

NEWS SUMMARY FEBRUARY 22 – FEBRUARY 28

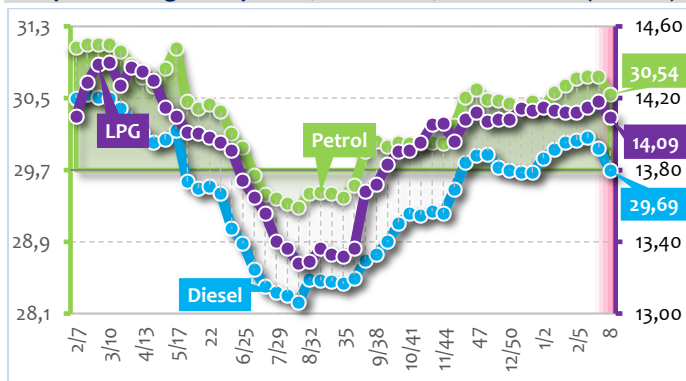
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ECONOMY & FINANCE

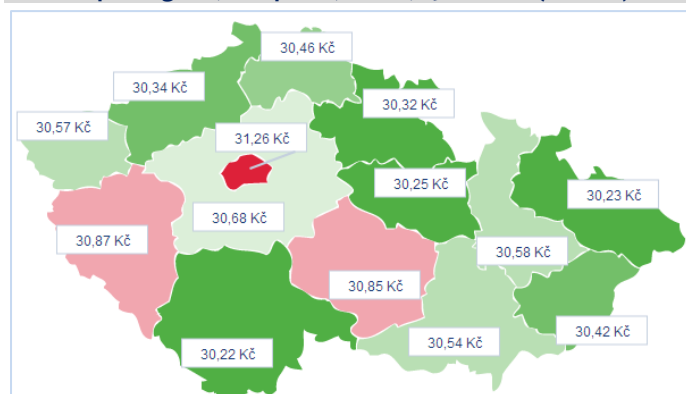
FUEL PRICES – 23.2.

Natural gas decreased by 20h¹ at CZK²30.54/l³ over the past week. Diesel oil decreased by 25h to CZK29.69/l.

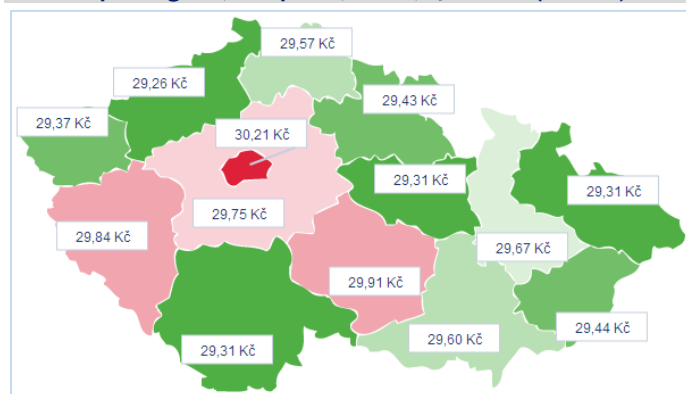
Graph 1: Average fuel prices⁴, 2017 – 2018, Month/Week (in CZK/l)



Map 1: Regions, fuel prices, Petrol, 23. 2. 2018⁵ (in CZK/l)



Map 2: Regions, fuel prices, Diesel, 23. 2. 2018 (in CZK/l)



CZECH FUEL QUALITY BEST IN HISTORY IN 2017 – 23.2.

Fuel quality at the CR's filling stations was the best in history in 2017 as the Czech Retail Inspection Office (COI) detected

¹ 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.

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

³ l: litre

poor-quality samples in a mere 1% of the 2,670 checked cases, down from 1.1% in 2016, COI said in a press release today.

The quality of diesel oil and Ethanol E85 improved, while petrol quality deteriorated moderately, COI said.

A total of 0.9% of diesel oil samples and 9.1% of Ethanol E85 samples failed the quality tests.

The share of poor-quality samples of petrol rose annually from 0.7% to 1.2% last year.

COI prohibited the sale of roughly 103,000 litres of fuel worth more than CZK3m, imposing 19 bans.

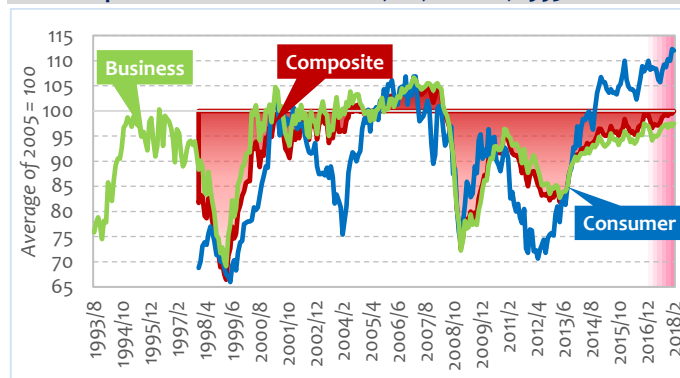
COI revealed more serious defects in fuel in 2017 which could have harmed the consumer and the environment, or led to tax evasion, COI spokesman Jiri Frohlich said.

BUSINESS CYCLE SURVEY – 26. 2.

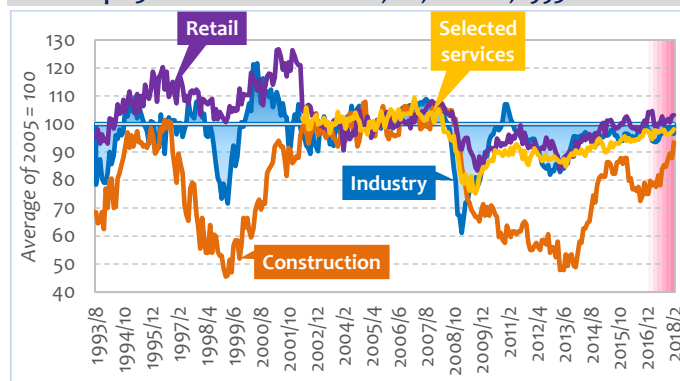
The composite confidence⁶ increased slightly by 0.4 p. p.⁷ to 99.9 m-o-m⁸. Confidence of entrepreneurs increased slightly by 0.6 p. p. indicator decreased slightly by 0.3 p. p. to 112.0, m-o-m.

Composite confidence indicator, entrepreneurs' confidence indicator and consumer confidence indicator are higher, compared to February 2017.

Graph 2: Confidence Indicators, SA, Overall, 1993 – 2018



Graph 3: Confidence Indicators, SA, Sectors, 1993 – 2018



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

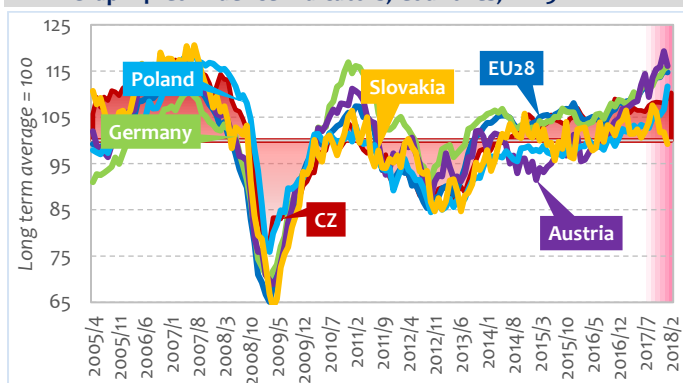
⁵ data issued by the mBenzin.cz

⁶ economic sentiment indicator, stated by basic indices

⁷ P.p.:%age point

⁸ M-o-m: month-on-month

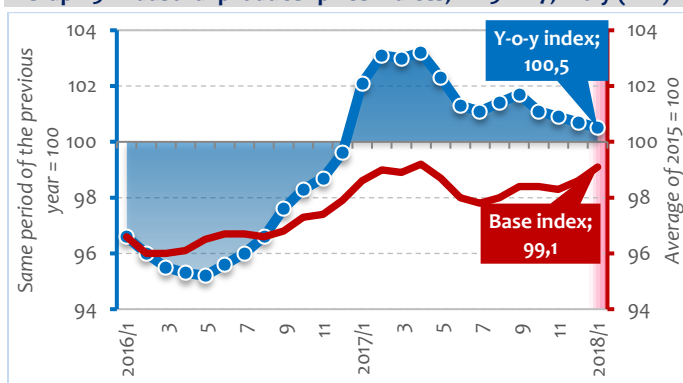
Graph 4: Confidence Indicators, Countries, 2005 – 2018



PRODUCER PRICE INDICES – 28. 2.

In January 2018 compared with the previous month, agricultural producer prices and industrial producer prices both went up by 0.5%. Construction work prices went up by 0.3%. Prices of market services went down by ▲1.1%. In comparison to January 2017, agricultural producer prices rose by 7.2% and industrial producer prices grew by 0.5%. Construction work prices and prices of market services were both higher by 2.2% and 1.1%, respectively.

Graph 5: Industrial producer price indices, 2015-2017, Y-o-y (in %)



M-o-m comparison:

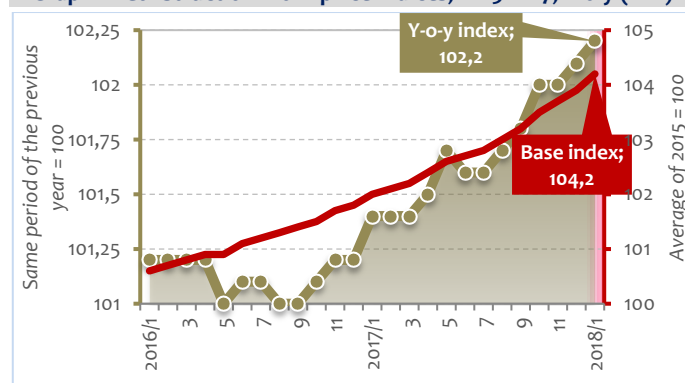
Prices of **industrial producers** went up by 0.5%. Prices rose in ‘mining and quarrying’ (+5.4%), ‘electricity, gas, steam and air conditioning’ (+1.6%) and ‘basic metals, fabricated metal products’ (+0.7%). Higher were also prices in ‘coke, refined petroleum products’. On the increase were prices in ‘water supply, sewerage, waste management and remediation services’ (+1.9%). On the decrease were prices in ‘transport equipment’ (▲1.2%) and ‘food products, beverages, tobacco’ (▲0.2%), thereof ‘dairy products’ (▲2.9%) and ‘preserved meat and meat products’ (▲0.4%).

Y-o-y comparison:

Prices of **industrial producers** were higher by 0.5% (+0.7% in December). Prices rose the most importantly in ‘basic metals, fabricated metal products’ (+5.0%), ‘mining and quarrying’ (+6.7%) and ‘electricity, gas, steam and air conditioning’ (+1.5%). Prices increased in ‘food products, beverages, tobacco’ (+0.9%), thereof ‘bakery and farinaceous products’ (+4.0%) and ‘dairy products’ (+1.8%). Higher were prices in ‘water supply, sewerage, waste management and remediation services’ (+1.9%). On the decrease were primarily prices in ‘transport equipment’ (▲4.5%), thereof ‘parts and accessories for motor vehicles’ (▲6.6%). Prices went down in

‘chemicals and chemical products’ (▲2.7%). Lower were prices also in ‘coke, refined petroleum products’. Among the main industrial groupings, prices of ‘energy’ (+1.7%) increased the most and prices of ‘capital goods’

Graph 6: Construction work price indices, 2015-2017, Y-o-y (in %)



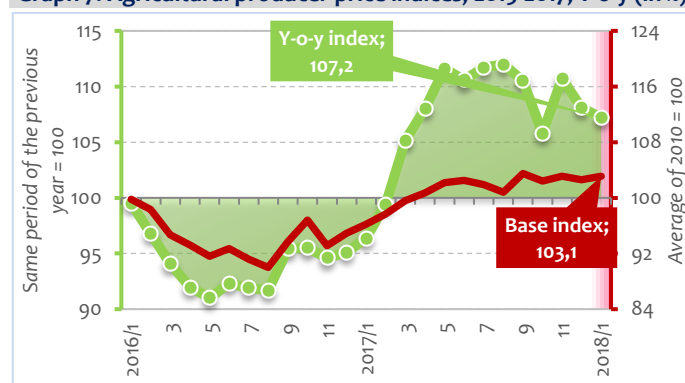
M-o-m comparison:

According to an estimate, **construction work** prices increased by 0.3% and construction material input prices rose by 0.7%.

Y-o-y comparison:

According to an estimate, **construction work** prices rose by 2.2% (+2.1% in December) and construction material input prices grew by 2.3% (+2.0% in December).

Graph 7: Agricultural producer price indices, 2015-2017, Y-o-y (in %)



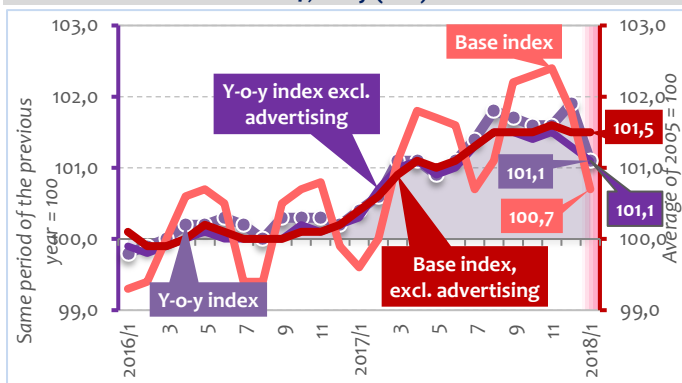
M-o-m comparison:

Agricultural producer prices grew by 0.5%. Prices of fresh vegetables (+14.5%), fruit (+8.1%), potatoes (+4.8%), cereals (+0.8%) and milk (+0.7%) went up. On the decrease were prices of eggs (▲15.0%), pigs for slaughter (▲5.1%), oil plants (▲1.2%) and cattle for slaughter (▲0.4%).

Y-o-y comparison:

Agricultural producer prices were higher by 7.2% (+8.1% in December). Prices of crop products grew by 4.6% due to increasing prices of fruit (+76.4%), fresh vegetables (+16.1%), cereals (+8.1%) and potatoes (+3.0%). Lower were prices of oil plants by 2.8%. Prices of animal products went up by 10.0%. Higher were prices of eggs (+33.2%), milk (+22.8%) and cattle for slaughter (+3.0%). Prices of pigs for slaughter (▲11.0%) and poultry (▲4.1%) went down.

Graph 8: Market services price indices in business sphere, 2015-2017, Y-o-y (in %)



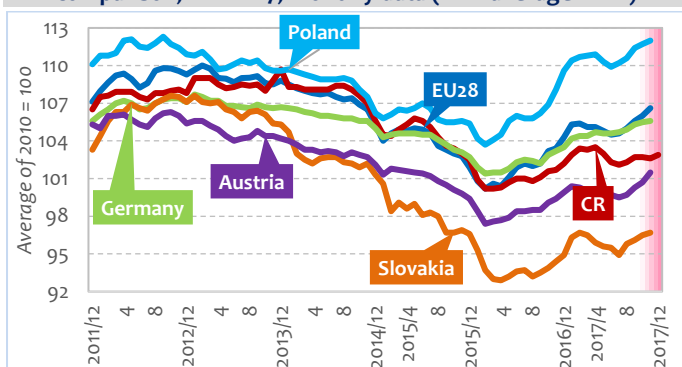
M-o-m comparison:

Market services prices in the business sphere decreased by 1.1% due to the price decreasing of ‘advertising and market research services’ (▲15.4%), ‘warehousing and support services for transportation’ (▲3.3%) and ‘employment services’ (▲3.0%). On the increase were prices of ‘architectural and engineering services’ (+1.0%) and ‘computer programming, consultancy and related services’ (+0.7%). Market services prices excluding advertising services stayed unchanged.

Y-o-y comparison:

Prices of market services in the business sphere were higher by 1.1% (+1.9% in December). Increasing were prices in ‘publishing services’ (+4.1%), ‘architectural and engineering services’ (+3.4%) and ‘computer programming, consultancy and related services’ (+2.0%). Lower were prices of ‘advertising and market research services’ (▲1.3%) and ‘warehousing and support services for transportation’ (▲1.6%). Market services prices excluding advertising services increased by 1.1% (+1.3% in December).

Graph 9: Industrial producer price indices, International comparison, 2011-2017, monthly data (2010 average = 100)



According to the Eurostat, industrial producer prices increased in December by 0.1% (+0.7% in November) in EU28, m-o-m. The highest increase in prices was observed in Sweden (+1.2%). Prices were higher in Slovakia (+0.6%), Germany and the CR (+0.3% both). Lower were prices in Poland (▲0.2%) and Austria (▲0.1%). The largest decrease was recorded in Denmark (▲1.0%).

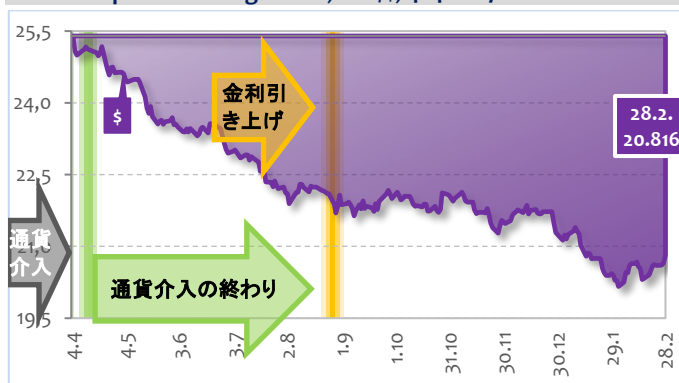
Industrial producer prices were higher in December by 2.4% (+3.2% in November) in EU28, y-o-y. Industrial producer prices rose in all Member States, the most in Belgium (+5.3%). Prices were higher in Slovakia (+2.5%), Germany (+2.3%), Poland (+2.0%), Austria (+1.5%) and the CR (+0.7%).

CZK VS EURO, US DOLLAR, YEN – 28. 2.

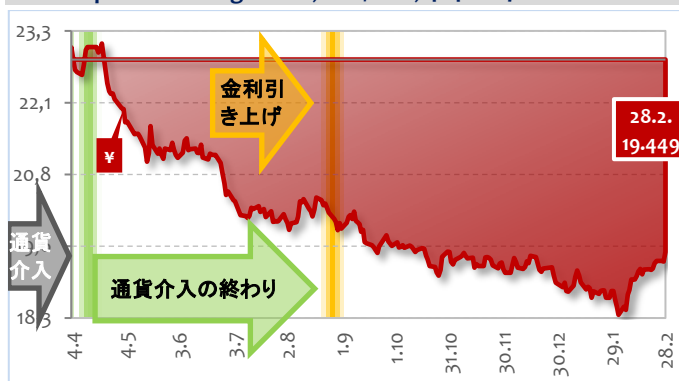
Graph 10: Exchange rates, CZK/€, 4. 4. 2017 – 28. 2. 2018



Graph 11: Exchange rates, CZK/\$, 4. 4. 2017 – 21. 2. 2018



Graph 12: Exchange rates, CZK/100¥, 4. 4. 2017 – 21. 2. 2018



NEARLY 3,500 CZECH FIRMS SOLD TO FOREIGNERS IN 2017 – 27.2.

Foreign entrepreneurs acquired about 3,500 Czech companies last year, with nearly a quarter of companies going to Slovaks and 16% bought by Ukrainians, according to data published by consulting company Bisnode today.

8% of companies went to Polish entrepreneurs, 7% to Romanians and 6% to Russians.

These countries are close to the CR geographically and also share historical economic ties with it, said Bisnode analyst Petra Stepanova.

More than a half of businesses sold to foreigners in 2017 existed for no more than three years. They were mostly the so-called ready-made companies, that is firms performing no business activities and being set up with the aim of their subsequent sale. This is the fastest and easiest way of starting a business within 24 hours, said Stepanova.

"It is proved by the fact that 70% of Czech companies sold to a foreign owner were registered in Prague," she added.

Number and share of Czech companies sold to foreigners in 2017

	Number	Share (%)
Slovakia	787	22.62
Ukraine	566	16.27
Poland	263	7.56
Romania	231	6.64
Russia	218	6.27
Great Britain	178	5.12
Hungary	116	3.33
Bulgaria	98	2.82
Italy	95	2.73
USA	73	2.10
Total	3,479	100

CZECH HOUSEHOLD DEBT GROWS TO CZK1,541BN IN JAN – 28.2.

Czech household debt to banks rose monthly by CZK5.7bn to CZK1,541bn in January, adding CZK111.1bn in annual comparison, according to data published by the Czech National Bank (CNB) today.

Debt of companies dropped compared with December but was higher year on year.

Non-financial companies owed banks roughly CZK1,034bn at the end of January, which is about CZK2.2bn less month on month and CZK32.9bn more year on year.

Household debt has been growing since February 2016. Housing loans form three quarters of the overall loan volume. Mth/mth, the volume of these loans increased by 0.5% to CZK1,154bn.

Consumer loans amounted to CZK230bn at the end of January, stagnating against the previous month.

The central bank makes the statistics public every month. They are based on balances of monetary financial institutions, including the central bank, commercial banks, branches of foreign banks, money-market funds and credit unions.

LABOUR & HEALTH & SOCIAL

CTK CZECH PENSIONS PAID IN 2017 GREW TO CZK404BN – 22.2.

The Czech Social Security Administration (CSSZ) disbursed pensions totalling 404bn crowns in 2017, which was about tenbn crowns more y-o-y, CSSZ spokeswoman Jana Buranova told CTK today.

The average pension increased by 390 crowns to 11,850 crowns.

There were 2,895,963 pensioners in total at the end of 2017, of whom 424,242 were receiving the disability pension and 67,788 people were only receiving the survivor's pension (such as widow's and widower's pension) in the CR with a population of 10.5mn.

Further 612,338 survivor's pensions were disbursed along with the direct old age or disability pensions.

Pensions were paid to 93,236 Czechs living abroad.

For men, the average old age pension was 13,076 crowns, for women it was 10,758 crowns.

The highest pensions are paid to people in Prague, on average 12,646 crowns.

The average pension in the Olomouc Region is 11,496 crowns, which is the lowest pension in the country.

Disability pensions from the third degree disability equaled to 10,655 crowns on average and they were 6,922 crowns and 5,998 crowns for the second and first disability degree, respectively.

The widow's pension paid independently was 7,677 crowns on average, the widower's pension was 6,815 and the orphan's pension was 6,078 crowns.

The overall income from social and pension insurance payments was 405.3bn crowns from January to December 2017, Buranova added.

CIA ŠKODA AUTO TRADE UNIONS HAVE REJECTED 15% GROWTH OF WAGES IN 27 MONTHS – 22.2. (EXCERPT)

The Employee's Council initiated the preparation of a temporarily unlimited strike on February 14, 2018.

CIA FINANCE MINISTER SCHILLEROVÁ WILL SUBMIT AMENDMENT OF TAX ACT IN MARCH – 23.2.

According to the legislative plan of the government led by Andrej Babiš (ANO), Czech Minister of Finance Alena Schillerová (representing ANO) will submit the draft law amending some laws in the segment of taxes beginning 2019 in March 2018. She will also submit a draft amending the law on activities of institutions in the field of the pension insurance for employees.

CTK AVERAGE WAGE IN CZECH CAR INDUSTRY GROWS TO CZK37,399 IN 2017 – 26.2.

The average wage in the Czech automotive industry increased by 7% to CZK37,399 last year, while the number of employees in the sector rose by 6% to 126,375 people, the Automotive Industry Association (AutoSAP) said today.

The average wage in the car industry, which is about CZK8,000 above the national wage average, was reached in all categories of producers, AutoSAP spokesman Miroslav Konvalina said.

The highest wages are recorded by final producers.

An increase in staff numbers has been registered by both final producers and suppliers.

"We view positively the fact that wages are growing equally in all categories of producers and that the regular wage growth and the wage level above the national average are in harmony with labour productivity in the car industry. The growth of labour productivity and the value added in companies is achieved thanks to the annual increase in staff numbers in research and development and growing investments in research and development," AutoSAP executive head Zdenek Petzl said.

The passenger car output in the CR rose by 5% to a record amount of 1.414mn units last year. It was influenced by high demand both at home and in Europe. While exports increased by 5%, domestic sales rose by almost 7%.

CIA AUTOSAP COMPANIES EMPLOYED 126,375 PEOPLE – 27.2.

The number of employees at companies associated in the Automotive Industry Association (AutoSAP) in 2017 increased 5.8% on the year to 126,375. Their average monthly wage was CZK 37,399, up by 7.1%. Executive director Zdeněk Petzl said

that higher labour productivity and added value in companies was a result of the rising number of employees in research and development and growing expenses on research and development.

AGRICULTURE & ENVIRONMENT

CTK NO. OF AGRICULTURE INCOMING MISSIONS IN CR RISES TO 25 IN 2017 – 23.2.

The number of agriculture incoming missions, where foreign state delegations visit domestic companies and exhibitions with the help of the Czech state, increased annually from five to 25 in 2017, the Agriculture Ministry press department told CTK today.

This year, the CR will try to maintain the number of events, according to the ministry's press department.

The state aid depends on the mission, ranging between CZK60,000 to more than CZK500,000.

Incoming mission costs include planned accommodation and food costs and delegation transport around the CR, the ministry told CTK.

The ministry organises missions based on the foreign and domestic demand.

Last year, agriculture incoming missions included Chile representatives discussing beer and small brewery exports, Mongolia came focusing on agriculture, forestry and environment technology, and representatives of Afghanistan participated in the Animal Tech international trade fair.

One of the largest missions concerned the approval of Czech meat exports to China. The CR also welcomed representatives from the USA, Canada and Cuba.

This year, the CR expects visits from Russia involving brewing, Ghana, Nigeria, Colombia and Ethiopia.

The state promotes foreign trade via agricultural diplomats posted in the USA, Lebanon, Russia, China, Serbia and Saudi Arabia. Tenders for diplomats in Iran and Mexico, where the diplomat would also have accreditation for Cuba, are under way, and a position in Japan is to be filled.

Two positions have been created in Kazakhstan and Ukraine and filled with local residents.

In 2017, agriculture foreign trade ran a CZK30.8bn deficit, which is the worst outcome since 2011 and CZK7.7bn more year on year, the Agricultural Association has said referring to the Czech Statistical Office (CSU) data.

Czech imports of agricultural products rose by roughly CZK2.8bn to CZK227.5bn, while exports dropped by CZK4.9bn.

CTK DUAL QUALITY FOOD CONCERNS FOREIGN PRODUCERS – 27.2.

Czech Food Chamber president Miroslav Toman is pleased that the European Union has started dealing with the dual quality food products issue which, according to him, concerns exclusively foreign producers, he said at today's Food Forum in Brno.

There is no evidence of a Czech producer making different products for the German or Romanian markets, Toman said. Toman sees the solution to the problem in introducing a new unfair business practice to European regulation.

The pressure of consumers and the public will result in retail chains ceasing to sell dual quality food products in different countries, Toman said.

Dealing with the dual food quality issue is a priority, according to Czech Agriculture Minister Jiri Milek.

In April, EU commissioner Vera Jourova will propose to the European Commission that dual quality of food in similar packaging be put on the list of unfair business practices, and she will introduce a new method of inspections in the EU.

Representatives of 15 member states have been working on the method.

Once the method is created, EU members should start conducting more intensive checks. The Czech Agriculture Ministry has set aside CZK1m for this purpose this year, minister Milek said.

The latest food quality check run by the CR showed that seven out of 21 tested products sold in the CR, Germany, Austria, Slovakia and Hungary in similar packaging were the same. Three of the products, including baby formula, feedstuff and private label products, showed slight differences, and the contents of 11 items were different.

The Agriculture Ministry focuses on educating consumers to demand Czech food products, Milek said.

CIA EGAP INSURED AGRICULTURAL EXPORT OUTSIDE EU WORTH OVER CZK 1BN – 28.2.

The Export Guarantee and Insurance Corporation (EGAP) insured Czech food and agricultural producers outside EU countries worth over CZK 1bn. The biggest portion of agricultural export headed to Cuba, with EGAP supporting exports of wheat, hops, malt, dried milk and whey. EGAP has also insured agricultural export to Russia, Byelorussia, Kazakhstan and Ukraine. The company has entered into 57 new insurance contracts for the export of foodstuffs, nutrition supplements and agricultural food technology. The insurance was mostly provided to small and medium enterprises.

INDUSTRY & TRANSPORT & ENERGY

CIA AGC AUTOMOTIVE CZECH MANUFACTURES GLASS FOR DOORS IN VOLVO XC40 – 22.2.

AGC Automotive Czech supplies glass for front and rear door for SUV Volvo XC40. The Chudeřice-based company will likely deliver glass for 94,000 cars a year. According to general manager Luděk Steklý, the series production used a new technology for the first time.

CIA AUTOSAP: PRODUCTION OF CARS AND LUV DECREASES TO 130,258 – 22.2.

The number of cars and light utility vehicles manufactured in the CR in January 2018 decreased 0.08% y/y to 130,258.

Domestic sales increased 10.22% to 9,742 vehicles. Exports decreased 0.77% to 120,820 units.

The highest share of the total production was recorded for ŠKODA AUTO, whose production increased 5.24% to 80,546 units.

It was followed by HMMC (-7.69% to 30,000 units) and TPCA Czech (-7.57% to 19,694 cars).

CIA IVECO CR HAS INCREASED PRODUCTION TO 4,104 BUSES – 22.2.

Iveco CR posted a new production record of 4,104 vehicles for the year 2017. This represents a y-o-y increase by 5.6 %.

This is due to higher demand for the municipal Crossway line produced in Vysoké Mýto. More than 92 % of vehicles have been sold abroad, with France taking the first place, followed by Germany, Kazakhstan and Italy. Local buyers of IVECO BUS busses include for example Arriva and BusLine. The largest clients in Slovakia were SAD Zvolen, SAD Žilina, SAD Trenčín, SAD Dunajská Streda, SAD Lučenec and Arriva.

CTK KIWI.COM MORE THAN DOUBLES TURNOVER TO EUR700M IN 2017 – 22.2.

Kiwi.com, a Brno-based flight ticket seller, more than doubled turnover to EUR700m (CZK17.7bn) last year, the highest growth since its setup, the company's founder and executive Oliver Dlouhy said in an interview for CTK.

He did not disclose the size of last year's profit but said that the profit increased against 2016's CZK90m.

Despite the huge growth pace, Kiwi.com ranks among smaller global players. "We have calculated that out of the 1,000 flight tickets sold in the whole world, people will buy 1.4 from our company," Dlouhy said.

The biggest air ticket sellers are from North America and China but the company ranks among the top five in Europe. The firm's search system offers air tickets at a lower price or the same price as rivals roughly in 60% of the cases. "We want to reach 90 to 95%," Dlouhy said.

"We now already have basically all airlines in the world in our portfolio," he added.

Kiwi.com wants to grow globally, it will not focus on concrete markets with the exception of China which it penetrated more last year.

"This market is complicated, the rest of the world is practically uniform. Airlines in China have own distribution system, we use partners on this market. We will probably have to set up a subsidiary there," said Dlouhy. He wants to raise the market share in China.

Kiwi.com has almost 1,000 employees in Brno and several hundred people work for it in nine places in the world. Kiwi.com also plans to open a client centre in Bogota, Colombia.

Besides air tickets, Kiwi.com also offers combination of travel with four large European railway transport companies.

"In the coming weeks, we will extend our offer with 150 railway and bus transport companies. In the first stage, the connection will be only with cities which have an airport," Dlouhy said.

The company's search engine will soon offer also accommodation in hotels thanks to cooperation with other companies which already have similar packages but without the unique combination of flights.

Kiwi.com also considers own air transport on some routes. Thanks to a system able to forecast interest in air tickets, the company has already found four routes where a flight could be full every day.

"We plan overseas flights from Barcelona to America and Asia. We would first lease the planes and later we could have own planes," Dlouhy forecast.

Speculations appeared last year that investors were interested in the company but Dlouhy does not intend to sell his stake.

CTK WEDOS TO BUILD CZK1BN DATA CENTRE IN SOUTHERN BOHEMIA-SERVER – 25.2.

Wedos, number one webhosting company on the Czech market, plans to build a data centre for more than CZK1bn in Hluboka nad Vltavou, and the centre's construction has already begun, server E15.cz said today.

Wedos is operating a centre with 1,500 servers in this south Bohemian town, and the new centre will have some 10,000 servers.

About CZK1.2bn will be invested in the servers, said Wedos owner Josef Grill. They will be bought depending on the growth of the company.

Wedos will be seeking Tier 4 certification for its centre. Tier 4 data centre is considered as most robust and less prone to failures.

No data centre has received such certification in the CR so far, the server said.

Wedos's servers store data of about 15% of domestic websites, E15.cz wrote. The company employs 37 people.

CIA LEO EXPRESS ORDERED THREE TRAINS FROM CHINESE CRRSC – 26.2.

Railroad company LEO Express has ordered three trains from China Railway Rolling Stock Corporation (CRRSC). The trains are to be delivered by the end of 2018, the spokesperson for the Czech carrier, Kateřina Veitová, has confirmed to ČIANEWS. LEO Express plans to use the trains from the 2019/2020 timetable.

CIA ČEPS OPENS 3RD AND 4TH ROUND OF ELECTRICITY PROVIDER TENDER – 26.2.

Grid operator ČEPS opened in October 2017 the tender for the provider of electricity for covering losses in the grid in 2018 and 2019. The third and fourth rounds auction rounds will be held on March 6, 2018. The auction will cover separate electricity deliveries in 2019. The tender's registration pre-round will be held on March 1-5, 2018.

CIA DPP: 165 OF 550 TICKET VENDING MACHINES ACCEPT CARDS – 26.2.

Prague Public Transport Company (DPP) will continue to exchange existing ticket vending machines in metro stations that accept only coins for new machines that will accept also payment cards. The Prague Integrated Transport (PID) system currently includes 165 machines that support cards out of the total of 550. The spokesperson for DPP, Aneta Řehková, has told ČIANEWS that revenues from the vending machines totalled CZK 566m, excl. VAT.

CIA LOT WILL INCREASE NUMBER OF FLIGHTS FROM PRAGUE TO WARSAW – 26.2.

Polish airline LOT will as of the 2018 summer flight schedule increase the frequency of flights between Prague and Warsaw by six flights per week. As of May 3 passengers will thus be able to choose from as many as five flights per day. This was reported by Airport Prague.

**CTK TRAVEL SERVICE BUYS STAKES OF KOREAN AIR, PRISKO IN
CSA – 27.2.**

Travel Service bought 64% of shares of CSA from Korean Air and state-run Prisko company today, it will become 97.74% owner of the national air carrier, Travel Service spokeswoman Vladimira Dufkova told CTK without disclosing the price.

Travel Service has held 34% of CSA's shares thus far.

"The condition of the sale from the side of Prisko was that it will get for its minority stake the same price per one share as Korean Air Lines," Dufkova said.

The transaction has recently been approved by UOHS antimonopoly office. An air carrier running a fleet of up to 80 aircraft will thus emerge.

Prisko acquired a 20% share in CSA from Cesky Aeroholding in October 2016. The price of the deal was not disclosed. Korean Air paid CZK68m for 44% of CSA four years ago, however, it bought into a loss-making company at that time.

In 2015, CSA returned to profit, and 2016's after-tax profit rose by an annual rate of 8% to CZK241m. For last year, CSA should be in the black for the third time a row.

CSA transported 2.9mn passengers last year, 7% more than in 2016. The average occupancy of its planes increased by 6 percentage points to 81%. CSA operates 18 planes.

Travel Service has been active on the market since 1997. It is a leader of charter flight markets in the CR, Slovakia, Hungary and Poland.

Along with its units, Travel Service made a consolidated net profit of CZK344m by international accounting standards IFRS in 2016, and its consolidated sales totalled CZK17.1bn.

Travel Service is part of Unimex Group that is owned by entrepreneurs Jiri Simane and Jaromir Smejkal. Nearly a half of the firm is in the hands of Chinese investment company CEFC.

**RIA SOUTH MORAVIA APPROVES ROAD CONSTRUCTION
PROGRAMME WORTH CZK 1.5BN – 27.2.**

Councillors of the South Moravian Region have approved the programme of construction, renovation and repairs of 2nd and 3rd class roads administered by the region. The planned projects are worth more than CZK 1.5bn. Builders will work on 19 projects which will be co-financed from the calls of the Integrated Regional Operational Programme (IROP). They must be completed in October 2018.

**CTK AREA OF NEW INDUSTRIAL HALLS IN CR GROWS BY THIRD IN
2017 – 27.2.**

The area of new production facilities and warehouses in the CR rose by a third year on year to 662,000 square metres last year, real estate consulting firm Cushman & Wakefield said at a meeting with journalists today.

Over the past 20 years, the figure was only higher in 2007.

In the Central European region, the area of new industrial halls increased by almost one fifth.

"Even though the rate of construction in the Central European region is approaching its maximum, we do not fear any fundamental turn. The record-high values are approaching or even exceeding the pre-crisis years," Cushman & Wakefield partner Ferdinand Hlobil said.

The area of new industrial premises in the region grew by 68% to 3.7mn square metres, with Poland accounting for nearly two thirds of the figure. Second came the CR, followed by Romania, Slovakia and Hungary.

Over the past ten years, the total area of new production halls and warehouses increased the most in the Plzen region, western Bohemia, (nearly 30 times), followed by northwestern Bohemia.

"These localities benefit from the proximity of Germany, Hlobil said.

Almost 30% of new industrial premises and warehouses were completed last year by developer CTP, followed by VGP (24%), Panattoni (18%), P3 (10%) and Prologis (9%).

The share of vacant industrial buildings in the CR dropped by 0.6 points year on year to 4.1% at the end of 2017. In the Central European region, the share fell by 1.2 points to 4.9%.

"Offer is meeting demand. In this respect, the current market, despite being seemingly overheated, is healthier than in the pre-crisis years," Hlobil said.

Developers leased 1.3mn square metres of area in the CR last year, about 5% less on the year. Production facilities accounted for 43%.

In terms of individual sectors, one third of the industrial premises were occupied logistic operators. These were followed by companies engaged in the car industry and retail.

Area of new production facilities and warehouses in CR (m²)

Year	Area
1998	44,200
1999	113,400
2000	61,400
2001	79,000
2002	39,000
2003	126,600
2004	159,500
2005	253,700
2006	561,500
2007	918,000
2008	637,900
2009	440,700
2010	194,700
2011	332,000
2012	107,900
2013	302,300
2014	281,800
2015	546,700
2016	497,000
2017	662,000

**CTK TRANSPORT INFRASTRUCTURE WILL NEED CZK86BN
ANNUALLY – 27.2.**

The State Transport Infrastructure Fund will need at least CZK86bn annually for the maintenance and development of transport infrastructure starting from this year, according to the updated Transport Sector Strategies approved by the government today, the government press department said. This amount of funds corresponds to 1.8-2% of GDP.

Transport Sector Strategies define the principles of effective operation of the existing transport infrastructure and the principles of defining priorities of planned development projects within a specific financial framework.

The documents present the Transport Ministry's basic strategy formulating the priorities and goals in transport and transport infrastructure development in a medium-term horizon until 2020 and, in a framework form, in a long-term horizon until 2050.

By 2050, all sections of the European network TEN-T are expected to be built. The main road, railway and waterway network is to be completed by 2030.

The approved material is an updating of a document of 2013. According to the Chamber of Commerce, it shows a progress in comparison with the previous version.

"We can welcome mainly the breakthrough positive evaluation of the influence of commercial railway carriers on satisfying the needs of passengers," the Chamber's transport section head Emanuel Sip said.

Sip appreciated mainly the new parts of the document dealing with freight transport and the programme of development of fast railway connections as well as the emphasis on clean mobility and the use of alternative fuels in road transport.

However, the strong dependance of the document on the original version of 2013 presents a fundamental problem, Sip said.

The next version in 2022 should focus much more on connections between individual transport projects and not view them as individual isolated projects, he said.

The document should also deal to a much greater extent with the issue of interconnecting high-speed railway transport with air, suburban and municipal transport, Sip said.

FOXCONN IS INTRODUCING AI IN PRODUCTION PROCESSES IN CR – 28.2.

The Czech branch of Foxconn has begun introducing artificial intelligence (AI) in all production processes. In the plant in Pardubice, they focus on the Industrial Internet of Things (IIoT), AI, automation of production and advanced corporate software in the development of solutions for smart factories. The subsidiary Foxconn 4Tech, which focuses on the development of AI, is planning on doubling the number of team members in the year 2018 and recruiting several dozen experts. At the beginning of February 2018, the founder Foxconn Terry Gou announced that in the next five years, the company intends to invest USD 342m globally in AI.

ENERGY

CEZ TO INVEST CZK900M IN TEMELIN'S MODERNISATION THIS YEAR – 23.2.

CEZ energy group will invest CZK900m in the modernisation of nuclear power plant Temelin this year and will take on 80 employees, Temelin director Jan Kruml told journalists today. Temelin's operator will carry out 60 investment projects aimed at improving the safety standards and raising the plant's output. Nearly CZK1bn will be invested in maintenance this year. CEZ has made CZK18bn worth of investments in Temelin since the launch of its operation in December 2000, Kruml said.

The shutdown of unit 2 will begin at Temelin on June 29 and will last for two months. It will entail fuel replacement, revision and regular maintenance of the equipment, plus a turbogenerator check, Kruml said.

The unit 1 outage will end in the first quarter of March, Kruml said. Unit 1 was disconnected from the power grid in December last year.

A few days ago the volume compensator was modernised, that is the equipment that is regulating pressure in the reactor. Replacement of cooling water pipes and modernisation of pumps are some of the projects that will be implemented this year.

"The unit output will be raised modestly," Kruml said.

Temelin will strengthen the technological barriers because of the new atomic act as well as the physical protection system, with the changes to be completed by the end of 2019, Kruml said.

Temelin is making preparations for the renewal of an operating licence. The State Office for Nuclear Safety (SUJB) granted CEZ the permission to run the first and second units at Temelin until the middle of October 2020 and until May 2022, respectively.

In an application for the licence's renewal, which must be filed until April 2020, CEZ will have to provide information on Temelin's condition, its existing safety systems, a plan for their further improvement and investment projects to be carried out in the next ten years, said Bohdan Zronek, member of CEZ's board of directors and head of the nuclear energy division.

The new licence will be granted indefinitely, he added.

Temelin, which currently employs 1,197 employees, is the largest electricity producer in the CR, covering a fifth of its consumption.

Last year, the power plant generated 16.48 terawatt hours (TWh) of electrical power, which was the record annual figure. Temelin's power would be enough for the Czech households' 13-month consumption and households in the south of Bohemia would consume it over a period of 13.5 years.

CEZ SIGNS CONTRACT ON SALE OF BULGARIAN ASSETS – 23.2.

CEZ energy group signed a contract on sale of its Bulgarian assets with Inercom company today, the transaction still needs approval of the Bulgarian antimonopoly office, CEZ spokeswoman Alice Horakova said.

The price has not been disclosed. CEZ earlier said that Inercom's offer is significantly above the market value of the sold assets set in an independent appraisal.

Bulgarian economic weekly Capital wrote, referring to its sources, that the price is some EUR320m (CZK8.1bn). Of the amount, Inercom will reportedly borrow EUR180m from two unspecified companies.

According to E15.cz server, Inercom raises questions among local media.

In connection with the sale, Bulgarian Energy Minister Temenuzhka Petkova resigned today. She did it after news in the media that she is connected to the small and not too well known company Inercom.

Bulgarian Prime Minister Boyko Borisov told journalists in Brussels today that he would accept Petkova's resignation

but rejected any potential wrongdoing. He said that when he talked with Petkova, she said that she knew Inercom. The government did not influence the contract in any way, he declared.

According to Capital weekly, Borisov also said that he had talked about the situation with Czech Prime Minister Andrej Babis this morning. However, Babis denied this at a meeting with Czech journalists in Brussels this evening.

CEZ entered the Bulgarian market at the end of 2004. Its distribution and trading company provides services to some 3mn clients in Bulgaria, in particular in the western part of the country.

The package of the sold assets comprises seven companies, namely CEZ Bulgaria, CEZ Elektro Bulgaria, CEZ Razpredelenie, CEZ Trade Bulgaria, CEZ ICT Bulgaria, Free Energy Project Oresec and Bara Group.

CEZ said on Thursday that the resulting price is higher than the value of CEZ's initial investment in euros. CEZ bought two thirds in three Bulgarian distribution companies for EUR281.5m (CZK7.12bn with the crown's current rate) in 2004. Domestic media earlier speculated that CEZ might gain CZK8bn to CZK9bn in the deal.

CEZ planned to leave Bulgaria due to long-lasting disputes with local authorities and because it wants to focus on the CR and Central Europe and renewable energy sources, for example in Germany and France, where it sees more opportunities.

CEZ started international arbitration against the Bulgarian government in 2016.

CEZ SHOULD EXPLAIN SALE OF ASSETS IN BULGARIA (EXCERPT) – 27.2.

The management of CEZ energy company should explain the sale of its Bulgarian assets to Inercom company to the supervisory board, Prime Minister Andrej Babis told Lidove noviny (LN) daily.

Since the very beginning, he has criticised CEZ managers for their business activities in the Balkans, he considers their transactions disadvantageous, non-transparent and strange, Babis said.

Bulgarian Energy Minister Temenuzhka Petkova has resigned due to the transaction. She faces the suspicion of being linked to the owners of the small and practically unknown Inercom company.

The Bulgarian government officially denied that it had intervened in the deal. Bulgarian Prime Minister Boyko Borisov on the weekend ordered to the relevant authorities to check the sale.

"I am shocked about what is happening in Bulgaria. Moreover, Prime Minister Boyko Borisov said that the case is being investigated by several authorities. I do not understand the current situation at all. CEZ CEO [Daniel Benes] should explain to the supervisory board what is happening," Babis told LN.

Benes has assured him since the start that this is a transparent process with a clear and well-known partner. However, the development of the situation makes a negative impression, Babis said.

CEZ is not 100-percent owned by the state, Babis stressed, adding that he thus has little space to solve the situation.

"You know well that in the past I tried to prevent the sale of CEZ's flats in Prague-Pisnice and the problems of their tenants," Babis recalled.

"However, CEZ did not respect us, the company is more or less doing what it wants. CEZ is a state within a state," he declared.

TEMELIN GENERATES MORE POWER THANKS TO FROSTS – 27.2.

Unit 2 of nuclear power plant Temelin produced 130,934 megawatt hours (MWh) of electricity in the past five (frosty) days, about 2,000 MWh more than unit 1 generated during five days early in July last year, Temelin spokesman Marek Svitak told CTK today.

The difference is an equivalent of the annual consumption of about 600 Czech households, Svitak said.

Low winter temperatures make water cooling in cooling towers faster "thanks to which the turbogenerator may raise its output," Svitak said.

The nuclear reactor is located in a containment building, with stable conditions all year round, which protects it against external temperatures.

Electricity consumption in winter is a third higher than in summer, said Ladislav Kriz, media section manager of CEZ energy group.

Power generation, too, rises in winter months, compared to summer, however, it does not mean any power surpluses, he added.

Different temperatures in summer and winter affect Temelin's output by just a few%. These minimum changes are significant for the power grid stability, said Kriz.

Meteorologists measured the lowest temperature in southern Bohemia - minus 20.6 degrees Celsius - on the Sumava mountains' summit Plechy (Ploekenstein, 1,378m) this morning.

Temelin, the largest Czech electricity producer, covers a fifth of the country's consumption. CEZ, Temelin's operator, put the plant into operation in December 2000. Last year, it generated 16.48 terawatt hours (TWh) of electrical power, which was the record annual figure. Temelin's power would be enough to cover the Czech households' consumption for 13 months, with the households in the south of Bohemia consuming it over a period of 13.5 years.

ELECTRICITY CONSUMPTION IN THE CR EXCEEDED THE **RECORD TODAY, THE GRID WAS LOADED DUE TO THE FROST –** 28.2.

The Czech Electricity Grid exceeded a record load this morning due to frost. The spokesperson of ČEPS transmission system operator Hana Klímová said. The average hourly load of the system was 11,968 MW between 09:00 and 10:00 am, which surpassed the Tuesday's record of 11,946 MW. Instant values, according to Klima, exceeded 12,000 MW at some time of today's morning. This was the highest instantaneous electricity consumption since 1990, when comparable data are available.

TRADE & INVESTMENTS

CTR CR RANKS 7TH AMONG EXPORTERS TO GERMANY IN 2017 – 22.2.

The CR ranked 7th in the chart of exporters to Germany last year, Czech trade with Germany grew by 9.4% to a record EUR87.9bn (CZK2,220bn), show preliminary data of the Federal Statistical Office, the Czech-German Chamber of Commerce and Industry said today.

The CR thus got ahead of Switzerland.

The CR's importance grows in the context of German foreign trade. Since its EU entry, the volume of Czech-German trade has more than doubled. The positive trend is pulled mainly by Czech export, said Bernard Bauer, executive member of the chamber's board.

According to data from Destatis, the CR ranks among the countries with the highest surplus in trade with Germany.

Goods worth EUR46.2bn (CZK1,170bn) were exported from the CR to Germany last year and German exports to the CR were worth EUR41.6bn (CZK1,050bn).

The CR has been among the top ten exporters to Germany since 2016, of the Visegrad Four countries, only Poland with the seventh place is doing better. Hungary kept the 14th place last year, while Slovakia left the top twenty chart.

China with EUR186.6bn (CZK4,720bn) was number one in German foreign trade for the second time last year.

CTR THREE QUARTERS OF CZECH EXPORTERS TO UP INVESTMENTS IN 2018 – 22.2.

Three quarters of Czech exporting companies are going to raise investments this year, with a third of exporters to focus on modernisation and expansion of their business and a third to modernise their existing equipment, according to a survey of GfK company.

More than a tenth of companies plan to raise production capacities and 6% of exporters will invest in e-commerce, said the survey that was conducted for Raiffeisenbank among 300 companies.

The number of new orders is rising but exporters frequently reject them since they lack production capacity and workers, and so investments in the expansion, modernisation and automation of production processes are meant to help them cope with the lack of workforce.

A fifth of exporting companies offer goods and services online, and the survey showed that a half of businesses running an e-shop or having plans to do so in the future also want to use it for expansion abroad.

Exporters' online stores sell 80% of goods and services in Central, Eastern and Western Europe. Lower transport costs, marketing promotion and more reliable foreign payments systems might boost the e-commerce's foreign expansion, exporters said.

The export index of the Exporters Association and Raiffeisenbank shows that Q1 will see a slowdown in the pace of growth. A weaker activity is also envisaged for the beginning of Q2.

According to the index, Czech export had potential to grow by more than 10% on average in Q1, however, more than 210,000 vacancies in combination with seasonal factors will

slow the rate to some 5%. A stronger crown is another factor hindering the rise of the export.

In the cross-border concept, exports of domestic companies posted an annual hike of 5.7% to a record-breaking CZK4,200bn last year. Exports to China increased by a fifth and to Germany by 7.3%, according to statistical data.

CEEC: INVESTORS ASSIGNED PROJECTS FOR CZK 5.7BN IN THE YEAR 2017 – 22.2.

Public investors assigned 820 jobs to specific suppliers for project preparation reaching CZK 5.7bn between January and December 2017. In y-o-y comparison this is an increase in their number by 18.3 % and by 19.0 % in volume. At the same time, this is a new three-year maximum. The largest order totalling CZK 440m for selection of the designer of project documentation for realisation of the construction of Prague underground I. D was commissioned by the Prague Municipal Public Transport Company.

MISCELLANEOUS

DIA PM BABIŠ: A GOVERNMENT OF ANO AND ČSSD WITH THE SUPPORT OF KSČM IS THE ONLY OPTION – 22.2.

The only real version for a government now is a Cabinet of ANO and ČSSD with support from KSČM. PM in demission Andrej Babiš (ANO) said this on February 21, 2018 after the negotiation with ČSSD chairperson Jan Hamáček. A. Babiš further stated that he will hold a meeting for European topics, to which he will invite the chairpersons of all parties. The new government should, according to President Miloš Zeman, govern with confidence by the end of 1H 2018 at the latest.

CTR AUSTRALIAN MIGRATION MODEL INSPIRING – 22.2.

The Australian migration policy model may serve as an inspiration for Europe, Czech Foreign Affairs Minister Martin Stropnický (ANO) said after a joint meeting of the Visegrad Four (V4) countries' and Australia's diplomacy heads today.

The V4 is comprised of the CR, Hungary, Poland and Slovakia. Migration was one of the issues of the meeting hosted by Hungarian Foreign Minister Peter Szijjarto. Poland and Slovakia were represented by deputy foreign ministers. Migration must have clear conditions, Stropnický said.

This is an issue for the V4 countries in view of the EU effort to regulate the rules of the common migration and asylum policy.

Stropnický said he can see an advantage in the Australian model as it enabled the country to keep its own territory under control.

"This can definitely be inspiring... They are deciding on this (immigration) on their own, doing it in a fair and serious manner," Stropnický said.

The migration system enables Australia to detect a vessel with migrants and send it back or transport the migrants to a third country and place them in local detention facilities. People who attempted to enter Australia illegally are not allowed to settle there.

Australian Foreign Affairs Minister Julie Bishop told her counterparts that any loosening of the immigration rules would open space to the business of people smugglers, Stropnický said.

To halt the smugglers' gangs profiting from illegal transport of migrants should be the EU's goal as well, he added.

"This enormous business that allegedly exceeds drug trafficking remains out of focus a bit. It should not be so," he said.

The V4 and Australian representatives also dealt with relations between Australia and the EU during an informal lunch today.

From the economic viewpoint, primarily Brexit is an interesting issue for Australia as it has joint history with Britain.

Since the talks on business relations between London and Brussels are still underway, Australia has an opportunity to interconnect its market with the British one more firmly.

Moreover, the EU and Australia are also negotiating on signing a free trade agreement.

After the joint meeting of all foreign ministers, Stropnický talked to Bishop bilaterally.

They touched upon a pilot project of working holiday to be launched in early March. The programme enables young people from both countries to travel and at the same time work in the other country, but maximally for a year.

1,450 FOREIGNERS SEEK CZECH ASYLUM IN 2017, 30% ARE UKRAINIANS – 23.2.

Ukrainians continue to be the largest group of asylum seekers in the CR, but their number has been lowering, according to the latest Interior Ministry data released today showing that 435 of the 1,450 asylum seekers in 2017, or 30% of them, are from Ukraine.

In the previous years, the number of asylum seekers was only slightly higher: 1,477 in 2016 and 1,525 in 2015, and 506 and 694 of the applicants were Ukrainians, respectively. In 2014, nearly half of the Czech asylum seekers were from Ukraine. Last year, more than a hundred applicants were from Armenia, Azerbaijan and Georgia, which is a marked increase compared to 2016.

The number of asylum seekers from the countries connected with the migration crisis has never been very high in the CR and it has further decreased. In 2015, 134 Syrians requested Czech asylum, while in 2016 and 2017 it was fewer than 80.

In 2017, 29 asylum seekers were given refugee status and 118 were given subsidiary protection status, which is granted for a set period of time.

In 1,359 cases, Czech authorities have rejected the application or halted the process of examining the application. The ministry was dealing with 811 applications at the end of last year.

In 2010-2013, the number of asylum seekers was under 1,000 a year, while in the past four years it was over 1,000 a year. However, several thousand foreigners applied for protection in the CR in the past. In 2001, there were more than 18,000 asylum applications.

CZECHS FOR RULE OF LAW BEING CONDITION OF EU SUBSIDIES – 23.2.

The CR has no problem with the possible condition that may link the drawing of European money with the quality of the rule of law and democracy and independent judiciary for the

next financial period after 2020, Prime Minister Andrej Babis told journalists today.

"We have a problem if migration or quotes were cited as conditions. We basically disagree with this," Babis said.

Similar conditions can be heard from Germany whose Chancellor Angela Merkel interpreted the affair in the positive sense, as an effort to support the countries which were seriously hit by migration.

Babis said the net payers had made it clear today that they were reluctant to increase their contributions to the joint EU coffers.

"We are ready to discuss an increase in the sum, but only on condition that we will have a much bigger say on how the funds, mainly the cohesion funds, are distributed," Babis said. European security and migration should be the priorities of the long-term budget after 2020 according to other statesmen, too.

"We do not want any major change in the cohesion funds," Babis said.

The CR reckons with a lowered flow of money to it while the difference between its payment and received money would diminish.

"Naturally, the sums are still big and what matters is that we should have a major influence on their use," Babis said.

Babis had an eye-to-eye conversation with French President Emmanuel, whom he invited to Prague for May.

Babis also had a bilateral conversation with Austrian Chancellor Sebastian Kurz.

SUMMIT SHOULD CHOOSE NEW EC HEAD FROM NEXT EC MEMBERS – 23.2.

A new head of the European Commission (EC) should be chosen by EU states' presidents and PMs from among the 27 members of the next EC, Czech PM Andrej Babis said today, adding that Prague is against the EC head to arise through the system of leading candidates in the EU elections.

Babis was speaking to journalists on departure for the EU informal summit in Brussels, where the method of the EC head choice will be one of the points on the agenda.

The present method of candidates being chosen by the European political parties was applied in 2014 for the first time.

At the time, the political groups in the European Parliament, which confirms the European Council's nominee in a vote, made it clear beforehand that they would support no one else than the "lead candidate", who was the European People's Party (EPP) representative Jean-Claude Juncker at the time.

The presidents and prime ministers gave in and really proposed Juncker for EC president. Only representatives of Britain and Hungary opposed the step.

Babis called a similar procedure "a strange method" of choice. "It would be logical, as 27 member countries each have its [EU] commissioner, that the best of them be chosen by the prime ministers and presidents," Babis said.

He said the debate will not be closed today, when participants in the summit will only acquaint their partners with their respective countries' positions on the issue.

Apart from the institutional questions, the summit will also discuss the EU's budget for 2021-2027.

The CR, which will remain a net recipient of EU money, plans to reject, in the upcoming debate, the quality of the rule of law and of the judicial system, and countries' cooperation in the migrant policy as conditions for drawing EU money.

"I am sceptical about this. The EC should be depoliticised, I think it should not interfere in such issues," Babis said.

In Brussels, Babis's programme starts with his breakfast with another eight EU prime ministers belonging to the Alliance of Liberals and Democrats for Europe (ALDE) group.

At a conference on the support for sub-Saharan countries, he will say that the Czech government offers onemn euros to the trust fund for Africa for now as a contribution to fighting migrant smugglers.

Prague wants to provide a total of fourmn crowns to the fund this year.

PRAGUE TAXI DRIVERS WANT TO PROTEST AGAIN – 24.2.

Prague taxi drivers want to protest again against the alternative taxi services like e.g. Uber. According to spokeswoman of the Association of Concessionaires in Taxi Services, Karolína Venclová, further protests will most likely start next Monday.

Taxi drivers' representatives decided so after the meeting of the Transport Minister in the resignatio, Dan Ťok (ANO) with the parties in the Chamber of Deputies. Ťok has not succeeded in pushing the tax amendment in the accelerated procedure, and now he is inclined to a comprehensive amendment that would change the operation of taxi service.

CONFIDENCE IN CZECH ECONOMY IN FEB HIGHEST IN 10 YRS – 26.2.

Confidence in Czech economy grew by 0.4 point to 99.9 points in February after January's moderate fall and reached thus the highest level since May 2008 when it was at 100.2 points, the Czech Statistical Office (CSU) said today.

Business confidence rose by 0.6 point to 97.5 points, while consumer confidence decreased by 0.3 point to 112 points.

Compared with February 2017, the overall confidence, as well as business and consumer confidence was higher.

Confidence in industry was moderately lower against January, it dropped by 0.3 point to 96.5 points.

Assessment of industrial companies of current total as well as foreign demand decreased slightly. For the next three months, respondents expect almost no changes in the development of production activity and in employment, the statisticians said.

On the other hand, confidence in construction went up by 5.6 points to 93.5 points, the highest figure since the end of 2008. The assessment of current economic situation of the respondents was almost unchanged month on month. Total demand for construction work increased compared to January. In connection with this, they expect growth in employment in the coming three months.

In selected services, confidence increased by 0.9 point to 98.1 points against January. The assessment of demand increased.

Expectations of the development of the total economic situation for the next three months stayed almost unchanged and for the next six months decreased.

Confidence in trade grew by 0.3 point to 103.2 points. The stocks went up slightly. "Expectations of the economic situation development for the next three as well as six months increased, compared to January," the CSU said.

Consumers are for the next twelve months more afraid of deterioration of the overall economic situation. Worries about their financial standing did not change compared to January but the share of respondents intending to save money increased slightly.

SURVEY: OVER 90% OF CZECH SMES EXPECT IMPROVEMENT THIS YEAR – 26.2.

Czech small and medium-sized enterprises are extraordinarily optimistic with regard to the first half of this year, with more than 90% of them expecting their economic situation to improve or their current condition to stay excellent, according to a survey conducted by the Chamber of Commerce among 521 domestic SMEs.

The businesses are optimistic in spite of their development being hampered significantly by the present lack of qualified labour.

One third of respondents expects their situation to improve in terms of turnover, employee numbers, prices of production and services, the extent of investments and the amount of orders and contracts.

Nearly one third of those polled intend to hire new employees.

More than 30% of the respondents are planning to increase their investments further this year.

The Chamber of Commerce processes the results of the survey regularly for the purposes of international comparison by UEAPME (European Association of Craft, Small and Medium-sized Enterprises).

Small and medium-sized companies in euro zone countries are more optimistic, their business climate index reaching 83.1% on average, while in the remaining European countries it is standing at 73.5%.

"When we compare the Czech results with selected groups of European countries, the differences within Europe have been increasing since mid-2015. While the index values in euro zone countries are approaching the CR's values, the gap between countries using the euro and European countries using their own currencies has increased," Chamber of Commerce spokesman Miroslav Diro said.

The economic situation in euro zone countries is improving, which will mean stronger demand for Czech products. This is a very good signal for the export-oriented Czech economy, as it indicates that the year 2018 could be successful.



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