

## ECONOMIC NEWS SUMMARY MAY 17 – MAY 23

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### ECONOMY & FINANCE

#### CTK J&T DISMISSES CEFC EUROPE'S BOARD AS CEFC FAILS TO PAY DEBTS – 17-5.

Chinese group CEFC China Energy has failed to pay its debts to J&T Private Investments (JTPI) in time, so J&T has taken over shareholder rights in CEFC Europe, dismissing its board and appointing a crisis management, JTPI spokesman Petr Malek told CTK today.

CEFC China Energy owes EUR450m (Kc11.5bn) to the Czech group.

CEFC Europe Group spokesman Pavel Bednar told CTK the company would not comment on J&T's information.

The dismissed board members include board deputy chairman Jaroslav Tvrdik, who has said recently Chinese state conglomerate CITIC Group will pay CEFC's debts within days. Creditors have negotiated with CITIC representatives, but have not found a solution, Malek said.

"In addition, JTPI has been informed recently that CEFC is taking steps aimed at preventing creditors from exercising their rights," Malek said.

New board members of CEFC Europe are Peter Kubik and Dusan Palcr.

The crisis management is expected to secure stability of all parts of the CEFC Europe group and to create conditions for solving the situation, Malek said.

A financial and legal audit will be carried out in CEFC Europe, J&T said.

"The creditors are ready to hold talks with CITIC, which they consider a trustworthy and transparent partner," Malek noted.

All receivables of J&T Finance Group (JFTG) from CEFC are secured by quality assets and JFTG has no reason to adopt any measures at this moment, spokeswoman Monika Vesela told CTK.

"The situation has no influence on the operation and financial results of JFTG. We believe that the crisis management will also help solve the problems of the parent company, among other things," she added.

According to consulting firm Starteepo head Frantisek Bostl and analyst Radim Dohnal of investment portal Capitalinked, it is no surprise that CEFC's problems have escalated to the present situation.

"The CEFC group has been having liquidity problems for a long time, trying to solve them by short-term loans at unreasonable interest rates. The financial situation of subsidiary CEFC Europe thus could not improve," the analysts said, adding that they nevertheless expected CITIC to take over CEFC's obligations and recapitalize them.

"China keeps sending messages that the Czech Republic is a strategic investment locality, and its further steps regarding the solution of the CEFC's situation can either confirm or refute this," they said.

"It is nevertheless clear that this case will slow down current Chinese activities in our country, which are below

expectations and promises of the Prague Castle (the presidential seat) and Beijing anyway," the analysts added. Information about CEFC's financial problems emerged following reports that CEFC group head Ye Jianming is being investigated by Chinese authorities on suspicion of having committed an economic crime.

CEFC's debts are pledged by the building of the former Zivnobanka bank in the centre of Prague, the Florentinum administrative complex and the Slavia soccer stadium, among other things.

CITIC Group has recently acquired 49 percent in CEFC Europe. Some time ago, CEFC chose the Czech Republic as a centre for its European activities and bought stakes in several Czech companies, such as air carrier Travel Service and travel agency Invia.cz. It controls brewery Pivovary Lobkowicz Group and engineering and metallurgy company Zdas Zdar nad Sazavou, and is a majority owner of the football club Slavia and Prague's Eden stadium.

CEFC Europe manages assets exceeding EUR1.5bn in the Czech Republic at present.

CEFC also entered J&T Finance Group, holding a 10-percent stake in it. In March 2016, both companies agreed that CEFC would raise its stake to 50 percent, for which it would pay EUR980m (Kc26.3bn).

Antitrust office UOHS approved the increase in May 2017. At the beginning of this year, however, the Czech National Bank (CNB) turned the request down. CEFC appealed the decision first, but in March it announced it was withdrawing its request.

#### EC: CZECH REPUBLIC MEETS TWO OUT OF FOUR EURO ADOPTION CRITERIA – 23-5.

The Czech Republic currently meets two out of four conditions for joining the euro zone, according to the European Commission's Convergence Report reviewing member states' progress towards euro adoption released on Wednesday.

The report concludes that the Czech Republic fulfils the criteria on public finances and long-term interest rate but doesn't meet the price stability and the exchange rate criteria. Along with the Czech Republic, the report covers another six EU member states that are legally committed to adopting the euro, which include Bulgaria, Croatia, Hungary, Poland, Romania and Sweden. The single European currency is currently used by 19 EU member states.

### AGRICULTURE & ENVIRONMENT

#### CIA LESY ČR REPORTS REVENUE OF CZK 2.16BN FOR Q1 – 18.5.

Lesy České republiky reported revenue from own products and services totalling CZK 2.16bn for Q1 2018. The pretax fiscal result totalled CZK 1.25bn. Timber harvesting reached 2.11 million m<sup>3</sup>. The spokesperson for the state-owned forest management company, Eva Jouklová, has told ČIANEWS that reduced price of timber had a negative effect on profits. The price drop was caused by surplus of timber on the market due

to natural catastrophes and related processing and sale in lower quality. The supply exceeded demand significantly.

#### ENERGY & INDUSTRY & TRADE & TRANSPORT & INVESTMENT

#### **CIA** ŠKODA BRAND DELIVERED 32,800 OCTAVIA CARS IN APRIL - 17.5.

ŠKODA brand delivered totally 32,800 OCTAVIA cars to customers in April 2018. Carmaker ŠKODA AUTO has informed that the deliveries dropped 4.4% y/y. The brand registered an increase by SUPERB (12,100; up 0.4%) and KODIAQ (13,000; up 164.4%). Decline was registered for the FABIA (16,300; down 10.5%), RAPID (17,200; down 1.4%) and YETI (2,100; down 69.7%) models. The CITIGO model, available in Europe only, registered 6.1% increase in sales to 3,600 sold vehicles. KAROQ's sales totalled 10,000. All in all, 107,100 ŠKODA cars were delivered globally in April, up 10.1% y/y.

#### **CTK** GOVT TO HAVE INVESTOR MODEL FOR NEW NUKE SOURCE IN NOV - 17.5.

A concrete investor model for the construction of a new nuclear source in the Czech Republic could be submitted to the government by the end of November and the government could decide on it in December, Industry and Trade Minister Tomas Huner said after a meeting of the Standing Committee on Nuclear Energy today.

Huner is going to submit the first document to ministers by the end of June.

According to Huner, it will contain a complete proposal of individual steps, deadlines and responsibilities of the institutions and individuals involved.

After a March meeting of the committee, Huner said the committee should submit its opinion and recommendations to the cabinet in May, with the government to deal with the material in June.

Earlier this week, Huner said the committee would not recommend to the government any concrete investor model at today's meeting.

He told CTK on Tuesday that the committee should this week only recommend two options that are now being discussed and that should be further analysed. He confirmed this today. The information that the committee and the ministry currently have is not sufficient enough for submitting a recommendation of any specific model to the cabinet, Huner said on Tuesday.

The first option involves preparation for construction of a new nuclear block and its financing and building by energy company CEZ, as we know it today. The second option for consideration involves CEZ after some transformation, with its part 100 percent owned by the state to implement the project," said Huner.

According to the Confederation of Industry (SP CR), the postponement of the decision may endanger the country's energy security after 2035.

"The Confederation urges the government to decide as soon as possible, in line with its policy statement, and to support the development of nuclear energy in the Czech Republic by concrete steps," Confederation's economic policy section head Bohuslav Cizek said.

Huner also said the first negotiation with the European Commission (EC) would be held in June. The EC has to approve the potential public aid for the construction.

"We will try to analyse all possible models and determine which of them and why would be acceptable for the European Commission," he added.

#### **CIA** ÚJV ŘEŽ STARTS DEVELOPING SMALL HYDROGEN FILLER - 17.5.

Innovators from the ÚJV Řež nuclear research institute have started developing a small hydrogen filling station. The special unit will be used for filling fuel to means of transport, for the time being those with low consumptions. The filler is scheduled to start providing services in 2020. Thanks to hydrogen production using photovoltaics, the project will offer fully emission-free transport. The project is supported financially by the Technology Agency of Czech Republic.

#### **CIA** PPF ACQUIRES STAKE OF 29.4% IN ČD TELEMATIKA - 17.5.

Group PPF has acquired a stake of 29.4% in ČD Telematika.

The company acquired the minority stake from investment group UNICAPITAL.

Both parties agreed on not disclosing the purchase price or details if the contract.

The acquisition is part of PPF's long-term strategy in the field of the communication infrastructure.

#### **CTK** MOST CZECH COMPS SAY THEIR EXPORT TO GERMANY WILL RISE IN 2018 - 17.5.

As much as 69 percent of exporters to Germany envisage a rise of exports to the Czech Republic's largest neighbour for this year, with 42 percent planning to raise their production capacity because of German demand, said an analysis that was made public at an export conference.

The Association of Small and Medium-Sized Enterprises and Crafts, CzechTrade agency and Komerční banka bank prepared the analysis for today's conference called Germany - Your Trading Partner.

One third of Czech exports go to Germany in the long run. "A half of them is reexported," Tomas Jan Podivinsky, Czech Ambassador to Germany, told the conference.

"More of our products go to China via Germany than directly," he said.

Czech products and services are well established in Germany, mainly in the neighbouring federal states and in eastern Germany, said Podivinsky.

The Czech Republic was the seventh most important importer to Germany for the first time last year, getting ahead of Switzerland.

"In Bavaria, Czechia ranked third in terms of significant importers, occupying this position for the first time, which may imply the growing dependence of Germany on Czech suppliers," said Adam Jares, head of the German office of CzechTrade agency in Dusseldorf.

For nearly a half of Czech small and mid-sized companies, the importance of Germany as an export destination has grown over the past three years.

Germany is the Czech Republic's main export and import partner, and it is the second largest investor in the country.

Lack of qualified labour is the greatest problem for both Germany and the Czech Republic at present, Podivinsky said. "There is a shortage (of people) in two-thirds of all German companies and 90 percent of building companies," he pointed out.

"For 26 percent of exporters, shipments to Germany account for more than 30 percent of their overall exports, about one in ten companies supply more than a half of their output (to Germany)," said CzechTrade CEO Radomil Dolezal.

Jan-March Czech exports to Germany decreased by 2 percent to Kc346bn, rising by 7.3 percent to nearly Kc1,400bn last year.

Finding an appropriate trading partner is the largest problem for 44 percent of Czech companies in Germany. Eight percent of companies find it difficult to cope with legislative obstacles, and a conservative approach to Czech suppliers is a problem for more than a quarter of exporting companies, the analysis said.

**CIA SŽDC WANTS TO INVEST CZK 600MN IN POSÁZAVSKÝ PACIFIK LINE – 17.5.**

The Railway Infrastructure Administration (SŽDC) is completing the tender documentation for a public tender for the restoration of the operation at the line 212 connecting Čerčany, Ledebč, Kácov, Zruč nad Sázavou and Světlá nad Sázavou. The construction work at the Posázavský Pacifik line will likely begin in the fall of 2018. The project will likely be completed by June 2019 in order to return trains to the line at the beginning of the main touristic season. Costs related with the operation restoration should not exceed CZK 600mn. The exact sum will be known after the completion of the tender.

**CIA ČESKÝ AEROHOLDING AND LETIŠTĚ PRAHA TO MERGE INTO ONE – 17.5.**

Czech government approved on May 16, 2018, the planned merger of Český Aeroholding and airport operator Letiště Praha. As a result of the merger, Letiště Praha will be the successor company and the relationships and processes in the company will be simplified, leading to higher efficiency of the new company and reduction of operating and administrative costs.

Ministry of Finance will perform the shareholders' rights in Letiště Praha.

**CIA GOVT APPROVED CZK 36BN FOR SCIENCE IN 2019 – 17.5.**

Czech government approved on May 16, 2018, the draft of CR's state budget spending on research, experimental development and innovations for 2019, with medium-term outlook for 2020 and 2021 and long-term outlook until 2025. As ČIANEWS has previously informed, the proposed budget for 2019 totals CZK 35.989bn, up CZK 2.145bn y/y. The budget for 2020 is foreseen at CZK 37.492bn and for 2021 at CZK 37.492bn.

**CIA GOVERNMENT TO DISCUSS REGULATION ON INVESTMENT FUNDS – 18.5.**

The government led by PM Andrej Babiš (ANO) will meet on May 23, 2018 to discuss the draft regulation amending the government regulation on investments in investment funds

and their management. The government will also discuss the draft amending the Act on Conflict of Interests. The goal of the draft is to introduce a rule that a politician will get only one reward for one full-time function and the reward for other functions of members of representations will be reduced to 40%. The reward paid to politicians combining nation-wide and regional functions will be limited, too.

**CIA APPOINTMENT: DAIKIN – 18.5.**

Mr. Yasuto Hiraoka has become the executive director and general manager of Daikin in Plzeň.

**CIA TRAVEL SERVICE ACQUIRES THIRD BOEING 737 MAX – 18.5.**

Travel Service has acquired the third new Boeing 737 MAX 8 out of a total of 39 ordered planes of the kind. The new airplane branded SmartWings has already passed a direct flight from Seattle, the USA to Prague. Travel Service will receive three new airplanes 737 MAX by September 2018. Ravel Service will secure the coming summer season with a fleet of 56 airplanes, some seven planes up compared with the year 2017. It will operate flights from 12 bases in seven countries.

**CTE MINISTER PLANNING PERSONNEL CHANGES IN NUCLEAR ENERGY COMMITTEE – 20.5.**

Industry and Trade Minister Tomas Huner is planning personnel changes in the Standing Committee on Nuclear Energy, since a new type of experts is needed at present, Huner said in a discussion programme on the public Czech Television (CT) today.

Huner said he would submit the proposal for such changes to the government at the end of June.

The Standing Committee on Nuclear Energy is an interministerial coordination and consulting body of the government and is chaired by the Industry and Trade Minister. According to the state energy strategy, a new nuclear unit is expected to be built by 2035.

The State Office for Nuclear Safety (SUJB) head Dana Drabova said on CT that the preparations for such construction have been delayed by at least two years. The government should have decided on the investor model of construction two years ago, she added.

At present, two options of the investor model are being discussed.

"The first option involves preparation for the construction of a new nuclear block and its financing and building by energy company CEZ, as we know it today. The second option for consideration involves CEZ after some transformation, with part of CEZ 100-percent owned by the state to implement the project," Huner said earlier this week.

A third option under which CEZ would set up a 100-percent owned subsidiary which would build the unit is not being considered at present, Huner said.

The concrete investor model of construction is to be submitted to the government by the end of November. The originally planned date was May.

Huner said today he was convinced that the construction would be managed to be completed by 2035.

"A delay has been taken into account. According to the original projection, the project was to be completed in 2033. We will make every effort to complete in 2035," Huner said. The price of electricity in 2035 will not depend on what energy mix the Czech Republic will have at that time, according to Huner.

"It is and will be influenced by the market price of this commodity, which means that it will depend on whether there will be sufficient amount of electricity in Europe and in our neighbouring countries. Germany is undergoing notable structural changes and it is possible that it will not want to export electricity. Poland generates 85 percent of its electricity from coal and will have to change this in order to comply with legislative requirements," Huner said.

**CTK VALUE OF PUBLIC CONSTRUCTION CONTRACTS UP BY 73 PCT IN JAN-APRIL – 20.5.**

Public investors in the Czech Republic awarded 1,737 public contracts worth Kc64.5bn in total to construction companies in January-April this year, the value of the contracts rising by 73.4 percent and their number by 13.3 percent on the year, company URS Praha has told CTK.

April 2017 was the most successful month since the beginning of 2016, with contracts worth Kc22.9bn awarded. The value of new contracts announced grew by about one fifth year-on-year to Kc41.8bn.

The value of contracts awarded for housing construction projects in January-April increased by 56 percent to Kc15bn. The value of contracts for civil engineering projects, mainly transport infrastructure projects, rose by about 80 percent to Kc49.5bn.

Public contracts for construction work were awarded to about 600 companies in January-April. The biggest volume went to OHL ZS, which was awarded 11 contracts worth Kc5.55bn. It also won another 4 public contracts worth Kc0.35bn in consortium with other companies.

The value of new contracts announced in January-April rose by 20.9 percent to Kc41.8bn.

"The growth of the value of awarded contracts signals a revival of the construction sector and a growth of construction for the public sector. The increase in new contracts announced is also a positive piece of news for the construction sector," URS Praha's Petra Lupiskova said.

According to the Czech Statistical Office (CSU), public contracts accounted for 32.6 percent of total sales of construction companies in 2016, which was the lowest share since 1996.

**Value of public construction contracts, Jan-April 2018 (%)**

|                |      |
|----------------|------|
| January 2017   | 7.7  |
| February 2017  | 7.6  |
| March 2017     | 8.3  |
| April 2017     | 13.6 |
| May 2017       | 11.0 |
| June 2017      | 9.8  |
| July 2017      | 14.5 |
| August 2017    | 14.2 |
| September 2017 | 11.8 |
| October 2017   | 10.6 |
| November 2017  | 8.9  |

|               |      |
|---------------|------|
| December 2017 | 12.1 |
| January 2018  | 12.8 |
| February 2018 | 10.5 |
| March 2018    | 18.3 |
| April 2018    | 22.9 |

**CTK SKODA TRANSPORTATION COMPLETES PURCHASE OF FINLAND'S TRANSTECH – 21.5.**

Skoda Transportation engineering group has completed acquisition of Finnish tram and train producer Transtech, it signed a contract for the remaining 25 percent in the company today, the group's spokeswoman Lubomira Cerna told CTK.

The deal was signed during a visit of Prime Minister Andrej Babis with a business delegation to Finland.

Skoda Transportation has not disclosed the price. It had held a majority stake in Transtech since August 2015.

"Skoda Transportation group's long-term plan is strengthening of its position on West European markets. This is also the intention of the new owner, PPF international investment group under whose management we have completed Transtech's acquisition," said the group's board chairman and CEO Petr Brzezina.

In three years, the Finnish firm has been restructured and stabilised, said Skoda Transportation vice-president and Transtech board chairman Zdenek Majer.

"We have gained new orders and trams from Transtech are now heading for Helsinki and Tampere, for example. We also supply new railway vehicles for the Finnish railways," he said. They are 20 two-floor railway passenger cars with speed up to 200 kilometres per hour for almost Kc1.4bn. Production will start this year and handing over will begin in 2019.

Transtech is the only railway vehicle producer in Scandinavia. In less than three years, it raised workforce from 500 to 750 people.

"Annual sales are reaching Kc3bn, which proves that Transtech has become Skoda Transportation's important player offering further possibilities on western markets," Majer said.

Skoda Transportation bought the majority stake in Transtech from Finnish investment company Pritech Oy. Mr Ilka Brotherus, the original owner, kept a minority stake through Sinituote Oy from which Skoda Transportation has bought it now.

Last year in October, Transtech signed a contract for the supply of up to 65 trams to Finnish city of Tampere, the contract is worth Kc2.7bn. The vehicles will serve on a line whose construction is to be completed in 2021.

Tampere has ordered 19 ForCity Smart Artic trams, including 10-year services. The contract includes another three options for up to 46 vehicles.

Further 20 trams are to go to Helsinki, according to a contract from the end of 2016. Transtech at the same time signed a letter of intent for the supply of 29 trams for a new line connecting Helsinki and Espoo. In the past two years, Skoda Transportation group acquired contracts for Kc10bn in Finland. Skoda Transportation, a leading European producer of railway vehicles and trolleybuses, is a member of PPF

group of richest Czech entrepreneur Petr Kellner from April 2018.

**CIA DPP TO INVEST MORE THAN CZK 8BN IN 2018, INCL. IN METRO D – 21.5.**

In 2018 the Prague Public Transit Company (DPP) plans to invest more than CZK 8bn. This was stated by investment director and board of directors chairman Tomáš Kaas, who added that one of the items is the launch of the geological survey for metro route D for roughly CZK 950m. He added that thanks to the project of the Joint venture, the first part of the metro D route could start operating already in 2026. In 2017 DPP transported 1.17bn passengers. It saved roughly CZK 421m in total.

**CIA THE CONFEDERATION OF INDUSTRY CALLS UPON GOVT TO DECIDE RE NUCLEAR ENERGY FUNDING – 21.5.**

The Confederation of Industry has called upon the government to decide as soon as possible about the financing of the construction of nuclear blocks. The Confederation of Industry's Economic Policy Section Director Bohuslav Čížek has stated that further postponement of the decision about the blocks' construction deepens the uncertainty regarding nuclear energy development. He has added that in the long run the delays jeopardises the country's energy safety. Minister of Industry and Trade Tomáš Hüner (ANO) has stated in Czech Television's political discussion show Otázky Václava Moravce that the nuclear sources may realistically be completed by 2035 despite the two-year delay. He has added that the new blocks may be built without government warranties.

**CIA CZECHINVEST TO SUPPORT BROWNFIELD REGENERATION – 22.5.**

Business and investment support agency CzechInvest will divide CZK 180m in 2018 as part of the program Brownfield Regeneration and Business Utilisation. Subsidies will be available for municipalities, cities and regions in the territory of structurally affected regions and economically troubled regions. The minimum costs per project are CZK 1m, the maximum subsidy is CZK 50m. CzechInvest will accept the subsidies until August 10, 2018.

**CTK ECONOMIC MINISTERS NOT GOING ON BUSINESS MISSIONS – 22.5.**

Economic ministers stopped going on business missions abroad, which could cost Czech firms export and investment opportunities as the presence of a high-ranking politician increases the chance of getting established on a market, business associations told CTK today.

Over the past six months, there was only one business mission accompanied by Industry and Trade Minister Tomas Huner, with the delegation heading to India.

Ministers' trips have not been organised because the cabinet is in resignation, said government spokeswoman Barbora Peterova.

Prime Minister Andrej Babis has mainly taken part in EU summits or Visegrad group meetings, which are events not to be attended by business delegations. Babis also left for an

official visit to Slovakia. On such occasions constitutional officials are not accompanied by entrepreneurs.

"However, a business delegation accompanied us to Finland (May 20-21), where a Czech-Finnish business forum was held," Peterova told CTK.

Czech companies can currently lose out to foreign delegations, the Chamber of Commerce spokesman Miroslav Diro said today.

Missions help exporters penetrate markets and approach foreign partners, he added.

Regarding ministers' trips abroad, Babis has said several times that "the state is not a tour operator."

In February, he said on Facebook that the Czech Republic should be represented mainly by diplomats paid by the country.

"We have to recognise that companies currently don't have a lot of opportunities to go on a business mission," Eva Velickova of the Confederation of Industry said.

Based on the tripartite meeting (government, employers, unions), the Prime Minister's plan is to have missions going around Europe, which will not help diversify exports, Velickova said.

Business missions are now accompanied by deputy ministers and representatives of business associations and parliament members.

Since the beginning of this year, the Confederation of Industry has organised two business missions - one going to Albania with Senate chairman Milan Stech and one heading to Vietnam with Deputy Industry and Trade Minister Vladimir Bartl. Twelve missions took place last year.

The planned mission to Iran with Huner will probably be postponed, the Confederation of Industry said.

At the beginning of July, Huner plans to join a delegation of entrepreneurs heading to Jordan.

There are some territories that cannot do without political support, which was one of the reasons why minister Huner went to India in March, ministry spokeswoman Stepanka Filipova said.

It is necessary to diversify Czech exports in terms of territories and fields because the main problem is the orientation to countries of the European Union accounting for some 83 percent of the export volume.

**CTK CEZ WANTS BONUSES FROM 2017 PROFIT, FINMIN DOES NOT AGREE – 22.5.**

CEZ energy group's management wants a general meeting on June 22 to approve the payment of Kc21m worth of bonuses from 2017's profit to the board of directors and the supervisory board, said an invitation to the general meeting, but the Finance Ministry will not back this proposal.

No bonuses were paid in the previous three years. In 2015 and 2016, the shareholders approved the Finance Ministry's proposals that no bonuses be paid. Last year, CEZ management did not propose the bonuses at all for the first time in 16 years.

If no bonuses were paid out in previous years, when the dividend was the same or even higher, then there is no reason for them to be paid out this year, Finance Minister Alena Schillerova told CTK.

CEZ raised net profit by 30 percent to Kc19bn last year, partly thanks to a one-off income from the sale of Hungary's MOL shares and higher production of nuclear power plants. Sales fell by 1 percent to Kc201.9bn.

Net profit adjusted for extraordinary effects, from which dividend is calculated, grew by 5 percent to Kc20.7bn.

"The board of directors and supervisory board made a number of very complicated decisions and this is why it proposes payment of bonuses in the size which corresponds with the practice from the years before 2013 when bonuses were paid each year since CEZ's setup. However, the decision is in the hands of the shareholders at the general meeting," CEZ spokesman Ladislav Kriz told CTK today.

When bonuses are not paid, it does not mean that the management loses all benefits. Members of the board of directors can use, among other things, a motivation programme for the purchase of the company's shares.

At the end of April, the board of directors proposed payment of Kc33 per share before tax in dividend for last year, the same as a year earlier. If the plan is okayed at the general meeting, Kc17.8bn will be paid to shareholders.

Payment of dividend worth Kc33 per share before tax for 2016 was approved by the company's shareholders last year. The state as the majority owner thus gained almost Kc13bn. In the previous four years, CEZ paid a dividend worth Kc40 per share each time. Most analysts expected a dividend around Kc35 per share for last year.

CEZ management also proposes that the size of financial gifts in 2019 be worth Kc110m, Kc20m lower than in the previous year. CEZ has said this year that it would stop sponsoring the Karlovy Vary International Film Festival (MFF) after 16 years. CEZ is the biggest domestic energy producer and the state is its majority owner. It holds some 70 percent of CEZ shares via the Finance Ministry.

CEZ's potential transformation or split has lately been talked about. The plan is to help, among other things, for deciding on possible construction of a new unit in Dukovany nuclear power plant.

The potential transformation is also among the topics for the general meeting. However, Kriz said this would be only information why this is being considered and discussed, no voting will take place on this.

"It is a big and important topic for the shareholders. We want to present to them the board of directors' opinion on this issue," Kriz said.

#### **ACTIVISTS SUCCEED WITH COMPLAINT AGAINST NUCLEAR WASTE STORAGE – 22.5.**

The Prague Municipal Court has met a complaint by environmental activists against the nuclear waste storage operating in the complex of the Temelin nuclear plant, south Bohemia, and cancelled the offices' respective decisions, court spokeswoman Marketa Puci told CTK today.

The verdict has taken effect and the the Regional Development Ministry and the South Bohemia Regional Office must deal with the matter again.

The court concluded that the impact of serious accidents had not been sufficiently assessed in the process of the environmental impact assessment.

Another reason to annul the offices' decisions was the violation of the procedural rights of the complainant, the environmental association (V havarijní zóně jaderné elektrárny Temelín), in the proceedings before administrative bodies.

The nuclear waste repository in Temelin has been working since 2010. It was filled up to one-fifth at the beginning of this year. The containers are to be stored there for up to 60 years. Then the nuclear waste is to be transferred to a permanent repository.

However, the court panel ruled behind closed doors last Friday that the process preceding the decision to place the nuclear waste storage in Temelin had not been in compliance with law.

The Regional Development Ministry repeatedly approved the decision by the South Bohemia Regional Office from 2008 to place the storage facility in Temelin. It turned down the appeals by the anti-nuclear association three times.

According to the court, the office did not proceed correctly. The Prague Municipal Court was dealing with the case for the third time in a row. It cancelled the previous two decisions by the ministry since they were "non-reviewable."

Now it for the first time reviewed the criticised zone-planning decision.

The association claims that the zone-planning proceedings had fundamental shortcomings. The offices did not assess the impact of all the nuclear facilities in the place on the environment, nature, human health and landscape and did not deal with the aftermath of a possible serious nuclear accident, the association pointed out.

#### **ZEMAN TO MEET U.S. BUSINESS REPRESENTATIVES ON THURSDAY – 23.5.**

Czech President Milos Zeman will receive U.S. companies' representatives at the Prague Castle, the presidential seat, on Thursday afternoon, Rudolf Jindrak, from the foreign department of the presidential office, told CTK today.

The group of the U.S. managers will visit the Czech Republic this week within the ACEBA (America-Central European Business Association) business mission taking place this week. The Presidential Office said it was a U.S. chamber of commerce associating investors interested in Central and East European countries.

Managers from the Lockheed Martin aerospace company, Archer Daniels Midland (ADM) agricultural giant, Amgen pharmaceutical company, Medtronic medical devices producer, Phillip Morris International tobacco company and Westinghouse electric corporation.

Apart from meeting the president, the business representatives will also talk to other Czech officials.

In 2017, Czech companies exported goods worth almost 88 billion crowns into the USA. Regarding the future of trade between Europe and the USA, there has recently been tension due to the announced protective measures of U.S. President Donald Trump.

LABOUR & HEALTH & SOCIAL

**HK ČR ASSEMBLY AGREES ON REQUIREMENTS FOR GOVERNMENT – 17.5.**

The Chamber of Commerce of the Czech Republic (HK ČR) disagrees with current proposals to abandon the protection period in the field of health insurance. This was agreed by the 30th assembly of the chamber. The chamber also called on the government to stop raising the minimum wage under the pressure of trade unions and political parties and introduce transparent rules instead. The chamber asks for measures flexibly reacting on the lack of labour force. According to HK ČR, the government should not make the business segment accept the system of wages valid in the public segment. The chamber wants investment incentives to be provided only as an extraordinary tool. The chamber would also like to change the education system in order to secure the necessary qualified labour force.

**70% OF EMPLOYEES IN CR FEEL IMPACTS OF LACK OF WORKFORCE – 20.5.**

As many as 70 percent of Czech employees feel the impacts of the current lack of labour force on their jobs, mainly in the form of higher workload, more overtime work and weekend shifts, according to a survey conducted by the Up company among 525 respondents.

As many as 27 percent of respondents say they have more work than they used to have. Seventeen percent of employees have more overtime hours, and the same percentage of respondents say they have to perform work for others.

A total of 17 percent of employees also feel tense atmosphere at their workplace caused by their superiors, while another 12 percent feel the same in relation to their colleagues.

These negative impacts are perceived mostly by employees in Prague.

Employers are trying to struggle with the situation by raising wages in order to maintain the current employees and attract new ones. In spite of this, nearly 40 percent of employees are considering leaving their current jobs.

"Companies have been reacting to the extremely low unemployment mainly by raising wages so far. But it turns out that this is not enough. Higher wage is no longer a sufficient motivation for employees," Up sales director Petra Gubikova said.

Beside the wage hike, most of employees do not feel any positive impacts of the situation. Only less than 10 percent of employees have been offered more employee benefits.

"Since employers are reaching maximum limits as regards wages, and unemployment is expected to continue falling below 2 percent, company owners will have to learn to use these instruments better and they should look for other ways of attracting and maintaining employees apart from money," Gubikova said.

**MINISTRY PREPARING PROGRAMME TO GAIN NURSES FROM UKRAINE – 21.5.**

The Labour and Social Affairs Ministry plans a special programme to get nurses and other care workers more easily

and faster to the Czech Republic that lacks several thousand people to look after the elderly and disabled, minister Jaroslava Nemcova (ANO) told reporters today.

She said she would like to propose the introduction of this programme that would also facilitate the export of labour force from Ukraine for other fields as well.

The Czech Chamber of Commerce welcomes this step. It has complained about the lengthy proceedings to obtain labour permits for Ukrainians.

"Social services lack about 2000 people. I know that we could employ them very quickly," Nemcova said about potential Ukrainian care workers.

There is a record low unemployment in the Czech Republic (3.2 percent at the end of April), which has been the lowest in the country since 1997 and is the lowest in the EU.

The labour offices have registered 242,000 jobless and 267,000 vacancies. Employers complain about the lack of staff and call for foreign workforce.

At present, some 374,000 people from abroad work in the Czech Republic with a population of 10.5 million. Out of them 280,000 are from the EU and 94,000 from other countries, including about 70,000 who came from Ukraine, Nemcova said.

The special programme to more easily recruit Ukrainian nurses and care staff would work in a similar way as the programme for highly qualified experts and farming workers, she said.

The administrative process would be simplified and shortened.

A nurse from Ukraine who wants to work in the Czech Republic needs a long-term visa for two years for which she is waiting for almost one year, Nemcova said.

Within the new programme, she should arrive in the Czech Republic based on a three-month Schengen visa and take up a job. At the same time, her employer would apply for a long-term visa. As soon as the documents were prepared in a few months, the nurse would formally leave for Ukraine to pick them up, Nemcova explained.

The rules of submitting multiple applications for foreign workers should be modified, too. The deadlines for their processing in the Czech Republic as well as at the offices in Kiev and Lviv should be cut and the control system is to change, too.

Nemcova said without elaborating that she would like to propose a change to the rules of employment through agencies, too.

"If employers ask for workers from Ukraine, they find them there and have the vacancies dully registered, it is not unusual that it takes nine months up to one year before they get employees for their firm," Nemcova said.

She visited Ukraine last week, accompanied by Chamber of Commerce Vice President Irena Bartonova Palkova. They focused on the recruitment of new workers.

"As employers, we need people to be there within 90 days as of filing the application. Today, the waiting time for an applicant in Lviv to submit his application is 85 days, which is very long," Bartonova Palkova said.

Some employers point out that the Czech Republic should seek lacking workforce elsewhere as well, since the outsourcing of a high number of Ukrainians to more

advanced countries might have a negative effect on Ukraine and its development. The main target country is Poland that brought one million workers from Ukraine last year, Bartonova Palkova said.

**THE CONFEDERATION OF INDUSTRY WANTS TO ABOLISH DUTY TO PREFER CZECHS IN JOBS – 22.5.**

The duty to offer vacant jobs suitable for the Ukraine Regime for the duration of 30 days preferentially to local employees is unnecessary in the current situation on the labour market and only prolongs the time before companies are allowed to offer a job to a foreigner and start a six-month hiring process. Therefore, the Confederation of Industry wants to abolish this duty. The Confederation added that the number of vacant jobs suitable for the Ukraine Regime (166,000) exceeds the number of job seekers registered by Labour Offices by almost 40,000.

**TRADE UNIONS AT CHEMICAL COMPANY DEZA, PART OF AGROFERT, ON A STRIKE ALERT – 22.5.**

Trade unions at chemical company DEZA, part of Agrofert, went on a strike alert today, the unions leader Michal Svacek told CTK.

The failure to sign a collective agreement for 2018 and an unacceptable wage development are the reasons behind the move, the unions said. DEZA's management was surprised by the move, describing the unions' demand for a 13 percent rise of base salary as inappropriate. The collective bargaining process began at DEZA at the end of last October.

**MISCELLANEOUS**

**CRA LAUNCHES TRANSITION DVB-T2 NETWORK FOR ČT – 17.5.**

České Radiokomunikace (CRA) has built and launched a comprehensive transition network for broadcasting in the DVB-T2 standard for Czech public-service TV station Česká televize (ČT). The construction took roughly six months and last transmitters were launched in mid-May 2018. A total of 99.6% of viewers can watch all ČT channels in the HD quality. Last added transmitters include Trutnov - Černá hora, Chomutov - Jedlák, Mažský vrch u Vimperka and Tlustá hora in Zlín Region. The network consists of 26 base transmitters.

**EUROPEAN ASYLUM SYSTEM NEEDS REFORM - CZECH, FINNISH PMS – 21.5.**

is still a problem in Europe and the asylum system needs to be reformed, Finnish and Czech prime ministers, Juha Sipilä and Andrej Babiš, told a press conference after their talks in Helsinki today.

Sipilä said migration is one of the issues in which EU countries must make progress. He said the causes of migration must be dealt with.

"We agreed that we need a strong and functioning asylum system that will be resistant to future crises," Babiš said.

He said the Czech Republic is against the mandatory quotas for the redistribution of asylum seekers across Europe, but it is ready to help in the countries from which the migrants are coming.

In 2015, the interior ministers from EU countries approved temporary mandatory refugee quotas, although the Czech

Republic and three other countries opposed this solution. Finland was the only country to abstain from the vote.

Sipilä said Finland and Czechia have the same stance on some chapters of the EU budget. He mentioned agriculture, cohesion policy, support for digitisation and defence policy. One of the ways of finding and promoting joint interests in the EU is to seek partners for negotiations, Babiš and Sipilä agreed.

In this context, they talked about a possible joint meeting of the Visegrad Group (Czechia, Hungary, Poland, Slovakia), the Scandinavian countries (Denmark, Finland, Iceland, Norway, Sweden) and the Baltic states (Estonia, Latvia, Lithuania).

"We would discuss the European agenda because their opinions are close to our," Babiš told journalists later today. Babiš has invited Sipilä to Prague.

Sipilä and Babiš took part in a Finnish-Czech business forum this morning.

During Babiš's visit to Finland, the Czech firm Skoda Transportation completed the purchase of the Finnish tram maker TransTech. Skoda Transportation had a majority stake in TransTech from 2015.

Babiš spent two days in Finland. He said before his trip he wants to get acquainted with the Finnish education system. He visited an elementary school and a university there.

Five years ago, Czech Prime Minister Petr Nečas visited Finland. The last Finnish prime minister to arrive in the Czech Republic was Matti Vanhanen in 2008.

**POLL: CZECHS TRUST ZEMAN, KISKA MOST, MERKEL, TRUMP LEAST OF ALL – 22.5.**

Czechs consider President Miloš Zeman the most trustworthy of world politicians, followed by Slovak President Andrej Kiska and French President Emmanuel Macron, though neither of them is trusted by a majority of people, an April public opinion poll of the CVVM agency has shown.

The politicians who are the most untrustworthy in the eyes of Czechs are German Chancellor Angela Merkel, U.S. President Donald Trump and Russian President Vladimir Putin, the poll showed.

Like other polls, it confirmed that Zeman divides Czech society. He is trusted by 47 percent of those polled, while another 47 percent said they do not trust him.

Kiska is trusted by one third of Czechs, while 30 percent do not trust him. This is the relatively best result out of all assessed personalities.

Twenty-six percent of the respondents said they trust Macron and 35 percent said they do not trust him.

Hungarian Prime Minister Viktor Orbán ended fourth, trusted by about one quarter of Czechs and mistrusted by another quarter.

About the same number of Czechs trust British PM Theresa May and former Slovak PM Robert Fico, who resigned and was replaced amid a government crisis in March. However, 31 percent of Czechs mistrust May and 45 percent mistrust Fico, the poll showed.

As far as the three world powers' leaders are concerned, mistrust of them prevails over trust among the Czechs.

Merkel is mistrusted by 70 percent of Czechs, Trump by 67 percent and Putin by 66 percent, the poll showed.



Fico and Trump's position in this respect has worsened the most of all since the previous similar poll in late 2016. Fico's trustworthiness in the eyes of Czechs has fallen by 19 percent and Trump's by 12 percent.

The CVVM conducted the poll on 1,115 respondents on April 7-19.

**CTK EUROBAROMETER: CZECHS AMONG EUROSCEPTICAL NATIONS**  
- 23.5.

Czechs are among the eurosceptical nations within the EU since 46 percent of them believe that EU membership is neither good nor bad, according to a poll conducted by the Eurobarometer in April and released today.

At the same time 62 percent of Czechs share the view that the Czech Republic benefits from EU membership.

In general, the satisfaction with EU membership is on the rise in the EU. In all, 60 percent of the EU population is for it.

The proportion of those considering the EU membership beneficial to their country has crossed two-thirds, being the highest since 1983 when the poll was held for the first time.

The poll examined the views of the 28 EU countries.

The next election to the European Parliament is scheduled for May 2019. On the European level, one-third of people know the election will be held, but it is only one-quarter in the Czech Republic.

The interest in the vote is very small in the Czech Republic. Only 21 percent of Czechs are ready to take part in it, while the European average is almost 50 percent.

In general, the population of the EU believes that the introduction of the Spitzenkandidaten (leaders of the lists of candidates of individual European parties) from which a new head of the European Commission should arise is a positive affair.

Almost one-half of the EU population and 44 percent of Czechs say this has increased the likelihood that they will go to the polling stations.

When it comes to the topics considered of major importance for the European election, 49 percent of EU people cited the fight against terrorism, 48 percent the unemployment of the youth, 45 percent the topics associated with migration and 42 percent economic growth.

For Czechs, the security topic is more important since 55 percent of them consider the fight against terrorism the major topic, 53 percent migration and 51 percent the protection of the EU outer border.

**CTK CZECH SCIENCE ACADEMY AWARDS JAPANESE CHEMIST**  
NAKATSUJI - 23.5.

Renowned Japanese chemist Hiroshi Nakatsuji will receive the highest award of the Czech Science Academy (AV), the "De scientia et humanitate optime meritis" honorary medal for his contribution to science and humanitarian ideas, from AV President Eva Zazimalova this afternoon.

Nakatsuji is director of the Quantum Chemistry Research Institute (QCRI) at the Centre of Technical Sciences in Kyoto. Nakatsuji has helped find the exact analytical solution to the equations that are crucial for the quantum theory, that is the Schrodinger and Dirac-Coulomb equations. His solution was very significant for theoretical chemistry and physics since

until then, scientists expected these equations to be analytically solved for some types of particles only.

"Hiroshi Nakatsuji has published more than 550 original articles that have over 15,000 citations. He is a member and the general secretary of the International Academy of Quantum Molecular Science, a member of the World Association of Theoretical and Computational Chemists (WATOC), a holder of many awards and an editor of prestigious world journals," the AV said.

Nakatsuji has long cooperated with Czech researchers. In 2005, he was one of the initiators of the Japanese-Czech-Slovak Symposium. This year's symposium takes place from Monday till Thursday.

The award for Nakatsuji was proposed by Zdenek Hostomsky, head of the AV's Organic Chemistry Institute.

This medal has been bestowed on respected scientists since 1996. Other laureates are, for instance, historian Jaroslav Panek, psychologist Philip G. Zimbardo, chemist Zdenek Havlas and philosopher Erazim Kohak.

**STATISTICS**

**CTK FUEL PRICES IN CZECH REPUBLIC CONTINUE RISING STEEPLY -**  
17.5.

The Czech Republic's filling stations reported another steep rise in fuel prices over the past week, with the average price of petrol and diesel oil exceeding Kc32 and Kc31 a litre for the first time since August 2015, respectively, according to data of CCS company.

The average price of Natural 95 petrol added 44 hellers to Kc32.14 per litre and the average price of diesel oil increased by 46 hellers to Kc31.24 per litre, CCS said.

In the past two days, the Natural 95 price jumped by some 30 hellers a litre, with diesel oil reporting a similar development, Cyrrus company chief economist Lukas Kovanda said.

Reasons for the growth in global prices, which are now the highest since 2014, include the USA pulling out of the Iran nuclear deal, and the Gaza Strip incident caused by moving the US embassy to Jerusalem, Kovanda said.

However, the price rise should decelerate, he added.

BH Securities chief economist Stepan Krecek thinks that in the coming week, fuel prices will grow at the same pace as in the past one.

The Czech crown's being weakest to the US dollar since the beginning of this year contributes to the fuel price growth, he said.

Most surrounding countries report higher fuel prices, Finlord company investment manager Boris Tomciak said.

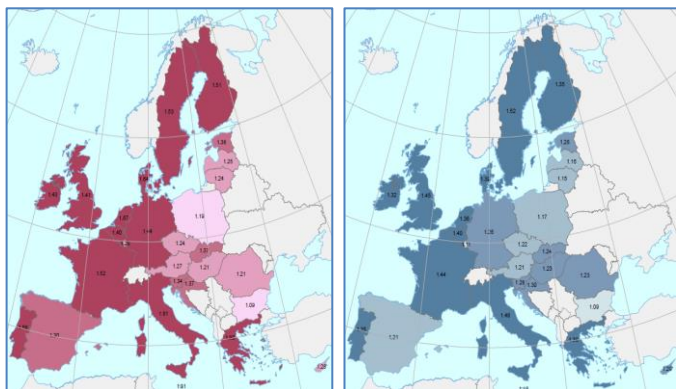
Fuel has been growing more expensive for almost two months now, with the average price adding more than Kc1.5 a litre since the middle of March.

**Average fuel prices in CR as of May 16 in Kc/l**

| Region         | Natural 95 | Diesel oil |
|----------------|------------|------------|
| Czech average  | 32.14      | 31.24      |
| Prague         | 33.08      | 32.16      |
| South Bohemia  | 31.69      | 30.80      |
| South Moravia  | 32.25      | 31.40      |
| Karlovy Vary   | 31.93      | 30.98      |
| Hradec Kralove | 31.82      | 30.83      |
| Liberec        | 31.74      | 30.88      |

|                 |       |       |
|-----------------|-------|-------|
| Moravia-Silesia | 31.83 | 30.96 |
| Olomouc         | 32.38 | 31.43 |
| Pardubice       | 31.96 | 31.02 |
| Plzen           | 32.66 | 31.83 |
| Central Bohemia | 32.47 | 31.50 |
| Usti            | 31.73 | 30.78 |
| Vysocina        | 32.59 | 31.87 |
| Zlin            | 31.83 | 30.90 |

Map 1: EU, Average fuel prices, Natural 95, Diesel, 14. 5. (in €/l)<sup>1</sup>



#### PRODUCER PRICE INDICES - APRIL 2018 – 18.5.

In April 2018 compared with the previous month, agricultural producer prices fell by 2.4%. Industrial producer prices (+0.2%), construction work prices (+0.2%) and prices of market services for businesses (+0.6%) all went up. In comparison to April 2017, agricultural producer prices went down by 1.9%. Industrial producer prices stayed unchanged. Construction work prices (+2.4%) and prices of market services for businesses (+1.7%) were both higher.

#### Month-on-month comparison:

**Agricultural producer prices** decreased by 2.4%. Prices of potatoes (-7.0%), eggs (-6.1%), milk (-2.7%), oil plants (-2.5%) and poultry (-1.7%) went down. On the increase were prices of cereals (+0.3%) and pigs for slaughter (+0.8%).

**Prices of industrial producers** went up by 0.2%. Prices increased particularly in ‘coke, refined petroleum products’. Prices were higher in ‘basic metals, fabricated metal products’ and ‘wood, wood products, paper, printing’ (+0.3% both). On the decrease were prices in ‘transport equipment’ (-0.2%), thereof ‘parts and accessories for motor vehicles’ (-0.3%). Prices fell in ‘chemicals and chemical products’ (-0.5%) and ‘food products, beverages, tobacco’ (-0.1%), thereof ‘preserved meat and meat products’ (-0.7%).

According to an estimate, **construction work prices** increased by 0.2% and construction material input prices grew by 0.5%.

**Prices of market services** for businesses rose by 0.6% due to the price increasing of ‘employment services’ (+5.1%), ‘advertising and market research services’ (+5.0%) and ‘architectural and engineering services’ (+2.2%). On the decrease were prices of ‘management consulting services’ by 0.5%. Prices of market services for businesses excluding advertising services grew by 0.3%.

#### Year-on-year comparison:

**Agricultural producer prices** were lower by 1.9% (+1.6% in March). Prices of crop products dropped by 3.0% due to

decreasing prices of oil plants (-13.7%) and potatoes (-7.3%). Higher were prices of fruit (+25.1%), vegetables (+9.6%) and cereals (+3.0%). Prices of animal products went down by 0.8%. Lower were prices of pigs for slaughter (-15.4%), eggs (-7.1%) and poultry (-0.3%). Prices of milk (+4.9%) and cattle for slaughter (+2.0%) went up.

**Prices of industrial producers** stayed unchanged in total y-o-y (+0.1% in March). Prices increased primarily in ‘electricity, gas, steam and air conditioning’ (+1.7%), ‘basic metals, fabricated metal products’ (+1.5%) and ‘mining and quarrying’ (+4.6%). Prices also went up in ‘coke, refined petroleum products’. Prices decreased the most importantly in ‘transport equipment’ (-3.5%), thereof ‘parts and accessories for motor vehicles’ (-5.4%). Prices fell in ‘chemicals and chemical products’ (-6.5%). Prices were lower in ‘food products, beverages, tobacco’ (-0.3%), thereof ‘other food products’ (-5.0%) and ‘preserved meat and meat products’ (-2.4%). Among the main industrial groupings, prices of ‘energy’ (+2.4%) increased the most, year-on-year.

According to an estimate, **construction work prices** rose by 2.4% (like in March after specification) and construction material input prices grew by 2.3% (+1.8% in March).

**Prices of market services** for businesses were higher by 1.7% (+1.8% in March). Increasing were prices in ‘employment services’ (+16.7%), ‘security and investigation services’ (+10.3%), ‘postal and courier services’ (+5.3%), ‘insurance services’ and ‘publishing services’ (+3.4% both). On the increase were also prices of ‘publishing services’ (+3.1%), ‘real estate services’ (+2.9%) and ‘advertising and market research services’ (+1.8%). Lower were prices of ‘warehousing and support services for transportation’ by 2.5%. Prices of market services for businesses excluding advertising services increased by 1.9% (+1.8% in March).

#### INDUSTRIAL PRODUCER PRICES IN THE EU – MARCH 2018 (PRELIMINARY DATA) – 18.5.

According to the Eurostat News Releases, industrial producer prices increased in March by 0.2% (no change in February) in EU28, **month-on-month**. The highest increases in industrial producer prices were recorded in six countries by 0.6%, among them was also Poland. Prices were higher in the Czech Republic (+0.3%) and Germany (+0.2%) and remained stable in Austria and decreased in Slovakia (-0.1%). Prices fell the most in Spain (-0.9%).

Industrial producer prices were higher in March by 2.4% (+1.8% in February) in EU28, **year-on-year**. The highest increase in prices was recorded in Estonia (+7.3%). Prices were higher in Slovakia (+3.3%), Germany (+2.0%), Austria (+1.7%), Poland (+1.5%) and the Czech Republic (+0.1%). The largest decrease was observed in Cyprus (-2.0%).

#### EXPORT AND IMPORT PRICE INDICES - MARCH 2018 – 18.5.

In March 2018, both export and import prices increased by 0.4%, the terms of trade figures reached 100.0%, month-on-month. Export prices declined 4.3%, import prices fell 5.9%, the terms of trade reached 101.7%, year-on-year.

<sup>1</sup> data issued by the European Commission; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

### Month-on-month comparison:

**Exports:** export prices rose 0.4% in March (-0.2% in February). The change of the total m-o-m export price index was led mainly by a 1.1% price growth in 'manufactured goods classified chiefly by material'. Prices were also growing in "miscellaneous manufactured articles" (+0.5%) and 'machinery and transport equipment' (+0.4%). Only price drop was recorded in 'food and live animals' (-0.2%).

**Imports:** import prices advanced 0.4% in March following a 0.3% decline in February.

The change of the total m-o-m import price index was driven mainly by a 0.4% price growth in 'machinery and transport equipment'. Prices increased in 'food and live animals' (+1.2%), 'chemicals and related products' (+0.6%), and 'manufactured goods classified chiefly by material' (+0.4%). No price drop was recorded in any of the observed groups.

The **terms of trade** decreased to the value of 100.0% (100.1% in February). Positive values of terms of trade were reached by prices of 'manufactured goods classified chiefly by material' (100.7%) and 'miscellaneous manufactured articles' (100.3%). Terms of trade of 'machinery and transport equipment' reached 100%. Negative values were reached among significant groups in 'food and live animals' (98.6%) and 'crude materials, inedible, except fuels' (99.6%).

### Year-on-year comparison:

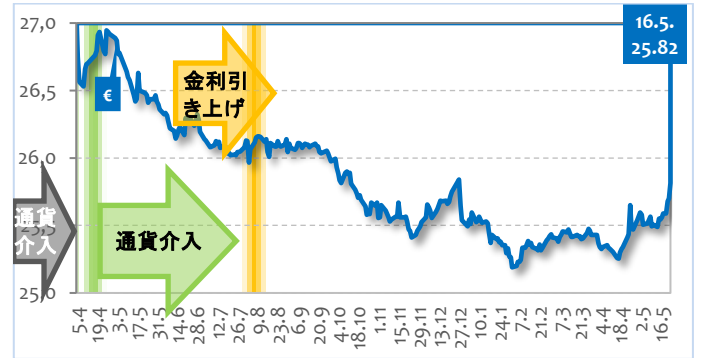
**Exports:** mainly due to strengthening of koruna against euro and U.S. dollar export prices fell 4.3% (-4.7% in February). A 5.0% price decline in 'machinery and transport equipment' contributed to the decrease in overall y-o-y export price index. 'Miscellaneous manufactured articles' prices dropped 5.4% and 'mineral fuels, lubricants, and related products' fell 9.6% (mainly coal). On the contrary, 'manufactured goods classified chiefly by material' prices grew (+0.3%).

**Imports:** import prices decreased by 5.9% after a 6.5% decline in February. The fall of the total annual import price index was primarily driven by a 8.6% drop in 'machinery and transport equipment'. Prices also fell in 'crude materials, inedible, except fuels' (-12.6%), 'miscellaneous manufactured articles' (-6.6%) and 'food and live animals' (-6.3%). Only price growth was registered in 'beverages and tobacco' (+4.6%).

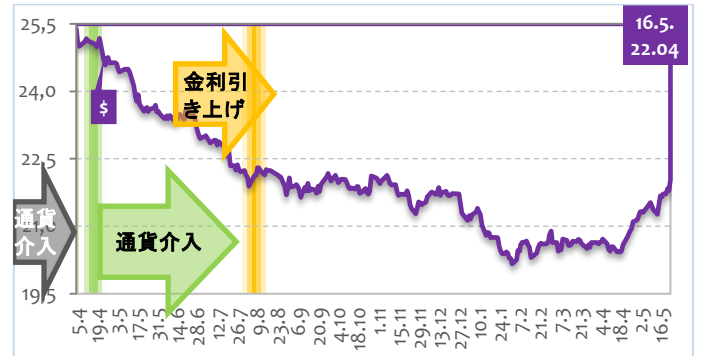
The **terms of trade** figures decreased to the value of 101.7% (101.9% in February) staying in the positive values for the sixth successive month. Among significant groups, positive values were reached by prices of 'machinery and transport equipment' (103.9%), 'manufactured goods classified chiefly by material' (102.8%) and 'miscellaneous manufactured articles' (101.3%). 'Mineral fuels, lubricants, and related products' reached negative values of terms of trade (90.7%).

## CZK VS EURO, US DOLLAR, YEN – 23. 5.

Graph 1: Exchange rates, CZK/€, 5. 4. 2017 – 23. 5. 2018



Graph 2: Exchange rates, CZK/\$, 5. 4. 2017 – 23. 5. 2018



Graph 3: Exchange rates, CZK/100¥, 5. 4. 2017 – 23. 5. 2018

