

NEWS SUMMARY MARCH 29 – APRIL 4

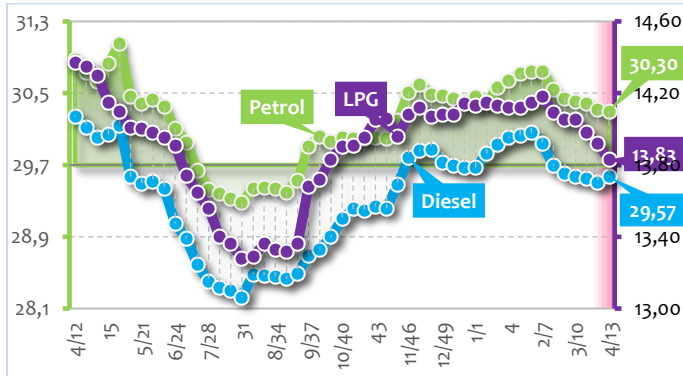
注:本報告は、チェコ政府公表資料、新聞、インターネット等報道資料をとりまとめたもの。
詳細情報については、それぞれの情報ソースを参照願いたい。

ECONOMY & FINANCE

FUEL PRICES – 29.3.

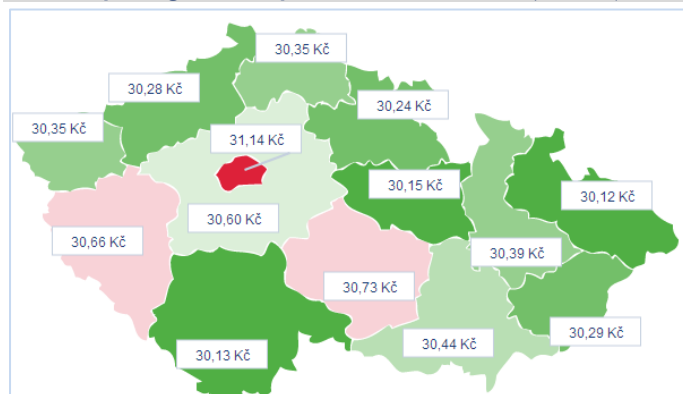
Natural gas decreased by ▲2h¹ to CZK²30.30/l³ over the past week. Diesel oil increased by 6h to CZK29.57/l.

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

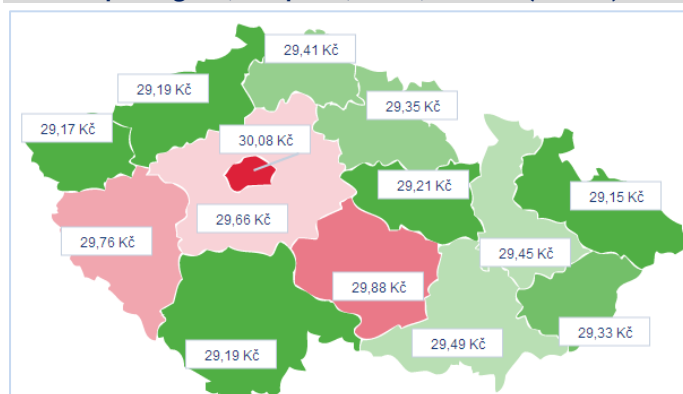


peníze.cz PETROL AND DIESEL PRICES – 1.4.

Map 1: Regions, fuel prices, Petrol, 1. 4. 2018⁵ (in CZK/l)



Map 2: Regions, fuel prices, Diesel, 1. 4. 2018 (in CZK/l)



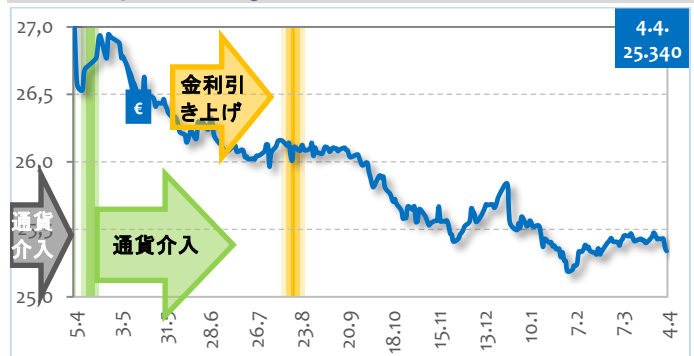
¹ h: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

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

³ l: litre

CZK VS EURO, US DOLLAR, YEN – 4. 4.

Graph 2: Exchange rates, CZK/€, 5. 4. 2017 – 4. 4. 2018



Graph 3: Exchange rates, CZK/\$, 5. 4. 2017 – 4. 4. 2018



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



CNB LACKS CAPACITY TO COLLECT FINANCIAL MARKET DATA - PRESS – 29.3.

The Czech National Bank (CNB) has outdated information systems whose capacity is not sufficient to hold data from the financial market that companies have to send it owing to the new European regulation rules, daily E15 wrote today. The CNB told CTk it was developing a new data collection system that will replace the existing one in the second half of 2019 and will also deal with the growing data communication capacity.

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

The central bank also aims to minimise additional national requirements for the data that have to be sent to it. Data volumes have increased several times in recent months, said CNB spokesman Marek Zeman.

"We had previously reported to the CNB on financial market trading on a monthly basis, while nowadays it's our duty to do that on a daily basis," Ceska sporitelna bank spokesman Filip Hruby told the daily.

The introduction of the Markets in Financial Instruments Directive II (MiFIDII) is behind the growth in data volumes, said E15.

CTK RUSNOK: INTEREST RATES WILL NOT GROW SOONER THAN AT END-2018 – 29.3.

Interest rates cannot be expected to increase again sooner than at the end of 2018 after their February hike, growing mainly in 2019, based on the Czech National Bank's (CNB) forecast, central bank governor Jiri Rusnok said at today's press conference after the CNB Bank Board meeting.

The CNB governing board left interest rates unchanged, with the basic rate staying at 0.75%.

All seven members of the CNB Bank Board voted for no change.

The CNB forecast envisages this year's inflation above the central bank's 2% target, going back at the beginning of next year.

"The Bank Board assessed the forecast's risks as mildly anti-inflationary," Rusnok said.

On the other hand, the Czech crown's strengthening to the euro being slower than envisaged in the forecast for the coming quarters can pose an inflationary risk, according to the Bank Board.

If the crown firmed slower than the forecast says, there would likely be room for a quicker interest rates hike, Rusnok said.

The last time the CNB raised interest rates was at the beginning of February, increasing the basic rate by 0.25 percentage point.

CTK CNB GOVERNOR RUSNOK MAKES CZK3.9M IN NET INCOME IN 2017 – 29.3.

Jiri Rusnok, the governor of the Czech National Bank (CNB), earned CZK3.93m in net income in 2017 and his gross income reached CZK5.46m, according to the CNB's annual report presented to the Chamber of Deputies.

The nine CNB Bank Board members earned CZK21.5m in total last year, almost CZK1m more than in 2016, said E15 news website.

According to the report for the deputies, CNB vice-governor Mojmir Hampel earned CZK3.16m last year and vice-governor Vladimir Tomsik CZK3.09m.

Net income of the governing board's two new members, Oldrich Dedek and Marek Mora, who took up their positions in February, reached some CZK2.4m. Net income of two other Bank Board members Vojtech Benda and Tomas Nidetzky was CZK2.66m.

Lubomir Lizal and Pavel Rezabek, whose term in office in the central bank ended last year in March, earned the lowest amount of money.

The CNB had 1,417 employees at the end of last year, 52 more than a year earlier. Total wage costs, including spending on education and employee benefits, grew by over 6% to almost CZK1.5bn last year.

Base pay, including compensations and other personal expenses, equalled CZK1.04bn. Raising of the amount of money for wages was the result of collective bargaining and filling of new positions, in particular in supervision over the financial market, according to the annual report.

CTK SHARE OF FOREIGNERS HOLDING CZECH GOVT BONDS FALLING – 2.4.

Foreign investors held CZK546.2bn worth of Czech government bonds at the end of February, the former's share falling to 37.72 percent, which was the lowest rate since December 2016, according to data of the Finance Ministry.

Czech bond issues totalled CZK1,650bn in February.

Foreign interest in Czech bonds had been rising with the approaching end of the Czech National Bank's (CNB) forex intervention regime. The CNB quit the regime on April 6 last year.

Investors bet on the crown appreciation after the CNB ends its exchange rate commitment (to keep the currency near CZK27 per euro). Increased interest reduced bond yields, and in many cases the state borrowed money at negative rates.

Repayment of short-term bonds was behind a drop in the share of foreign investors at the end of last year, experts said previously.

In recent years, the Finance Ministry issued short-term bonds to make use of negative yields on the market because of the CNB's interventions.

Foreign investors are also substituted by domestic investors who usually demand higher yields.

The ten-year Czech government bond's yield surpassed 2% in January for the first time since the end of 2014.

Foreign investors holding Czech government bonds in December 2016 to February 2018 (in %)

December 2016	31.56
January 2017	38.66
February 2017	41.99
March 2017	47.26
April 2017	45.44
May 2017	46.09
June 2017	47.62
July 2017	45.63
August 2017	46.12
September 2017	51.35
October 2017	46.35
November 2017	41.95
December 2017	41.64
January 2018	37.77
February 2018	37.72

CTK BANK LOANS IN CR GROW BY 6 PCT TO CZK2,844BN IN FEB – 3.4.

The volume of bank loans in the Czech economy increased by CZK170bn (6 percent) year on year to CZK2.844bn at the end

of February, according to data from the Czech National Bank (CNB).

The total growth was pulled mainly by household loans which rose by 7.7 percent, while the volume of loans to businesses went up by 4%.

The volume of loans to businesses exceeded CZK1,000bn, nearly a CZK11bn rise against January and a CZK39.8bn rise yr/yr.

Household loans increased to CZK1,540bn. Of this, loans for housing were worth CZK1,160bn and consumer loans, including debits on current accounts, CZK29bn.

"In international comparison, Czech households still have lower debts than is the European average. Record employment together with a very solid growth in real wages keeps the debt to income indicators at a favourable level," said Czech Banking Association (CBA) economic analyst Miroslav Zamecnik.

This is reflected in the falling share of loans in default which has tumbled to a half since the summer of 2013, that is to 2.6%. Interest rates on new loans for housing grew to 2.50 percent, they thus show a moderately growing tendency. In case of mortgage loans, rates went up for the sixth time in a row, now to 2.33%.

The development is linked with the market's adjustments to new legislation and changes in the economic environment (law on consumer loans, tougher recommendations for mortgage loans and yr/yr toughening of the CNB's monetary policy), Zamecnik remarked.

On the other hand, it seems like the potential negative impact of the amendment to the law on insolvency, which has made it through the first reading in the Chamber of Deputies, has not yet been included in the rates, he added.

Interest rates on consumer loans are falling further (8.81% p.a.), the yr/yr drop is 0.84 percentage point.

This favourable trend may stop, however, unless economically rational conditions for clearing of debts is anchored in the legislation, he added.

Despite the expectations that growing investment activity and gradual improvement of drawing of money from EU structural funds will contribute to a faster growth dynamics in loans for businesses this year, demand for these loans has been quite low thus far.

The volume of loans to businesses at CZK723.5bn was at the end of February this year almost the same as 20 years ago, the CNB data show.

The quality of the loan portfolio is now much better, Zamecnik noted.

CZECH GDP GROWTH AT 4.6 PCT IN 2017 – 3.4.

The Czech economy expanded by 5.5% in Q4 yr/yr, against the previous estimate of 5.2 percent, and gross domestic product (GDP) for the entire year grew by 4.6 percent, while early in March statisticians estimated a 4.5% hike, they said today.

Q4's GDP growth was 0.8% higher compared to the previous three months. New data for the sector of government institutions were behind the improvement, the Czech Statistical Office (CSU) said in its revised information.

The new figures mean contradictory signals for the economy this year, UniCredit Bank analyst Pavel Sobisek told CTK.

On the one hand, the fast GDP growth rate at the end of last year provides room for an improvement of 2018 outlooks. On the other hand, more and more apparent signs of a cyclical slowdown are negatively affecting the business sector, Sobisek said.

Last year's profit rate of companies is unlikely to be repeated this year, he added.

The economy grew for a fourth straight year in 2017. GDP growth was 2.5% in 2016, 5.4% in 2015 and 2.7% in 2014.

Real incomes of households added 3.9% last year in annual terms, and household consumption per capita was even 4.6% higher, statisticians said today.

In absolute terms, the monthly per capita household income reached an average CZK24,842, while per capita consumption reached CZK22,925 on average.

The rate of profit of non-financial companies decreased by an annual rate of 1.1 percentage point to 49.4%. "Still, however, the profit rate in the CR was well above the European Union average of about 40 percent," the CSU said.

The lower profit rate of these companies was caused by a faster increase of wage costs that added 8.4% last year in annual terms, the CSU said.

Investments of companies rose by 0.2 percentage points to 29.4% compared to 2016.

STATE BUDGET SURPLUS DECLINES TO CZK16.3BN IN MARCH

– 3.4.

Czech state budget surplus dropped to CZK16.3bn in March, from CZK25.8bn in February, while annually it rose from CZK4.7bn, the Finance Ministry said today.

The year-on-year improvement was impacted by the European Union funds increasing annually by CZK17.4bn at the end of March.

Adjusted for EU money, the state budget ran a CZK5.3bn deficit in March, growing from CZK4.6bn annually.

This year's budget was approved with a CZK50bn deficit.

Total budget revenues increased yr/yr by CZK38bn to CZK345.7bn, and total expenditures went up by CZK26.5bn to CZK329.4bn.

"We expect the budget balance to be deteriorating for the rest of the year," Komerční banka analyst Marek Drimal said. The 2018 deficit will depend on the investment activity, and it is estimated at CZK40bn, Drimal said.

On the other hand, Raiffeisenbank analyst Frantisek Taborsky projects a deficit bigger than approved.

The budget will be negatively impacted by factors including CZK40bn which needs to be drawn from EU funds by the end of this year, and higher debt servicing expenditures caused by increasing interest rates, Taborsky said.

Tax revenues, including social security payments, grew by CZK22.4bn to roughly CZK291bn.

Value added tax (VAT) revenues increased annually by 10% to CZK62.8bn.

Public budgets received yr/yr 13.2% more in VAT, the Finance Ministry said.

Excise duty collection increased annually by CZK1.2bn to CZK36.1bn.

Social benefits account for the largest share in budget expenditures, totalling CZK138bn at the end of March, CZK5.7bn more year on year.

The state budget envisages CZK557.9bn in spending on social benefits for the entire 2018.

2012	2013	2014	2015	2016	2017	2018
-22.69	13.97	43.59	19.92	43.60	4.68	16.26

CTK CZECH PUBLIC FINANCE SURPLUS GROWS TO 1.59 PCT OF GDP IN 2017 – 4.4.

Czech public finances ran a CZK80.6bn surplus last year, which was 1.59% of gross domestic product (GDP), the Czech Statistical Office (CSU) said today.

Public finances were in the black for the first time in 2016, their surplus at 0.73% of GDP. They were posting deficits in previous years.

The Czech National Bank envisages a public finance surplus at 1.6% this year and at 1.8% of GDP next year.

Surplus of the general government sector grew annually by CZK46bn. In case of the central government institutions, the balance reached a surplus of CZK30.1bn for the first time in the whole time series. In case of the local government, a surplus decreased by CZK7.2bn yr/yr to CZK42.4 bn. The positive balance of social security funds (health insurers) rose by almost CZK3.2bn to CZK8bn, the CSU said.

Total government revenues increased annually by 6.5%. The annual growth in revenues was underpinned mainly by rising social contributions, income taxes and taxes on products and imports. A drop was registered in primary incomes, especially in case of dividends and interests, and capital transfers.

Total expenditures of the general government sector grew by 4.2% on a year-on-year basis. The highest annual growth was registered in expenditures on gross capital formation and compensation to employees. A decrease was recorded for capital transfers. Due to declining debt interest expenditures, the total amount of primary incomes paid by the general government sector went down as well, the CSU said.

The relative size of government debt reached 34.60% of GDP last year, falling by 2.17 percentage points annually.

The CSU published the data because of EU regulations that require that member states report EDP (excessive deficit procedure)-related data to Eurostat twice per year - at end-March and end-September. The data are reported in harmonised tables.

AGRICULTURE & ENVIRONMENT

CTK FARMERS NOT ALLOWED TO REGULATE WOLF POPULATION - COURT – 29.3.

Czech farmers cannot regulate the number of wolves living in the wild as a Prague district court rejected today a legal complaint, in which ten farmers from the Broumov locality, east Bohemia, demanded that the state amend the respective law.

Judge Stepanka Dvouleta justified the verdict saying a court cannot assign tasks to the state.

The farmers will appeal the verdict with the Prague Municipal Court, their defence counsel Jana Zwyrtk Hamplova told CTK.

The farmers demanded that the Environment Ministry prepare an amendment to the law on the protection of nature and landscape to provide a legal possibility of "a direct

protection from the damage caused by the gray wolf." They also wanted to regulate the wolf population in Czech territory this way.

The wolf incidence should be absolutely limited in the Broumov locality since it is densely populated, according to the lawsuit.

Farmers point out that wolves threaten the inhabitants' health and property.

"As the court cannot assign tasks to the state in order to amend the valid legislation, I turned down the lawsuit," Dvouleta said.

Under the verdict, the farmers must also cover the ministry's costs of the court proceedings.

PRAGUE PLANS WATER COLLECTORS WORTH CZK 800M – 29.3.

Prague City Council has approved the processing of project documentation for the rainwater collector in the upper part of Wenceslas Square and connection of existing collectors Hlávkův most and Centrum I. Investment costs of the collector, incl. retention reservoir and sewerage, are estimated at CZK 800m. Work on the project is scheduled to start no sooner than in three years.

GIA SZIF ACCEPTS APPLICATIONS FOR PRV SUBSIDIES FOR CZK 1.6BN – 4.4.

The State Agriculture Intervention Fund (SZIF) started on April 3, 2018 the reception of applications for the 6th round of the Rural Areas Development Programme 2014-2020 (PRV). SZIF has prepared 13 operations supporting investments in agriculture and forestry enterprises, farmers, and innovations and cooperation projects for over CZK 1.6bn.

ENERGY & INDUSTRY & TRANSPORT

peníze.cz THE END OF PAPER TOLL STAMPS AND RELIEF FOR ELECTRIC CARS – 26.3.

If the bill, which is undergoing a commentary procedure, passes successfully through the legislative wheel, drivers will not be required glueing the paper motorway stamps to the windshield since 2021. The electronic stamp coupled with a specific car number will be bought online or through a mobile application. Camera systems, among others, will be checking whether drivers paid for the electronic stamp.

Part of the amendment is the extension of a group of cars that are exempted from toll charges. In addition to vehicles transporting dependent children suffering from malignant tumors or hemoblastosis and holders of ZTP and ZTP/P passes, and newly, owners of electric cars and hybrid cars are also to be banned from paying charges.

By abolishing motorway tolls for the aforementioned, the ministry wants to increase the number of electric cars (and hybrids) on domestic roads. At present, there are around 1,300, but by 2020, according to the Ministry of Transport, their numbers should rise to 17,000.

GIA MINISTRY OF DEFENCE PLANS TO BUY 210 IFVs FOR CZK 53BN – 28.3.

The Ministry of Defence of the CR (MO) will open a public tender for the acquisition of 210 infantry fighting vehicles (IFV) for CZK 53bn. The winner could be chosen by the end of 2018 or in the first half of 2019. Four parties are interested in

the contract - US General Dynamics with the vehicle ASCOD, European BAE Systems (CV 90), German Rheinmetall Landsysteme (Lynx) and PSM Projekt System Management, a venture of Krauss-Maffei Wegmann and Rheinmetall Landsysteme (Puma).

ČD COULD OPEN TENDER PROCEDURE FOR CZK 10BN – 29.3.

The steering committee of České Dráhy (ČD) has approved a higher number of electric one-floor regional trains within one of the sub-contracts from seven to 60. This information was confirmed to ČIANEWS by ČD spokesman Radek Joklík who added this was a reaction to the specification of needs of individual regions. These efforts are expected to result in a framework agreement. ČD intends to apply for EU subsidies for this contract. The total value of the contract could be around CZK 10bn.

HYUNDAI PLANS OTHER MODELS WITH ALTERNATIVE DRIVE – 29.3.

By 2020, Hyundai Motor plans to launch 15 new models with an alternative drive on the market. For instance, they will include the second generation of an SUV with hydrogen fuel cells, the NEXO model, and the Kona Electric SUV with purely electric drive. This information was provided to ČIANEWS by spokesman Jan Pohorský who added that at the beginning of 2018, a level-four self-driving ride between Seoul and Pyeongchang (190 km) took place using the NEXO model, an electric car with hydrogen fuel cells. In the CR, Hyundai has joined the governmental group whose objective is to define the national hydrogen infrastructure.

SŽDC TO SPEND CZK 106M ON RAILWAY STATION REPAIRS IN MSK – 29.3.

The Railway Infrastructure Administration (SŽDC) will invest CZK 106m into the repairs of more than 15 stations in Moravia-Silesia Region (MSK) in 2018. Major projects include the completion of the repair of the station in Bohumín, modernisation in Frenštát pod Radhoštěm or reconstruction in Opava-west. The lifts built at the Ostrava Main Railway Station will be supplemented with escalators and expanded information system.

AID TO RENEWABLES AT ABOUT CZK45.7BN IN 2017 – 3.4.

Aid to renewable energy sources in the CR amounted to some CZK45.7bn in 2017, Ladislav Havel, the head of the Industry and Trade Ministry's electricity and heating department, said at today's debate on renewables in Prague. The figure is small but bearable, Havel said.

According to earlier information, the state provided a CZK26.2bn subsidy to renewable energy sources, with the rest being paid mostly by consumers.

Since 2006, nearly CZK300bn has been paid in aid to renewable energy sources in the CR.

Last year's aid totalled CZK43bn, dropping for the first time since 2006, according to the Electricity Market Operator's (OTE) 2017 annual report.

Numbers from the last three years are incomparable with those reported in 2006, 2007 and the following years when the development of renewables' use was starting in the country, Havel said today.

OTE has been paying the renewable energy sources aid since 2013 based on the Czech Energy Regulatory Office (ERU) price decision. The money was provided by distribution companies until then.

In 2015-2016, ERU refused to provide aid for most sources as they lacked the approval within the European Commission's notification procedure.

The share of green energy in the total electricity consumption was 12.97% in 2016, according to ERU.

Aid to renewable energy sources in CR in 2006-2017 (CZK bn)

Year	Aid
2006	1.10
2007	1.47
2008	1.91
2009	2.62
2010	9.11
2011	32.15
2012	35.71
2013	37.46
2014	40.59
2015	43.51
2016	43.02
2017 (estimate)	about 45.70*

CZECH MANUFACTURING SECTOR CONDITIONS WORSE IN MARCH – 3.4.

Czech manufacturing industry conditions worsened in March again, with the Purchasing Managers' Index (PMI) going down from February's 58.8 points to 57.3 points, which is the lowest figure in six months, IHS Markit company said today. Czech PMI followed the euro area's index which sank to the lowest figure in 14 months.

The 50-point level sets the difference between rise and fall. The PMI index monitors new orders, output, employment, suppliers' delivery times, and stocks of purchases.

Operating conditions in the Czech manufacturing sector remained positive despite the industry reporting the biggest slowdown since last September. The result (58.7 points) was only a little worse than at the end of 2017.

The gradual slowdown of the CR's PMI suggests that industry will decelerate moderately in the following months, ING Bank analyst Jakub Seidler told CTK.

The annual growth rate of Czech industry will decrease to 4% because of a high comparison basis and a car industry's slowdown, Seidler expects. Last year, industry went up by more than 6%.

Employment rose at the slowest rate in six months due to the ongoing lack of workforce. Job opportunities in the sector increased, however, some companies were not able to find suitable candidates.

Output of Czech manufacturing companies kept growing in March in line with a bigger global demand. The growth was the slowest in five months but it was still steep and the quarterly average was the highest since Q1 2011.

New orders registered a strong increase which was, however, the lowest in seven months. It was contributed by a higher consumer demand mainly in the construction and car

industries; and the volume of new orders from abroad went up faster, too.

In March, Czech production companies faced increasing price pressure caused especially by higher raw material prices.

Input prices inflation grew to the highest level in four months. Suppliers' delivery times were extended and companies reported the worst sales since last October.

The survey's respondents are gradually more optimistic in their outlook for next year and more than a half of them expects their output to grow, IHS Markit economist Siana Jones said.

Industrial output will increase by 4.2% in the first quarter and by 4% in the entire 2018, according to the latest forecast of IHS Markit.

VÍTKOVICE HAS SEPARATED ITS MANAGEMENT FROM THE MANAGEMENT OF VÍTKOVICE HEAVY MACHINERY – (VHM) – 4.4.

Besides the ownership structure change, the entrance of the strategic investor SPV VTK to VHM will be followed also by changes in statutory bodies. Martin Žák remains the chairman of the board of directors of VHM. Current member of the board of directors of Vítkovice Michaela Žvaková will be promoted to the position of the chairwoman of the board of Vítkovice. She will be also the CEO of the company. Igor Vlček also remains in the board of directors of VHM. The investor will decide on the final composition of the board of VHM.

INVESTMENTS & TRADE & SERVICES

EXPORT AND IMPORT PRICE INDICES - JANUARY 2018: **EXTERNAL TRADE PRICES DECLINED – 29.3.**

In January 2018, export import prices decreased by 0.1%, import prices dropped 0.6%, the terms of trade figures reached 100.5%, month-on-month. Export prices declined 4.1%, import prices fell 5.8%, the terms of trade reached 101.8%, year-on-year.

Month-on-month comparison:

Exports: export prices decreased by 0.1% in January (+0.4% in December). The change of the total m-o-m export price index was led mainly by a 0.5% price drop in 'miscellaneous manufactured articles'. Prices were falling in 'food and live animals' (-0.7%), 'chemicals and related products' (-0.2%), and in 'machinery and transport equipment' (-0.1%). Biggest price growth was registered in 'crude materials, inedible, except fuels' (+1.4%) and 'mineral fuels, lubricants and related materials' (+1.1%).

Imports: import prices dropped 0.6% in January following a 0.4% advance in December.

The change of the total m-o-m import price index was driven mainly by a 1.2% price decline in 'machinery and transport equipment'.

Prices in 'miscellaneous manufactured articles' edged down 1.3%, 'food and live animals' prices decreased by 1.6%. 'Mineral fuels, lubricants and related materials' advanced significantly 2.3% while 'crude materials, inedible, except fuels' grew 1.7%. The terms of trade increased to the value of 100.5% (100.0% in December). Significant positive values of terms of trade were reached by prices of 'machinery and transport equipment'

(101.1%), 'miscellaneous manufactured articles' (100.8%), and 'manufactured goods classified chiefly by material' (100.5%). Negative values of terms of trade were reached in 'mineral fuels, lubricants and related materials' (98.8%) and 'crude materials, inedible, except fuels' (99.7%).

Year-on-year comparison:

Exports: mainly due to strengthening of koruna against euro and U.S. dollar export prices fell 4.1% (-2.8% in December). A 5.1% price decline in 'machinery and transport equipment' contributed to the decrease in overall y-o-y export price index. 'Miscellaneous manufactured articles' prices dropped 5.2% and 'mineral fuels, lubricants, and related products' fell 12.9% (mainly electricity). Prices were rising in 'beverages and tobacco' (+1.8%) and 'crude materials, inedible, except fuels' (+0.9%),

Imports: import prices decreased by 5.8% after a 4.2% decline in December. The fall of the total annual import price index was primarily driven by a 8.3% drop in 'machinery and transport equipment'. Prices also fell in 'food and live animals' (-7.9%) and 'miscellaneous manufactured articles' (-6.9%). Only price growth was registered in 'beverages and tobacco' (+2.7%).

The terms of trade figures increased to the value of 101.8% (101.5% in December) staying in the positive values for the fourth successive month. Among significant groups, positive values were reached by prices of 'food and live animals' (104.8%), 'machinery and transport equipment' (103.5%), and 'miscellaneous manufactured articles' (101.8). 'Mineral fuels, lubricants, and related products' reached negative values of terms of trade – 90.7%.

CR MUST PICK TECHNOLOGICALLY ADVANCED INVESTMENT-CZECHINVEST HEAD – 29.3.

The CR has to start choosing technologically advanced foreign investments that are linked to Industry 4.0 and bring value added, Silvana Jirotkova, the new head of CzechInvest state-run agency, said at a press conference today.

The Czech state should shift its focus from attracting investment merely because of the number of jobs to the positions being qualified, Jirotkova said.

In the first few weeks of her being in post, Jirotkova will concentrate mainly on preparing a new strategy.

Despite the good condition of the Czech economy, the country cannot stop attracting foreign investment, as the situation might change very quickly, Jirotkova said.

CzechInvest will target three client groups - foreign investors, Czech small and medium-sized enterprises, and start-ups, Jirotkova said.

As an agency, CzechInvest is able to uniquely connect the three groups and establish synergies between them, she said. Jirotkova wants to work on the said strategy, which will bring changes to the agency's organisation structure, she said.

Jirotkova won the selection process launched by the Industry and Trade Ministry at the beginning of this year, with 23 people applying for the job.

In January, Industry and Trade Minister Tomas Huner dismissed CzechInvest's former head Karel Kucera believing that Kucera had destabilised the agency's operation with his decisions. Huner then entrusted the agency's internal services division head Jan Urban with the job.

Jirotkova has been working in CzechInvest since 2002.

BABIŠ: GOVT WANTS TO DIVIDE EU FUNDS TO MUNICIPALITIES – 29.3.

Andrej Babiš (ANO) during the government's visit to Central Bohemia on March 28, 2018. The government attempts to create a 10-year investment plan for the country. The plan would involve a fund for the funding of local roads, housing policy, sport and other activities. The government is aware of regions' problems related to transportation, quality and scarcity of water, sewerage and/or housing. The government would therefore like to implement programs for municipalities for housing construction, social facilities, restoration of cultural heritage, sports or tourism.

STATE TO SPEND 36 BILLION CROWNS ON SCIENCE IN 2019 – 29.3.

The CR will earmark 36 billion crowns on science and research in 2019, which is 2.1 billion more than this year, Council for Research, Development and Innovations (RVVI) deputy chairman Karel Havlicek told reporters today.

He said it would be possible to draw part of the money that was not spent in the past years, 6.9 billion crowns in total. According to the previously approved medium-term expenditures, 36.9 billion crowns were to be spent on science and research.

Nevertheless, the decrease by roughly one billion crowns does not mean that support for science and research is reduced since the finances that remained from the past years can be drawn, Havlicek added.

The decision on the budget also sends a signal that the finances for science and research must be managed efficiently not to have some money left that was allocated, Havlicek said.

"Then we end up in a complicated situation where he have to explain to the sector why we have these means left," he said. The state expenditures on science and research should further rise in the following years.

"We have adopted a resolution saying that research, science and innovations are the government priorities and that the sum of 37.5 billion crowns will not change in the medium-term outlooks for 2020 and 2021," Havlicek said.

ZAT DEVELOPS CONTROL FOR VVER 1200 REACTORS – 29.3.

In 2018, ZAT, a supplier in nuclear energy, will focus on the development of control for VVER 1200 reactors. The plan is to expand the portfolio of products and participate in the construction of new nuclear power plants with this technology. The company also focuses on small reactors. It delivered a control system for a small research reactor to Centrum Výzkumu Řež and is involved in the development of the fourth generation nuclear reactor. The new development contract also includes the implementation of a prototype of the Labgene small reactor control system in Brazil, in which it participates together with ŠKODA JS.

CROATIA STAYS MOST POPULAR HOLIDAY DESTINATION FOR CZECHS IN 2017 – 3.4.

Croatia strengthened its position of the most popular holiday destination for Czechs last year, being visited by 850,000

Czech tourists, which was an annual hike of 3 percent, according to data of the Czech Statistical Office (CSU).

Croatia has ranked first in terms of holiday destinations over the past 20 years, except for 2015 when the first place was occupied by Slovakia.

Italy finished second last year, with 636,000 Czech tourists, their number rising by 15% annually. Slovakia was third with 615,000 trips.

Interest in Bulgarian holidays grew the most last year. A record number of 214,000 Czechs spent their holidays in Bulgaria, 124% more compared to 2015, the CSU said.

Tourist numbers in Egypt were 111% higher against 2015 at 245,000 last year.

The number of holidaymakers in France, Turkey and Tunisia was insignificant last year, which is why the CSU did not provide any information on those destinations.

Egypt was the fastest growing destination last year, with a similar trend seen for Turkey this year. Interest in visiting Turkey is growing by hundreds of% annually, said Fischer travel agent spokesman Jan Bezdek.

Turkey, Greece and Spain will be the top three destinations this year, he added.

The first three places last year are occupied by countries to which Czechs largely travel by car.

In its publication "The CR in International Comparison," the CSU said the number of Czechs going for holidays abroad by air is the second lowest in the EU. Only 9.9% of Czechs travel by air, while 73.8% prefer a car, which is almost the highest share in the EU.

A total of 850 travel companies (with bankruptcy insurance) are active on the Czech market, their sales reaching some CZK50bn in the past few years.

PLZEŇSKÝ PRAZDROJ SOLD ALMOST 7M HL OF BEER IN CR – 3.4.

In 2017 Plzeňský Prazdroj sold almost 7m hectoliters of beer on the domestic market. Its most successful products include lagers led by premium Pilsner Urquell, whose sales increased by 7.6 % y/y.

The increase was also driven by Radegast, whose sales increased by 3.75 %.

Ciders Kingswood and Frisco (+18.1%) were also successful.

The popularity of non-alcoholic beers of brand Birell also grew, with sales up 15 %, driven especially by flavored versions.

The sale of draft beer fell 3 % while sales of tank beer increased by 2 %. Sales in stores increased by 2.3 %.

CZSO: CR'S PROFIT FROM TOURISM AT RECORD CZK272BN IN 2016 – 4.4.

The CR's profit from tourism increased by 9% to CZK272bn in 2016, which is the highest amount since 2003, with foreign tourists making up 58% of the volume, the Czech Statistical Office (CSU) said in a press release today.

The figure includes all visitors spending their holiday in the country.

In 2016, tourism accounted for 3% of Czech gross domestic product.

Gross value added in the sector exceeded CZK120bn, with services in accommodation and restaurants, passenger

transport, tour operators, culture, sports and other recreational activities contributing the most.

A total of 31.5 million foreigners visited the CR in 2016, including one-day visits.

Tourists staying overnight spend the most money in the country, with the amount reaching CZK2,100 a day on average, CSU chairman Marek Rojicek said.

A total of 60% of people coming to the CR stayed only for a day, Rojicek said.

Tourism employed 231,500 people in 2016, up by 1% year on year, with employees forming 82% and entrepreneurs 18%.

Tourism accounted for 4.4% of total employment, Zdenek Lejsek of the CSU's tourism department said.

Last year, Czech accommodation facilities reported record-breaking 20 million tourists, with the number growing by 9.1% annually.

The number of foreign and Czech tourists rose by 9.2% and 9 percent, respectively. The most people came from Germany, followed by Slovakia and Poland.

GIA FOXCONN DEVELOPS BATTERY SYSTEMS FOR ELECTRIC CARS – 4.4.

Foxconn in the CR is currently working on the development of battery systems, the optimisation of power grid load and the management of the distribution network with help of smart SW platforms and applications. The company plans to gradually switch its vehicle fleet in the CR to electric vehicles. According to the company, the investments and development in this segment was in accordance with the current strategy, which tries to switch the core business to the development of innovative solutions for Industry 4.0, the Industrial Internet of Things (IIoT) and smart technology based on the use of artificial intelligence.

GIA OKD TRANSFERS MINES AND EMPLOYEES TO OKD NÁSTUPNICKÁ

Czech mining company OKD has transferred its sales plant, i.e. mines with all employees, a service centre and the adjustment unit to OKD Nástupnická. OKD still keeps claims and liabilities from the period before the company declared bankruptcy. OKD Nástupnická's registered capital will grow by CZK 10m to CZK 12m thanks to the sales plant transfer. The growth will have a form of the issue of 50 shares with a face value of CZK 200,000. This stems from a document published in the Collection of Documents. The transfer is part of an approved reorganisation plan of the company.

GIA EC APPROVES ACQUISITION OF ŠKODA TRANSPORTATION BY PPF – 4.4.

The European Commission has approved the proposed acquisition of sole control over Skoda Transportation, VUKV, Skoda Investment and Bammer Trade, all four of the CR, Jokiaura Kakkonen of Finland, and Satacoto Ltd. of Cyprus, by PPF Group. The Commission concluded that the proposed transaction would raise no competition concerns, as announced on Apr 3.

GIA ZETOR TRACTORS EXPANDS TO VIETNAM – 4.4.

ZETOR TRACTORS has announced the opening of cooperation with Vietnamese partner GOLDMAX. Zetor will

deliver to Vietnam tractors from MAJOR, PROXIMA, FORTERRA and CRYSTAL model families. The company wants to deliver several tens of machines p.a. to Vietnam and gradually expand cooperation. Vietnamese partner GOLDMAX will ensure the sale of new tractors, delivery of spare parts and servicing.

LABOUR & HEALTH & SOCIAL

CTK CZECHS SPEND MORE TIME AT WORK THAN GERMANS BUT EARN LESS – 29.3.

Czechs spend more time at work than Germans but are less productive and their wages are two thirds lower, according to an analysis of economist Ales Michl for Anect company.

As for introduction of new technologies which are often linked with growth in labour productivity, Czechs are doing quite well, the willingness of Czech firms to introduce technological innovations moves at 90% of the level in Germany.

Czechs spend around 14% more time at work than Germans who work 35 hours a week on average. In the CR, over 7% of people work more than 50 hours a week.

Despite the longer working hours, the average wage in the CR moves at 30% of German wages. In the last quarter of 2017, average wage in the CR for the first time exceeded the level of CZK30,000 a month, rising by 8% year on year to CZK31,646. Productivity of labour per hours worked in the CR is at 59% of the level in Germany and productivity of labour per employee at 77%.

The situation is similar compared with the USA. "No tree can grow to heaven and if labour productivity does not follow the wage growth, we are losing competitiveness and some companies will not cope with it at all," Michl said.

Growth in labour productivity is being linked mainly with new technologies where the willingness of Czech firms moves at 89% of Germany and 85% of the USA.

However, latest technologies do not mean raising of productivity of labour, said Anect's sales director Pavel Zaal. Effective use of the technologies is the basic precondition. Equipment alone is insufficient, people also need better education and support from the side of employers, he added. Modern instruments for digital cooperation can contribute to raising productivity of labour, for example, by lowering the need to ride to personal meetings. Employees can handle a lot of things from a home office or while travelling, said Jan Racansky of Anect, which focuses on supplies of complex IT solutions.

"At the same time, companies have to be willing to allow these flexible forms of cooperation," he added.

MISCELLANEOUS

CTK FRENCH PRESIDENT MACRON IS TO VISIT PRAGUE THIS YEAR – 29.3.

French President Emmanuel Macron is to visit the CR this year, Foreign Minister Martin Stropnický told journalists after meeting President Miloš Zeman today.

According to CTK's information, Macron may arrive in May. Stropnický and Zeman talked about the foreign trips of Czech top representatives and the visits foreign politicians would

pay to the country. They also discussed new Czech ambassadors.

Stropnický said about 20 ambassadors would be replaced this year and the cabinet is to talk about the first ten rotations in April.

Zeman, who was re-elected president in January, will visit Slovakia next week.

Stropnický said Zeman also plans to go to Germany, Austria and Hungary.

He said meetings of the president, prime minister, foreign minister and heads of the two houses of parliament would be held at Prague Castle to deal with foreign affairs, like in the previous election period. First such meeting might take place in mid-May, he added.

Stances on major affairs in foreign policy were coordinated at these meetings approximately once in three months in the last few years.

Stropnický said his talks with Zeman were planned long in advance and concerned the European Union, Brexit, the Visegrad Four group and the situation in various parts of the world.

PRAGUE CASTLE TO UPGRADE SYSTEM OF VISITOR SECURITY CHECKS – 30.3.

The Presidential Office is planning to upgrade the system of security checks of visitors to the Prague Castle complex, which is the president's seat, the Office head Vratislav Mynar has told CTK, adding that he would use all available means to ensure the Castle's security.

Critics have called the system of obligatory checks unnecessary, bothersome and tourist-unfriendly since its introduction several years ago, but the Presidential Office defends it as a measure reacting to recent security threats and security corps' demands.

Mynar said the upgraded system should include scanners, a camera system and a modern coordination centre.

In the past, a debate was conducted on the Office's possible plan to buy a camera system that is capable of distinguishing and recognising faces.

Mynar said he does not know whether such a system would be purchased and installed. "I do not support a system of a Big Brother who can see everything. Nevertheless, I understand it that things have developed this way," Mynar said, adding that his office has been discussing the issue with experts. He said the checks at the entrances to Prague Castle should become more comfortable for not only the visitors but also the police and soldiers on duty.

The current provisional shelters are to be replaced with roofed and heated checkpoints. They will be located elsewhere than now. One, in the direction from the nearest tram stop north of the complex, would be situated in the Royal Garden. The location of the other checkpoint, which serves to check the visitors coming from the Hradcanske Square, is yet to be decided on. Mynar said he would like to do so in cooperation with the Prague Archbishopric that is seated in Hradcanske Square.

"We are seeking support of the Prague Archbishopric...so that we can partly use its gardens," he said.

CVVM: CONFIDENCE IN PRESIDENT FALLS TO 50% - 4.4.

The confidence in the president decreased in March 2018 compared with February 2018 from 56% to 50%. The confidence in the government fell from 38% in February to 35% in March. The confidence in the Chamber of Deputies reached 27% (32% in February) and the confidence in the Senate reached 32% (34%). This stems from a survey conducted by Centrum pro výzkum veřejného mínění (CVVM). Czechs trust the most mayors (63%) and local representatives (62%). A total of 49% of respondents are dissatisfied with the political situation in the CR. The figure reached 44% in February.

