to brownfields and digitalisation of the sector, usage of drones, digital communication with clients, smart homes and/or virtual reality.

BUDVAR TO INVEST IN PRODUCTION – 5. 2.

Budvar⁶⁵ will invest CZK600mn into production and development. New investment will go towards a new logistics centre and a new production line for its bottled beer. The brewery was almost at full production capacity currently. Last year, the firm invested CZK700mn and by 2020 the sum will be CZK2bn.

CZECH EXPORTS REACH RECORD IN 2017 – 5. 2.

Exports by Czech companies reached a record CZK4.2tn last year, an increase of 5.7%, y-o-y, the CSO⁶⁶ confirmed. Exports to China rose by 1/5 while export to neighbouring Germany rose by 7.3%; Germany remains the CR's biggest export market; 32.8% of total exports from the CR last year were to the neighbouring country, accounting for CZK1.38bn.

The vast majority of exports from the CR are to EU countries: 83.7%.

SALES OF CARS GROW – 5. 2.

Sales of new passenger cars in the CR grew by 12% to 23,219 units in January, a record number for this month, and Škoda Auto⁶⁷ gained almost a 37% share, the CIA⁶⁸ said.

founded in 1871. A dispute has been ongoing since 1907 with American brewer Anheuser-Busch InBev over the name "Budweiser". In the United States, Canada, Mexico, Panama, Brazil and Peru, the Budvar beer is marketed as Czechvar. In other countries, it is sold as Budweiser Budvar. American Budweiser is labelled as Bud in all European Union markets, except for the United Kingdom, Ireland and Sweden, where both beers are sold as Budweiser. On 29 July 2010, Anheuser-Busch lost its last-instance appeal, which means that Anheuser-Busch may not register the name Budweiser as an EU-wide trademark for beer. Budweiser Budvar is one of the highest selling beers in the Czech Republic in 2014, it was exported into approximately 66 countries. It is the bestselling imported beer in Germany and the bestselling Czech beer in Austria and Great Britain.

⁶⁶ **CSO:** Czech Statistical Office, is the main organization which collects, analyses and disseminates statistical information for the benefit of the various parts of the local and national governments of the CR. It accomplishes this goal through the management of the Czech Statistical Service.

⁶⁷ **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.

⁶⁸ **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

Škoda Auto raised sales by 32% to 8,532 cars, followed by VW⁶⁹ with a drop by a ▲1/5 to 2,366 cars and Hyundai⁷⁰ with a 1% rise to 1,513 cars sold. Then came Ford, Dacia, Peugeot and Toyota.

Škoda Octavia with 2,655 sold units was the top-selling model, followed by Škoda Fabia, Škoda Rapid and Škoda Superb. Volkswagen Golf placed 5th.

Cars with petrol engine had nearly a 62% share and cars with diesel engine a 35% share.

Sales of LUV⁷¹ fell by 5% to 1,386 vehicles. Volkswagen came 1st with 252 units, followed by Peugeot and Fiat.

Sales of lorries stagnated at 836 units. The highest number of lorries was sold by DAF, Scania and Mercedes-Benz. Sales of buses increased by 98% to 95 vehicles.

Sales of motorcycles dropped by ▲12% to 557 units. Honda came 1st with 76 registered motorcycles, CF Moto placed 2nd and KTM was 3rd.



CZECH-GERMAN FOREIGN TRADE – 6. 2.

According to the ČNOPK⁷², international trade between the CR and Germany reached the record total of CZK2.35tn in 2017, up 6.3% y-o-y. Germany accounted for almost 30% of Czech foreign trade. The trading volumes are growing continually, with the exception of the crisis in 2008 and 2009.



ŠKODA AUTO PLANS EXPANSION OF ONLINE SALES – 6. 2.

Škoda Auto's e-shop enables purchase of vehicles on an operating lease.

Through the Škoda Online platform connected to the carmaker's real stock figures, Škoda customers can order a vehicle in a concrete configuration with a date of supply known in advance and can pay for it online.

In the future, the plan was to expand the online offer with vehicles the customers would be able to define themselves through a web-based configurator.



⁶⁹ VW: Volkswagen is a German car manufacturer headquartered in Wolfsburg, Lower Saxony, Germany. Established in 1937, Volkswagen is the top-selling and namesake marque of the Volkswagen Group, the holding company created in 1975 for the growing company, and is now the second-largest auto maker in the world

⁷⁰ Hyundai CZ: Hyundai Motor Manufacturing Czech based in the Industrial Zone of Nošovice was founded in 2006.

⁷¹ LUV: light utility vehicle

⁷² ČNOPK: Czech-German Chamber of Commerce and Industry



CNB (Česká národní banka)

CzechInvest

Czech Press Agency (Česká tisková kancelář)

Czech Statistical Office (Český statistický úřad)

European Commission

Government of the CR

Ministry of Finance of the Czech Republic

Radio Prague (Český rozhlas)

State Veterinary Administration



News outside the time span of this News summary



CIA News (Česká informační agentura)