

ECONOMIC NEWS SUMMARY AUGUST 2 – AUGUST 8

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ECONOMY & FINANCE

CTK CNB WORSENS ECONOMIC GROWTH ESTIMATE – 2. 8.

The CNB¹ in its new forecast worsened a GDP² growth estimate for 2018 to 3.2% from its May prediction of 3.9%, and for next year its estimate stayed at 3.4%, CNB governor Rusnok said.

For 2020, the CNB envisaged a 3.3% economic growth.

The CNB raised its inflation estimate for Q₃³ 2019 to 2.1%, while in May it predicted 1.8%, and for Q₄ 2019 it increased its estimate to 2% from the previous 1.9%.

Risks to the predicted development have been balanced, Rusnok said. There is uncertainty about the speed with which the negative sentiment affecting the crown's rate will fade away and about protectionist measures in global trade. A short-term risk slowing the consumer price hike can be an outlook for food and fuel prices for the next few months, the central bank said.

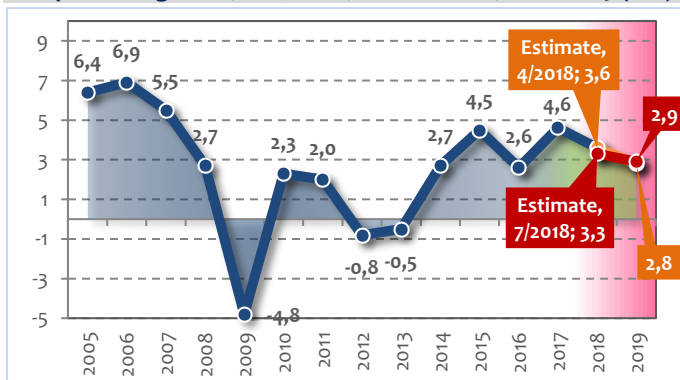
The CNB expects the average exchange rate of the crown to reach CZK25.50/€ this year and to firm to CZK24.60/€ next year.

In May, the CNB envisaged the CZK's rate at CZK25/€ and CZK24.40/€ in 2018 and 2019, respectively.

In 2020, the CZK should appreciate to CZK24.20 against the single currency.

Global effects may persist in the next 2 quarters, and the end of the year will see resumption of the CZK's gains, Rusnok said. However, it cannot be ruled out that the crown will start appreciating sooner. "Uncertainty of markets is quite big and their fluctuation is caused by statements about trade policy, he added.

Graph 1: GDP growth, 2005–2017, CBA estimate, 2018–2019 (in %)



¹ **CNB**: Czech National Bank, is the central bank and financial market supervisor in the Czech Republic and a member of the European System of Central Banks. In accordance with its primary objective, the CNB sets monetary policy, issues banknotes and coins and manages the circulation of the Czech koruna, the payment system and settlement between banks. It also performs supervision of the banking sector, the capital market, the insurance industry, pension funds, credit unions and electronic money institutions, as well as foreign exchange supervision.

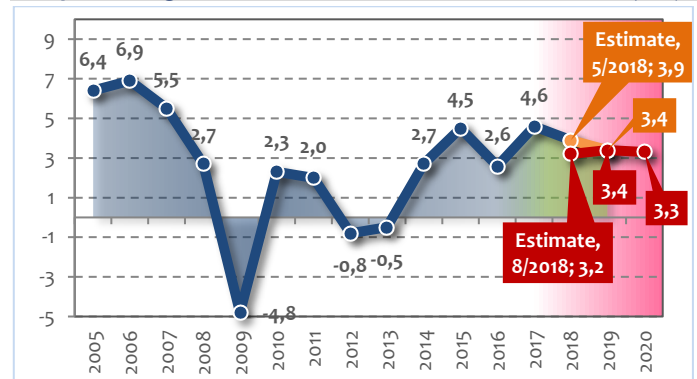
² **GDP**: Gross domestic product, an aggregate measure of production equal to the sum of all resident and institutional units engaged in production in a period (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). GDP can be determined in three ways, all of which should, in principle, give the same result. They are the **production approach**, the **income approach**, or the **expenditure approach**.

The production approach sums the outputs of every class of enterprise to arrive at the total. The expenditure approach assumes the value of the total product must be equal

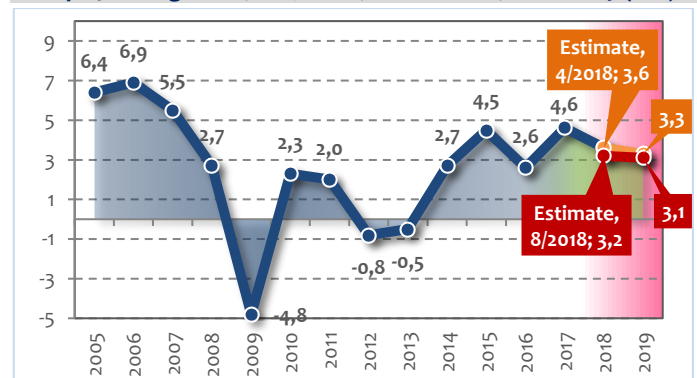
In its new forecast this week, the MF⁴ downgraded economic expansion prediction to 3.2% this year and 3.1% next year.

The CBA⁵ said last week the economy would increase by 3.3% this year and by 2.9% next year.

Graph 2: GDP growth, 2005–2017, CNB estimate, 2018–2019 (in %)



Graph 3: GDP growth, 2005–2017, MF estimate, 2018–2019 (in %)



CTK CZECH HOUSEHOLDS SPEND AND INVEST MORE – 2. 8.

Czech households are spending money faster than their incomes grow, with the rate of savings reaching 8.4% in the Q₁ 2018, which was the lowest level since 1999, the CSO⁶ said. The growth of consumer expenditures has accelerated. Households started spending more at the beginning of last year. In Q₁ 2018, the spendings rose by 5.5% in real terms in comparison with the previous quarter.

The increase in total monthly as well as non-monetary incomes per capita in real terms reached 4.2% in comparison with the previous quarter.

"As a result of the fact that households were spending more money while their incomes were not growing as fast, the rate

to people's total expenditures in buying things. The income approach determines GDP by finding the sum of all producers' incomes.

GDP = GVA + Taxes on products - Subsidies on products

³ **Q**: * quarter of the year

⁴ **MF**: Ministry of Finance

⁵ **CBA**: Czech Banking Association, a voluntary association of legal persons, doing business in banking and in closely connected areas. Membership has two forms, full membership, reserved for banks and for branches of foreign banks, licensed by the Czech National Bank, and associate membership, opened primarily to representative offices of foreign banks and to auxiliary organisations, related to the banking sector. It associates currently 37 banks and branches of foreign banks with full membership status, forming 99% of the banking sector.

⁶ **CSO**: Czech Statistical Office, is the main organization which collects, analyses and disseminates statistical information for the benefit of the various parts of the local and national governments of the CR. It accomplishes this goal through the management of the Czech Statistical Service.

of savings lowered. In Q₁ it reached 8.4%, which was the lowest level in the entire time series since 1999. This decrease started last year," CSO said.

On the other hand, households increased their investments activities. Their investment rate rose to 9.3% in Q₁, the highest level since the end of 2010, the CSO said.

"The investment rate has been growing for several years. In the Q₁, it reached the highest level since the end of 2010. Households usually invest mainly in housing, which makes up to ¾ of their expenditures," CSO said.

Households' expectations regarding economic development remain positive. The highest level of consumer confidence recorded in 2006 was exceeded at the turn of 2015 and 2016 and has been growing since then, according to the CSO.



NUMBER OF SOLE TRADERS CR – 2. 8.

The number of entrepreneurs in the CR increased by 6,492, or 43%, y-o-y⁷ in H₁⁸ 2018, which was the biggest increase in the past 3 years, according to the CRIF⁹.

While 31,187 sole traders started to run business in H₁, 24,698 businesses wound up, which was the lowest number since 2014, CRIF said.

Over the past 5 years, the number of entrepreneurs who start running business as sole traders in H₁ 2018 has stabilised at 31,000. The number of sole traders who close their business in the H₁ usually ranges between 24,000 and 27,000.

The biggest difference between the number of sole traders who launched business and those who ended business in H₁ was registered in the Vysocina Region and Prague.

Most sole traders started to run business in Prague (4,908), Central Bohemia (3,965), South Moravia (3,529) and Moravia-Silesia (3,348). The same regions also saw the biggest number of trade licences ceasing to exist (3,087 in Prague, 3,058 in Moravia-Silesia, 3,017 in South Moravia and 2,996 in Central Bohemia).

Most of the new sole traders were engaged in professional, scientific and technical activities (5,662), in retail (4,739) and in the manufacturing industry (4,387).

"The trend of growing interest in specialised activities, which we have observed in recent half-years, continues. In the second half of last year, the interest of entrepreneurs in professional, scientific and technical services for the first time in history exceeded their interest in retail," CRIF said.

Retail is also a sector in which most sole traders ended their business in H₁ (6,830). It was followed by construction (4,256) and the manufacturing industry (3,041).

⁷ Y-o-y: year on year, compared, compared with the corresponding month of preceding year

⁸ H₁: Half of year

⁹ CRIF: CRIF - Czech Credit Bureau, is administrator of CBCB - Czech Banking Credit Bureau (register of bank clients), and CNCB - Czech Non-Banking Credit Bureau (register of debtors). It is subsidiary of CRIF, which is a global company specializing in credit bureau and business information, outsourcing and processing services, and credit solutions. Established in 1988 in Bologna (Italy), CRIF has an international presence, operating over four continents (Europe, America, Africa and Asia).

¹⁰ CR: the Czech Republic, a nation state in Central Europe. The Czech Republic covers an area of 78,866 km² with a mostly temperate continental climate and oceanic climate. It is a unitary parliamentary republic, has 10.5 million inhabitants and the capital and largest city is Prague, with over 1.2 million residents.

¹¹ CZK: Czech Crown, the currency of the CR since 8 February 1993

¹² bn: billion

¹³ VAT: Value-added tax, a type of tax that is assessed incrementally, based on the increase in value of a product or service at each stage of production or distribution. VAT essentially compensates for the shared services and infrastructure provided in a certain locality by a state and funded by its taxpayers that were utilized in the elaboration of that product or service. Not all localities require VAT to be charged and goods and

The total number of entrepreneurs in retail decreased by nearly 2,100. Professional, scientific and technical activities, on the other hand, registered the biggest absolute increase of 2,795 sole traders.



BUDGET SHOWS SURPLUS – 2. 8.

According to the MF, total income of the state budget of the CR¹⁰ reached CZK¹¹799.4bn¹² as of July 31, 2018.

Its expenses totalled CZK782.8bn. The budget thus showed a surplus in the amount of CZK 16.6bn.

The surplus totalled CZK25bn as of the end of July 2017.

According to the MF, the adjusted state budget result showed better results compared with the same period of last year.

The MF informed that the VAT¹³ income in the amount of CZK160.3bn increased 4.5% y-o-y.



CNB IMPROVES PUBLIC FINANCE SURPLUS ESTIMATE – 3. 8.

The CNB has improved public finance¹⁴ surplus estimate for 2018 to 1.6% of GDP from 1.5% of GDP forecast in May and kept next year's figure at 1.5%.

For 2020, the CNB expects a surplus equal to 1.7% of GDP. Public finances ended in a surplus of 1.6% of GDP last year.

The central government's debt is to fall to 32.4% of GDP this year from 34.7% last year, to 30.4% of GDP next year and to 28.1% of GDP in 2020, the CNB said.

However, the CNB moderately worsened the estimate for this year and 2019 against May's forecast. The figure should not exceed 60% of the economic output in line with the euro adoption criteria.

According to the MF's estimates, public finance surplus should reach 1.5% of GDP this year. "Increased consumption of government institutions should be offset by higher tax revenues including social insurance payments," it has said.



FITCH UPGRADES CR TO 'AA-' – 6. 8.

Fitch Rating¹⁵ has upgraded CR's IDR¹⁶ to 'AA-' from 'A+'. The Outlook is stable. The increased rating reflects e.g. the result of the fiscal policy, generating surpluses in the government institutions sector, expected to continue in coming years. The drop in overall government debt and higher tax collection also had a positive effect on the rating.



DATA FROM ECONOMY WILL NOT BE RECORD THIS YEAR – 7. 8.

The positive economic development still influences Czech firms but this year's figures will not reach 2017's record levels, according to a survey that the CI¹⁷ with the CNB made among entrepreneurs in Q₂ 2018.

services for export may be exempted (duty free). VAT is usually implemented as a destination-based tax, where the tax rate is based on the location of the consumer and applied to the sales price.

¹⁴ Public finance deficit: it is calculated from the difference in revenues and expenditures of ministries and other state institutions, municipalities, selected subsidised organisations, state funds and other off-budget funds, state universities, health insurers and other public institutions.

¹⁵ Fitch Rating: Fitch Ratings is the smallest of the "big three" NRSROs, covering a more limited share of the market than S&P and Moody's, though it has grown with acquisitions and frequently positions itself as a "tie-breaker" when the other two agencies have ratings similar, but not equal, in scale. Fitch Ratings' long-term credit ratings are assigned on an alphabetic scale from 'AAA' to 'D', first introduced in 1924 and later adopted and licensed by S&P. (Moody's also uses a similar scale, but names the categories differently.) Like S&P, Fitch also uses intermediate +/- modifiers for each category between AA and CCC (e.g., AA+, AA, AA-, A+, A-, BBB+, BBB, BBB-, etc.).

¹⁶ IDR: Long-Term Foreign-Currency Issuer Default Rating

¹⁷ CI: Confederation of Industry, Svaz průmyslu a dopravy, is an employer association in the Czech Republic founded in 1990. It is non-governmental, independent organization that influences the economic and social policy of the government and acting on the creation of optimal conditions for doing business. It defends the interests of employers

Even thus, none of the indicators shows a significant change for the coming months.

"Companies expect to have enough orders in the next 3 to 6 months. Positive evaluation remains also as regards growth of investment activity," CI said.

However, firms still grapple with lack of employees. Moreover, they expect employment to grow moderately further this year and in 2019.

There is competition on the labour market, companies are trying to lure their rivals' employees and fluctuation is high, CI noted.

Wages grew again in Q₂ 2018 and supplier prices like those of energy and services are rising as well, it said.

Companies are not raising prices of their products and services in a corresponding way yet, which influences their profitability. Their profits do not grow as fast as in the past years, CI remarked.

The survey also shows that companies are hedging against the exchange rate risk. Nearly 20% of firms use euro voluntarily also in domestic transactions, which reflects the euro's importance in the Czech economy.

Even when the Czech economy and the manufacturing industry will not reach the growth levels from 2017, their solid performance can be expected also in H₂ 2018.

"We expect the economy to grow by more than 3% this year," CI forecast.

Some institutions have revised their too optimistic forecasts and approached the confederation's prediction.

CTK CNB'S FOREX RESERVES FALL TO €123.2BN IN JULY – 7. 8.

Foreign currency reserves of the CNB decreased by €483mn¹⁸ to €123.2bn in July in m-o-m¹⁹ terms, falling by €1.2bn in annual terms, according to the CNB.

Forex²⁰ reserves in CZK were lower both on the month and on the year. In dollars, they grew on the month and fell on the year, the CNB said.

Table 1: CNB's foreign currency reserves

as of	\$bn	CZK bn	€ bn
July 31, 2018	144.566	3,153.557	123,186
June 30, 2018	144.182	3,217.853	123,680
July 31, 2017	145.823	3,243.103	124,352

CTK ČEZ FILES LAWSUIT AGAINST BULGARIAN REGULATOR – 7. 8.

ČEZ²¹ last week filed an administrative lawsuit against Bulgaria's anti-monopoly office over its July decision rejecting a sale of ČEZ's Bulgarian assets to the local company

in European and world organizations, especially as a member of the Confederation of European Business. The Association brings together 31 sectoral professional or regional associations and associations, 126 individual member companies and 6 observers, 11,000 companies employing 1.3 million workers.

¹⁸ mn: million

¹⁹ M-o-m: month on month, compared with preceding month

²⁰ Forex: foreign exchange market is a global decentralized market for the trading of currencies. This includes all aspects of buying, selling and exchanging currencies at current or determined prices.

²¹ ČEZ: ČEZ Group is a conglomerate of 96 companies (including the parent company ČEZ, a.s.), 72 of them in the CR. Its majority shareholder is the Czech government, owning 70% of shares. It is involved in the electricity generation, trade, distribution and heat, as well as coal mining. ČEZ is the biggest electricity supplier in the Czech Republic.

²² MOL: MOL Group, is a Hungarian multinational oil and gas company headquartered in Budapest, Hungary. MOL is the 2nd most valuable company in CEE and placed 402 on the Fortune Global 500 list of the world's largest companies in 2013. MOL's revenue was equal to 1/5 of Hungary's GDP at the time. As of November 2015 the largest shareholder was Hungarian state with 24.74% ahead of ČEZ Group with 7.35%, OmanOil Budapest with 7.00% and ahead of OTP Bank with 5.84%. More than 50% of shares are free floated.

²³ EBITDA: a company's earnings before interest, taxes, depreciation, and amortization; an accounting measure calculated using a company's net earnings, before interest

Inercom. A similar suit was lodged by Inercom at the end of last month.

ČEZ signed a contract on the sale of its Bulgarian assets to Inercom in February. The value of the deal is estimated at €320mn. The contract has raised doubts whether such a small company can finance and manage these strategically important energy assets. There were also some doubts about funding the big acquisition.

The regulator said in July the transaction might help Inercom establish a dominant position on the Bulgarian market, which would have a negative impact on competition.

ČEZ has found the decision unsubstantiated, which is why it decided to lodge the suit.

CTK ČEZ'S NET PROFIT FALLS – 7. 8.

ČEZ saw its net profit fall by 54% y-o-y to CZK7.7bn in H₁ 2018, mainly owing to last year's one-off incomes worth almost CZK7bn, particularly the sale of MOL²² shares, the company said. Sales dropped by 14% to CZK86.3bn.

The growth of market prices of electricity had a negative effect as well. Operating profit EBITDA²³ decreased annually by 14% to CZK26.9bn.

DIA NUMBER OF ECONOMIC ENTITIES GROWS – 8. 8.

According to the CSO, a total of 2,868,384 economic entities were registered in the CR as of June 30, 2018. Their number reached 2,828,722 as of the Q₂ 2017. The number of private entrepreneurs reached 1,947,842.

The number of commercial companies reached 492,503 and the number of cooperatives totalled 13,947.

There were also 170 state-owned companies in the CRas of the date.

AGRICULTURE & ENVIRONMENT

CTK PLZENSKY PRAZDROJ SALES – 3. 8.

Prazdroj²⁴ generated sales worth more than CZK12bn between April 1 and December 31 last year, its after-tax profit reaching CZK2.6bn.

Capital investments amounted to CZK882mn. Sales of premium beers on both domestic market and abroad grew. The accounting period is not comparable with previous years as it was shortened to 9 months to harmonise results with the parent company Asahi²⁵.

Prazdroj contributed CZK4bn to the state budget for the past accounting period, which is one of the highest figures in the

expenses, taxes, depreciation and amortization are subtracted, as a proxy for a company's current operating profitability, i.e., how much profit it makes with its present assets and its operations on the products it produces and sells, as well as providing a proxy for cash flow.

²⁴ Plzeňský prazdroj a.s.: a Czech brewery founded in 1842 and headquartered in Plzeň, CR. It is the 1st brewery to produce pilsener blond lager style beer, branded Pilsner Urquell, making it the inspiration for more than 2/3 of the beer produced in the world today, which are named pils, pilsner and pilsener. Both Plzeňský Prazdroj and Pilsner Urquell can be roughly translated into English as "the Fountainhead at Pilsen" or "the original source of Pilsner". With about a 45% market share, it is the largest beer making group in the CR. Its brands include Pilsner Urquell, Gambrinus, Velkopopovický kozel, Radegast, Birell and cider Kingswood. Plzensky Prazdroj sold a total amount of 10mn hectolitres of beer in 2015, roughly the same amount as in 2014. Pilsner Urquell sales on the domestic market and abroad topped 2mn hectolitres. Direct exports of the premium lager were 4.5% higher at 792,000 hectolitres.

²⁵ Asahi Group: Asahi Group Holding, a leading brewery and soft drink company based in Tokyo, Japan. As of January 2014, Asahi, with a 38% market share, was the largest of the 4 major beer producers in Japan followed by Kirin Beer with 35% and Suntory with 15%. In April 2016, Asahi purchased Meantime Brewery of London, and the Grolsch and Peroni beer brands from SABMiller. Asahi sold 20.5mn hectolitres of beer in 2015.

CR as well as in comparison with companies that paid taxes based on full-year financial results.

CTK POPPY HARVEST LIKELY TO BE LOWEST SINCE 2000 – 5. 8.

This year's harvest of poppy may be the lowest since 2000 owing to droughts in spring.

The yield will reach around 0.5t²⁶/ha²⁷, compared with the average of 0.67t/ha in recent years.

According to the CSO, the area of poppy fields has decreased by 18.3% to 26,708ha this year.

The purchase price of poppy has doubled to CZK60-65/kg²⁸ this year. Poppy consumption in the CR has been on the rise in recent years, with 430g/capita consumed in 2016.

CIA BEER PRODUCTION DOWN 5% IN CR, EXPORT UP 19% - 6. 8.

Beer production in CR decreased by 5% in June 2018. The production of beers in cans dropped by 11%. The category of special beers grew by 19% y-o-y and dark and semi-dark beers by 5%.

The production of beer for export increased by 19%. A hike in exports was registered by cans (+51%), PET bottles (+25%), bottles (20%), tanks (+6% growth) and barrel beer (+1%).

ENERGY & INDUSTRY & TRANSPORT

DECISION ON ČEZ'S EXPANSION – 2. 8.

PM²⁹ Babiš wants a decision on financing ČEZ's NPP³⁰ expansion by year's end.

The ČEZ has refused to invest in new plants without some form of state support. Instead, it proposes spinning off its renewables and energy services, leaving coal and nuclear sources in state hands.

Babiš says ČEZ is big enough to build new nuclear units without being split up and wants a subsidiary to be the main vehicle to build new reactors.

ČEZ operates plants in Dukovany³¹ and Temelín³² that together covered 38% of Czech energy needs last year. Its Dukovany reactors start to expire around 2035.

CIA ČD TRANSPORTED 2.5M PASSENGERS MORE IN H1 – 3. 8.

ČD³³ transported 2.5mn passengers more y-o-y in H1 2018.

²⁶ t: tonne, metric ton is a non-SI metric unit of mass equal to 1000 kilograms

²⁷ ha: hectare is a non-SI metric system unit of area equal to 10,000 m²

²⁸ Kg: kilogram is the base unit of mass in the International System of Units and is defined as being equal to the mass of the International Prototype of the Kilogram (IPK)

²⁹ PM: Prime Minister, the Czech Republic is a parliamentary representative democracy, with the Prime Minister acting as head of government and the President acting as head of state. The first Prime Minister of the Czech Republic was Václav Klaus, who served as the second President from 7 March 2003 until 7 March 2013. The current and 12th Prime Minister is Andrej Babiš, leader of the ANO 2011, who was appointed by the President on 6 December 2017.

³⁰ NPP: Nuclear Power Plant

³¹ Dukovany NPP: Dukovany NPP annually supplies approximately 14 TWhr of electric energy to the national power network. NPP is owned and operated by ČEZ Group. Dukovany covers a 1/5 of the total electricity consumption in the CR with its installed output of 2,040MW. The NPP has 4 units. ČEZ has submitted request for new licences for further operation of units 3 and 4 to the SONS. Current 10-year licences for the units will expire at the end of this year. SONS has granted new operation licences for units 1 and 2.

³² Temelín NPP: Temelín NPP is owned by ČEZ Group, which employs 1000 workers at this site. It is, with 2,000 MW of installed capacity and 4 units, largest power resource in the Czech Republic.

³³ CD: Czech Railways, is the main railway operator in the Czech Republic providing regional and long-distance services.

³⁴ CIA: Car Importers Association (Svaz dovozců automobilů), a voluntary association of legal entities importing, selling and servicing road motor vehicles in the Czech Republic, 39 members by 2014

³⁵ Škoda Auto: is a Czech automobile manufacturer founded in 1895 as Laurin & Klement. It is headquartered in Mladá Boleslav, Bohemia, Czech Republic. The car manufacturer was acquired by Škoda Works in 1925 and became a wholly owned subsidiary of the

Their number totalled 89.44mn. Altogether, they travelled 3.93bn km (+226mn km).

More passengers used the carrier's trains from Prague to Olomouc, Ostrava, Opava and Central and Northern Moravia. The demand also increased between Prague and Southern, Western and North-eastern Bohemia. At the end of the summer, the availability of Wi-Fi connection in long-distance trains will also start making an impact. Modernisation of other personal trains for long-distance connections continues, too.

CTK JULY SEES RECORD OF CARS SOLD IN CR – 3. 8.

A total of 165,422 new passenger cars were sold in the CR in the first 7 months 2018, 0.81% more y-o-y, and July alone saw record-breaking sales of 21,638 units, the CIA³⁴ said.

The July sales were more than 10% higher on the year.

As many as 52,649 Škoda³⁵ cars were sold over the period, which is nearly a 1/3 of the market. Škoda Octavia is the best-selling model, followed by Fabia and Rapid.

2nd after Škoda came VW³⁶ with 16,236 units sold, followed by Hyundai³⁷ with 12,712 units. The Dacia³⁸ and Ford³⁹ makes hold at least 5% of the market as well.

Companies bought 71.4% of cars in the Jan-July period. Petrol cars made up nearly 2/3 and diesel cars constituted 31.05% of car sales.

The number of imported passenger cars increased by 9.5% y-o-y, with cars older than 10 years making up slightly more than 50%.

Registrations of LUV⁴⁰ rose by 5.7% to 11,229 units. Peugeot was first with 1,472 registrations, with VW coming next, followed by Renault.

Lorry sales grew by more than 3% to 5,713 units, the best-selling makes being DAF, Mercedes-Benz and MAN.

Bus registrations increased by about 58% to 646 units. Domestic brands Iveco⁴¹ and SOR⁴² occupied the 1st and 2nd positions, respectively, followed by Mercedes-Benz.

Motorcycle sales posted an annual rise of 2.1% to 11,670 units. Honda ranked first, trailed by Yamaha and CF Moto.

Volkswagen Group in 2000, positioned as the entry brand to the group. Its total global sales reached 1.127 million cars in 2016.

³⁶ VW: Volkswagen is a German car manufacturer headquartered in Wolfsburg, Lower Saxony, Germany. Established in 1937, Volkswagen is the top-selling and namesake marque of the Volkswagen Group, the holding company created in 1975 for the growing company, and is now the second-largest auto maker in the world

³⁷ Hyundai CZ: Hyundai Motor Manufacturing Czech based in the Industrial Zone of Nošovice was founded in 2006.

³⁸ Dacia: Automobile Dacia S.A. is a Romanian car manufacturer. The company was founded in 1966, and has been a subsidiary of the French car manufacturer Renault since 1999.

³⁹ Ford: Ford Motor Company is an American multinational automaker headquartered in Dearborn, Michigan, a suburb of Detroit. The company sells automobiles and commercial vehicles under the Ford brand and most luxury cars under the Lincoln brand. Ford also owns Brazilian SUV manufacturer, Troller, and Australian performance car manufacturer FPV.

⁴⁰ LUV: light utility vehicle

⁴¹ Iveco: an Italian industrial vehicle manufacturing company, controlled by CNH Industrial Group. It designs and builds light, medium and heavy commercial vehicles, quarry/construction site vehicles, city and intercity buses and special vehicles for applications such as firefighting, off-road missions, the military and civil defence. Its production plants are in Europe, Brazil, Russia, Australia, Africa, Argentina and China, and the worldwide output of the company amounts to around 150,000 commercial vehicles with a turnover of about €10,000,000,000. In 2007, the biggest manufacturer of buses in Czechoslovakia Karosa, changed to Iveco Czech Republic, and now the company produces buses under the name Iveco Bus around 3,100 buses annually and is the largest manufacturer of buses in Europe.

⁴² SOR: SOR Libchavy (Sdružení Opravárenství a Rozvoje) is a Czech manufacturer of buses for urban, intercity and tourist traffic and trolleybuses. It was established in Libchavy in 1991.

CIA PASSENGER CAR REGISTRATIONS UP – 6. 8.

According to the AIA⁴³, from January to July 2018 registrations of new passenger cars in the CR increased by 0.81 % to 165,422 vehicles. The largest share of overall registrations with 52,649 vehicles (31.83%) was accounted for by brand Škoda. It was followed by VW (16,236; 9.81%) and Hyundai (12,712; 7.68%). In July registrations increased by 10.12%.

CIA ELECTRICITY CONSUMPTION DOWN – 6. 8.

In 2018 the trend of growing electricity consumption from previous years has yet to be confirmed.

This was reported by ČEZ, according to which this may primarily be the result of abnormally high temperatures in the preceding period (April +5.3 °C and May +3.6 °C compared to normal values).

The change in overall consumption at ČEZ Distribuce totaled -1.6 % in Q₂ 2018. In Q₂ 2017 it had grown 2.9 %.

CIA ČD NEGOTIATES WITH ÖBB AND DB – 8. 8.

ČD is negotiating about the extension of cooperation with Austrian railroad company ÖBB on the project Prague-Bрно-Vienna-Graz (until 2024). Talks are also underway about prolonging the partnership with German DB for the Prague-Berlin-Hamburg project (until 2025). ČD said that the railroad company wants to continue developing the cooperation with the Slovak and Hungarian national carriers. The company is also communicating with German Laenderbahn about the Prague-Munich route.

CIA STATE PLANS TO INVEST IN MLADÁ BOLESLAV DISTRICT – 8. 8.

The CR plans to invest over CZK7.6bn in the transport infrastructure in the district of Mladá Boleslav. This involves 11 projects in different stages of preparation. After an agreement with Škoda Auto, the state will build a new railway and a 4-lane road close to the headquarters of the company. The current transport capacities near the Škoda are not sufficient for the future, primarily due to the growth in production capacities in industrial areas near the city. If the agreement between the MT⁴⁴ and the Škoda passes the remark proceeding, it will be discussed by the Cabinet⁴⁵.

CIA NEW CARS COST MORE ON CZECH MARKET – 8. 8.

According to the EY⁴⁶, passenger cars' prices were growing gradually in H₁ 2018.

The lower price level index gained 2.1% in the period, i.e. the minimum price on the average grew by CZK9,460. The price index monitoring the most expensive models from each brand dropped by 1.3% (down CZK6,500).

⁴³ **AIA:** Automotive Industry Association (AutoSAP), an interest industrial grouping of the manufacturing, commercial and other companies which make up the Czech automotive and allied industries. AIA represents companies making up nearly 90% of the Czech automotive industry. Their share in total industrial production posted an annual rise of 1% to 22%.

⁴⁴ **MT:** Ministry of Transport

⁴⁵ **Cabinet:** The Government of the Czech Republic exercises executive power in the Czech Republic. The members of the government are the Prime Minister of the Czech Republic (Chairman of the Government), the deputy ministers and other ministers. It has its legal basis in the Constitution of the Czech Republic. The government is led by the Prime Minister, who selects all the remaining ministers. Government of the Czech Republic is responsible to the Chamber of Deputies of the Czech Republic. The Prime Minister is appointed by the President of the Czech Republic. The current Prime Minister is Andrej Babiš.

⁴⁶ **EY:** Ernst & Young is a multinational professional services firm headquartered in London, United Kingdom. It is one of the "Big Four" audit firms and is the 3rd largest professional services firm in the world, after PwC and Deloitte.

Leaving out models that are no longer offered, the price index for top equipment versions for the entire set of monitored vehicles increased by 1.4% (CZK 7,000), indicating gradual price hike of new cars on the Czech market.

CIA EXPORT WILL NO LONGER DRIVE ECONOMY – 8. 8.

Import dynamism exceeds exports. Exports grew 0.8% y-o-y in June, while imports increased by 2%. KB⁴⁷ said that all signs indicate that export will reduce this year's GDP dynamism. GI⁴⁸ has added that the export and import dynamism was influenced negatively by the koruna's appreciation. It argues that the key factor for export's growth will be the development of the climate in international trade and the situation in Germany. BHS⁴⁹ has added that companies are not making sufficient use of Czechs' purchasing power and as a result, import growth dynamism exceeds exports, deteriorating the overall trade balance.

INVESTMENTS & TRADE & SERVICES

CIA ČD SHOULD GET CZK 1.5BN FROM STATE – 8. 8.

MI⁵⁰ Minister Hamáček will strive to raise the limit for the contribution from the Cabinet to ČD to up to CZK1.5bn. The company is currently receiving CZK500mn from the budget. MI Minister Hamáček has stated that he has asked ČD's CEO Knap to form a strategy for the company's stabilisation and to define key functions for which the state has to pay. According to Mr. Hamáček, money should be spent primarily on employees' wages, modernisation of branches and logistic network.

CIA ŠKODA AUTO SAW NET CASH FLOW – 3. 8.

In H₁ 2018 the net cash flow of group Škoda Auto totaled €980mn.

As part of the presentation of its economic results the automaker stated that its H₁ revenues exceeded €9bn for the first time in the company's history. Profitability of revenues reached 9%. The automaker will with new vehicles Fabia and Kodiaq RS continue its model offensive also in H₂.

By the end of 2020 the brand will introduce 19 new models.

It will continue to invest into prospective technologies such as electromobility and digital services.

It will also expand on growth markets. For example in India, where it is taking over the market and model offensive of the entire VW concern.

CIA ERA EXPORTS MONITORING SYSTEMS TO 63 COUNTRIES – 8. 8.

ERA⁵¹ recorded in 2017 a turnover in the amount of CZK 1.03bn with a profit before taxation totalling CZK227mn. The number of countries it exports monitoring systems to

⁴⁷ **KB:** Komerční banka, the parent company of KB Group and is a member of the Société Générale international financial group. KB is a universal bank providing a wide range of services in retail, corporate and investment banking complemented by specialised financial services produced by KB's subsidiaries or other SG Group companies.

⁴⁸ **GI:** Generali Investments CEE, part of the Assicurazioni Generali S.p.A., an Italian insurance company, the largest in Italy and third in the world.

⁴⁹ **BHS:** BH Securities a.s. operates as a securities brokerage company. The company was founded in 1993. The CNB repeatedly imposed a fine for breaching the Capital Market Undertakings Act for mistakes in the provision of investment services to BH Securities, CZK 1.25mn in 2010 and CZK10mn in 2015.

⁵⁰ **MI:** Ministry of the Interior

⁵¹ **ERA:** a Czech supplier of next-generation surveillance and flight tracking solutions for the air traffic management, military, security and airport operations markets, a member of Omnipol Group

increased to 63. This involves for instance Kyrgyzstan, Honduras and Nigeria. The volume of trades in the civil and military segment maintained its dynamics thanks to new customers and projects of modernisations and extensions of current systems.

The revenues were driven primarily by the sale of the monitoring system VERA-NG. The company currently registers 6 main workstations in the CR and Slovakia and a total of 420 employees.

LABOUR & HEALTH & SOCIAL



SHARE OF PEOPLE WORKING PART TIME GROWS – 3. 8.

The share of people working part time in the CR increased to 7.6% of all employees in Q₂ 2018 and their number rose by some 20,300 y-o-y, the CSO said.

In total, there were some 5.29mn people working in the CR. Unemployment reached 2.9%.

The share of people working part time does grow, but it is still low in international comparison. For the whole of last year, the share stood at 20.3% in the whole of the EU⁵² and at 7.3% in the CR.

"Against Germany and Austria, for example, the share is still low. It can also be said that the growth in the number of part-time jobs is in two age groups. It concerns people aged over 65 and those between 25 and 29 years," said CSO.

The share of part-time jobs in Austria was at 28.7% and in Germany at 28.2%.

"Part-time jobs as the main source of income are the most frequent in the Netherlands where over a ½ of all working people use them," the CSO said.

On the other hand, in Slovakia the share reaches only 6.2% and in Poland it is roughly the same as in the CR.

The total number of working people in the CR increased by almost 92,000 y-o-y in the middle 2018 and most of the growth was in the positions of employees. At the end of June, 4.39mn people were in these positions.

Almost 710,000 people were entrepreneurs without employees and some 164,000 were entrepreneurs with employees. Family members helping in the business are also included in the statistics, there were 25,800 of them.

The LO⁵³ earlier said that there were some 224,000 jobless in the CR at the end of June, the lowest number since July 1997. Unemployment in the CR has been falling constantly since February.

PRÁVO

INCREASING PUBLIC-SECTOR WAGES – 8. 8.

The ČMKOS⁵⁴ said that it is not against a reasonable compromise on increasing public-sector wages but that its negotiating position continues to call for a 10% rise next year, and a 15% increase for teachers. The Cabinet's proposal calls for an increase of 6% in the total amount paid toward salaries,

⁵² EU: European Union, is a politico-economic union of 28 member states that are located primarily in Europe. It has an area of 4,324,782 km², and an estimated population of over 510mn. The EU has developed an internal single market through a standardised system of laws that apply in all member states. EU policies aim to ensure the free movement of people, goods, services, and capital within the internal market, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries, and regional development. Within the Schengen Area, passport controls have been abolished. A monetary union was established in 1999 and came into full force in 2002, and is composed of 19 EU member states which use the euro currency.

⁵³ LO: Labour Office; an administrative authority of the Czech Republic is subordinated to the Ministry of Labour and Social Affairs, its main activity is to provide information in the field of labour market not only in the Czech Republic but also in the European Union, to register job seekers and vacancies.

of which 2% would go toward fixed salaries, and 4% toward bonuses, with individual professions being treated differently.

ČMKOS said a 2% rise in regular salaries would not even cover inflation. The MF⁵⁵ raised its inflation forecast for next year from 1.9% to 2.3%.



MINIMUM WAGE MUST EXCEED POVERTY LINE – 8. 8.

MLSA⁵⁶ Minister Maláčová advocated on ČT⁵⁷ that the minimum wage should increase at a pace guaranteeing its level is above the poverty threshold. She insisted that it should be raised by CZK1,500 (12.3%) to CZK13,700 in 2019, which is more generous plan than that advocated by the ANO⁵⁸ - CZK800 or 8.2% hike. However, ANO claimed that stronger hike would have a negative impact also on the privates sector.

She pointed out that the ČSSD⁵⁹ wants people to feel the benefits of the robust economic expansion while the risk for those working for a minimum wage to be in risk of poverty - to be eliminated. She also noted that by raising the minimum wage at a faster pace would also create pressures for raising wages of all.

Maláčová also pointed out that the MLSA is currently finalising amendments to the labour code, which would touch upon the automatic indexation of the minimum wage as stipulated in the government manifesto. This is positive news as it would reduce political bargaining while linking the minimum wage growth with the actual and expected economic developments, thus avoid the creation of unfounded and excessive upward wage pressures. She also noted that minimum wage should represent about 60% of median wage, which currently is defined as the poverty line (this would mean some CZK15,500 given that the median wage in Q₁ was CZK 25,674, according to the CSO data) - this would be a significant raise as compared to the plans of former MLSA Minister Němcová who spoke of 40% ratio to average earnings.

The MLSA Minister also noted that the import of foreign workers to bridge the labour shortages in the economy with which companies are struggling should be used as a last resort, only after the reserves in the economy are exhausted. She gave an example to mothers with children and elder people, for which the possibilities to return to the labour market should be improved.

STATISTICS



ECONOMIC ACTIVITY RATE – 3. 8.

Total employment in Q₂ 2018 increased by 91,800 persons, y-o-y and reached 5,289,100 persons. On the contrary, the

⁵⁴ ČMKOS: a dominant union confederation in the CR, which had almost 400,000 members in 2011. ČMKOS is the Czech successor of the Czech and Slovak union confederation. It has separate affiliated member unions divided broadly on an industry basis, of which the largest are the metalworkers union, OS KOVO, with some 140,000 and the teachers' union, ČMOS PŠ, with around 50,000 members.

⁵⁵ MF: Ministry of Finance

⁵⁶ MLSA: Ministry of Labour and Social Affairs

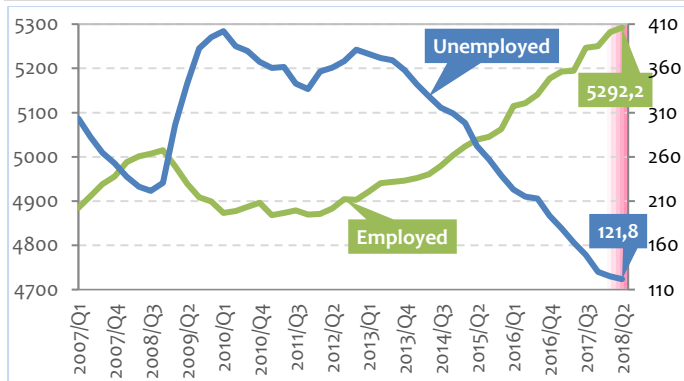
⁵⁷ ČT: Czech Television (Česká Televize), is the public television broadcaster in the Czech Republic, broadcasting six channels. It is based on Czech Television Act (Act No. 483/1991 Coll.) as a television service for the citizens of the Czech Republic. Česká televize is funded through television licence fees (larger part of revenue) and from advertising, which may not exceed 0.5% of the daily broadcasting time for each program.

⁵⁸ ANO: ANO 2011, centre-right party

⁵⁹ ČSSD: Czech Social Democratic Party, centre-left party

number of the unemployed, according to the ILO ⁶⁰ methodology, dropped by 40,500 persons, y-o-y. The **general unemployment rate**⁶¹ declined by 0.8 p.p.⁶², y-o-y, and was 2.2%.

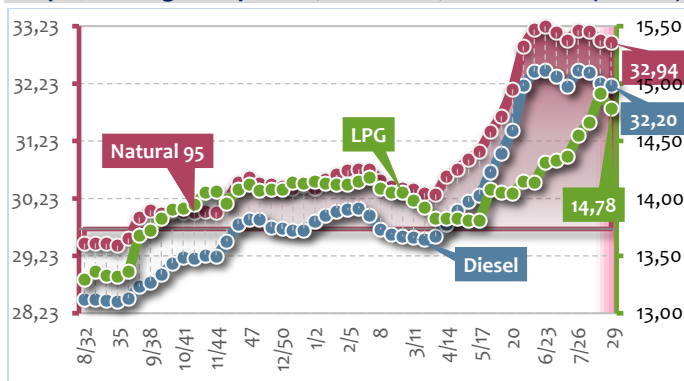
Graph 4: Employed, unemployed, SA, 1993 - 2018 (in thousands)



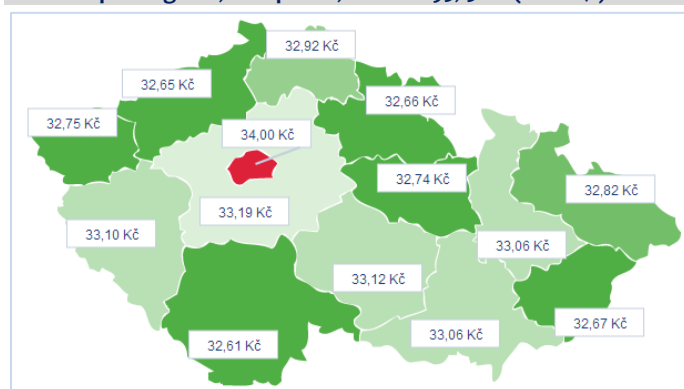
FUEL PRICES – 3. 8.

Natural 95 decreased by $\blacktriangle 4h$ ⁶³ to CZK32.94/l⁶⁴ over the past week, Diesel oil decreased by $\blacktriangle 4h$ to CZK32.20/l.

Graph 5: Average fuel prices⁶⁵, 2017 – 2018, Month/Week (in CZK/l)



Map 1: Regions, fuel prices, Natural 95, 5. 8. (in CZK/l)⁶⁶



⁶⁰ ILO: The International Labour Organization is a United Nations agency dealing with labour problems, particularly international labour standards, social protection, and work opportunities for all. The ILO has 187 member states.

⁶¹ General unemployment rate: the share of the unemployed in the labour force in the age group 15 – 64 years, that is in the total number of the employed and the unemployed, as percentage, seasonally adjusted, data are issued by the CSO based on the results of the Labour Force Survey (LFS).

⁶² P.p.: percentage point

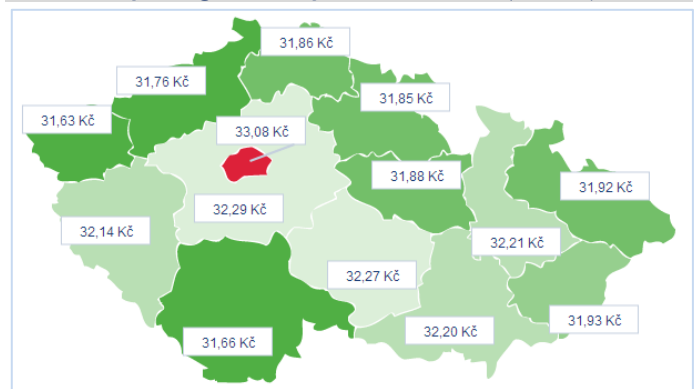
⁶³ h: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

⁶⁴ l: litre

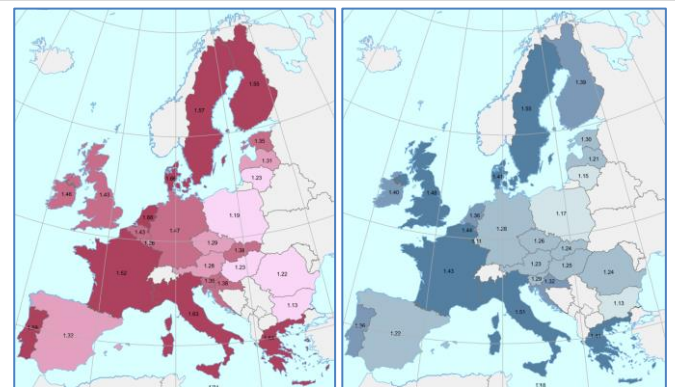
⁶⁵ Consumer price indices calculated from the weekly price survey are not qualitatively adjusted and thus do not express the net price development applied at inflation measurement, data issued by the CSO

⁶⁶ data issued by the mBenzin.cz; <https://www.penze.cz/ceny-benzinu-a-ceny-nafty>

Map 2: Regions, fuel prices, Diesel, 5. 8. (in CZK/l)



Map 3: EU, Average fuel prices, Natural 95, Diesel, 30. 7. (in €/l)⁶⁷



INDUSTRY – 6. 8.

In June 2018, SA⁶⁸ CoP⁶⁹ industrial production increased by 1.5%, m-o-m. WDA⁷⁰ industrial production increased by 6.9%, y-o-y; non-adj⁷¹ industrial production increased by 3.4%, y-o-y. The following contributed the most to the y-o-y increase of industrial production: electricity, gas, steam and air conditioning supply (+1.3 p.p., +16.4%), manufacture of machinery and equipment (+0.6 p.p., +6.6%), and manufacture of electrical equipment (+0.4 p.p., +6.4%). Industrial production decreased in repair and installation of machinery and equipment ($\blacktriangle 0.2$ p.p., $\blacktriangle 5.4\%$), manufacture of rubber and plastic products ($\blacktriangle 0.08$ p.p., $\blacktriangle 1.0\%$) and manufacture of leather and related products ($\blacktriangle 0.07$ p.p., $\blacktriangle 33.6\%$).

CuP⁷² sales from industrial activity increased by 2.6%, y-o-y, in June 2018. Direct export sales of industrial enterprises increased at current prices by 2.3%. Domestic sales, which include also indirect export via non-industrial enterprises increased at current prices by 3.0%.

The value of new orders in selected industrial CZ-NACE⁷³ activities increased by 5.1%, y-o-y, in June 2018. Non-domestic

⁶⁷ data issued by the European Commission; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

⁶⁸ SA: seasonally adjusted, Seasonal adjustment is a statistical method for removing the seasonal component of a time series that exhibits a seasonal pattern, which allows to analyse the trend of a time series independently of the seasonal components.

⁶⁹ CoP: constant prices are used to measure the true growth of a series, i.e. adjusting for the effects of price inflation.

⁷⁰ WDA: working days adjusted

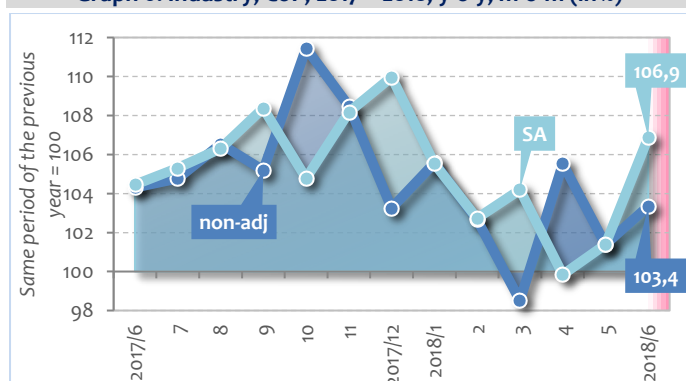
⁷¹ Non-adj: non-adjusted

⁷² CuP: current (or “nominal”) prices for each year are in the value of the currency for that particular year, are influenced by the effect of price inflation.

⁷³ NACE: Nomenclature générale des Activités économiques dans les Communautés Européennes, Statistical Classification of Economic Activities in the European Community, the industry standard classification system used in the EU. The current version is revision 2 and was established by Regulation (EC) No 1893/2006. It is the European implementation of the UN classification ISIC, revision 4; CZ-NACE: Classification of Economic Activities according to the CSO

new orders increased by 5.7%, while domestic new orders increased by 3.7%. The y-o-y increase of new orders in total was the most contributed to by the following CZ-NACE divisions: manufacture of other transport equipment (+2.1 p.p., +89.7%), manufacture of fabricated metal products (+0.9 p.p., +7.9%), and manufacture of machinery and equipment (+0.8 p.p., +7.1%). New orders decreased in manufacture of computer, electronic and optical products (▲0.6 p.p., ▲5.5%), manufacture of textiles (▲0.04 p.p., ▲2.2%), and manufacture of electrical equipment (▲0.02 p.p., ▲0.2%).

Graph 6: Industry, CoP, 2017 – 2018, y-o-y, m-o-m (in %)



The number of employees increased in June 2018 by 1.4%, y-o-y. Their average gross monthly nominal wage increased in June 2018 by 7.4%, y-o-y, and reached CZK33,341.

According to the Eurostat⁷⁴, WDA industrial production in the EU28 in May 2018 increased by 2.4%, y-o-y.

Industry in the Q2 2018

SA CoP industrial production in the Q₂ 2018 was by 1.5% higher compared to the Q₁ 2018. In the y-o-y comparison it increased by 3.4%.

Sales from industrial activity at current prices were by 2.2% higher, y-o-y, in the Q₂ 2018. Direct export sales of industrial enterprises increased at current prices by 2.3%. CuP domestic sales, which include also indirect export via non-industrial enterprises increased by 2.1%.

The value of new orders in selected industrial CZ-NACE activities increased by 5.1%, y-o-y, in the Q₂ 2018. Non-domestic new orders increased by 5.9%, while domestic new orders increased by 3.3%.

The number of employees increased in the Q₂ 2018 by 1.7%, y-o-y. Their average gross monthly nominal wage increased in the Q₂ 2018 by 8.4%, y-o-y, and reached CZK34,510.

CONSTRUCTION – 6. 8.

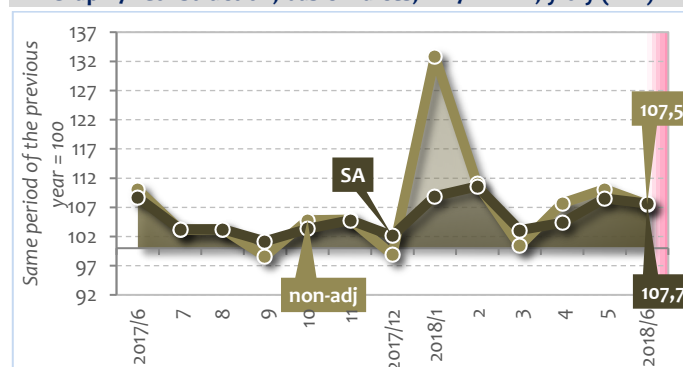
In June 2018, the SA WDA construction output increased by 8.9% y-o-y, in real terms. The non-adj construction output grew by 7.5%. The planning and building control authorities granted by ▲1.9% less building permits, y-o-y, and the approximate value of permitted constructions grew by 13.9%, y-o-y. The number of started dwellings increased by 0.6%, y-o-y, and the number of completed dwellings fell by ▲5.8%, y-o-y.

The number of building permits granted increased by 1.4%, y-

⁷⁴ Average registered number of employees: in industrial enterprises with 50+ employees, the registered number of employees indicator does not include persons working under various contracts for work, working owners of enterprises, and cooperating household members, who do not have contracts of employment. The piece of data on the registered number of employees in industry also excludes agency workers, who have contracts of employment within activities of services (CZ-NACE 78.2).

In June 2018 the number of building permits granted decreased by ▲1.9%, y-o-y. The planning and building control authorities granted 7,089 building permits. The approximate value of the permitted constructions attained CZK32.3bn⁷⁵ and grew by 13.9% compared to the same period of 2017.

Graph 7: Construction, basic indices, 2017 – 2018, y-o-y (in %)



According to Eurostat the WDA construction output in the EU28 increased by 2.6%, y-o-y, in May 2018. Buildings increased by 1.9% and civil engineering works grew by 5.0%.

Construction in Q2 2018

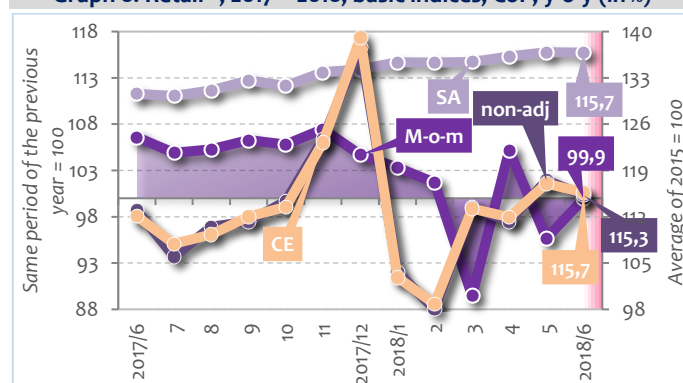
In Q₂ 2018 the SA construction output increased by 3.8%, q-o-q, in real terms, compared to Q₁ 2018. The WDA construction output in Q₂ 2018 was by 8.1% higher, y-o-y. The WDA non-adj construction grew by 8.4%, y-o-y.

In Q₂ 2018 the number of building permits granted decreased by ▲1.2%, y-o-y. The planning and building control authorities granted 21,664 building permits. The approximate value of constructions permitted in Q₂ 2018 accounted for CZK89.5bn and increased by 6.6% compared to the same period of 2017.

RETAIL TRADE – 6. 8.

In June 2018, SA CE⁷⁶ increased at constant prices by 3.2%, y-o-y; non-adj sales increased by 2.0%, y-o-y. SA sales in retail trade stagnated, m-o-m.

Graph 8: Retail⁷⁷, 2017 – 2018, basic indices, CoP, y-o-y (in %)



EXTERNAL TRADE – 7. 8.

According to CuP preliminary data, in June 2018 the external trade balance in goods ended in a surplus of CZK15.8bn, which was by ▲CZK 3.5bn lower, y-o-y.

Y-o-y, total NC⁷⁸ was favourably influenced mainly by a better balance in 'computers, electronic and optical

⁷⁵bn: billion

⁷⁶ CE: adjusted for calendar effects, the pre-adjustment for calendar effects involves removing from the time series calendar effects such as working days/trading days effect, leap year effect and moving holidays effects.

⁷⁷ except of motor vehicles and motorcycles

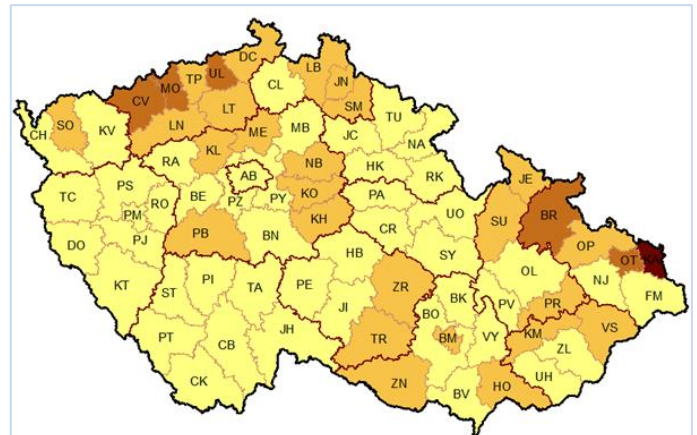
⁷⁸ National Concept: the national concept of external trade reflects export and import performance of the Czech economy, i.e. the external trade balance of the CR as well. It



CZECH JOBLESS RATE GROWS – 8. 8.

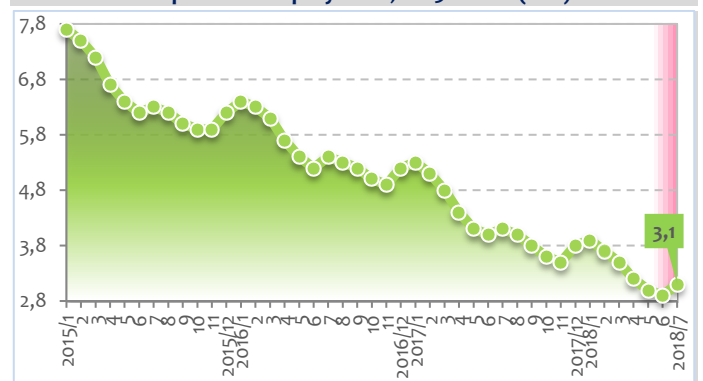
Czech unemployment rose to 3.1% in July from June's 2.9% after a 5-month drop, and there were some 231,570 job seekers, which was the lowest July figure since 1997, when the number of unemployed persons was 9,200 lower, the LO said. The number of vacancies increased to nearly 310,000. Unemployment reached 4.1% in July 2017, with more than 303,000 people looking for a job. Moravia-Silesia, Usti and South Moravia are the only regions where the number of the unemployed is higher than that of job openings. Seasonal factors, namely arrival of part of school employees on the labour market and lower recruitment activities because of factory holidays, are behind the growth in unemployment, the LO said.

Map 4: Unemployment, Districts, July 2018



Fresh school leavers, too, affected the July figure, but to a lower extent, this effect will be mainly visible in September. The lowest rate of 2% is registered in the South Bohemia, Plzen and Pardubice regions. Prague has a 2.1% rate and the Hradec Kralove Region registered 2.2% unemployment. The Moravia-Silesia Region showed against the highest rate of 4.8%, followed by the Usti Region with 4.7%.

Graph 11: Unemployment, 2015 – 2018 (in %)



A m-o-m hike was seen for 71 districts, with 6 reporting a fall. Rychnov nad Kněžnou and Jindřichův Hradec had the lowest unemployment of 1.1 and 1.2%, respectively, while Karvina occupied the last position with a 7.2% rate.

products' by CZK4.3bn (a deficit turned to a surplus) and a smaller deficit of balance in 'chemicals and chemical products' by CZK0.9bn.

A worse result of balance in other transport equipment by ▲CZK2.6bn (a surplus turned to a deficit), bigger deficit in 'refined petroleum products' by ▲CZK2.3bn and a decrease in surplus of balance of 'motor vehicles' by ▲CZK1.7bn.

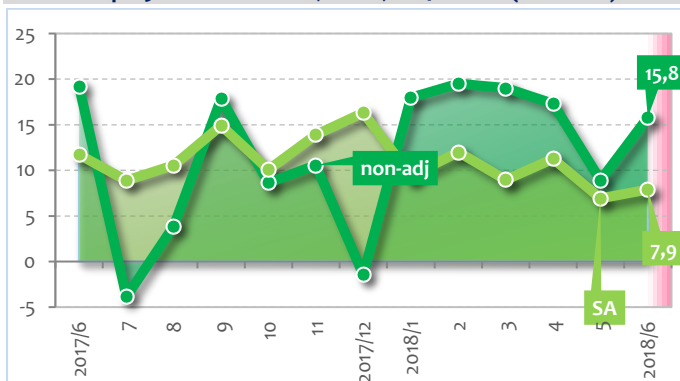
In June 2018 the trade balance with the EU28⁷⁹ Member States ended in a surplus of CZK56.7bn, and thus it was by ▲CZK4.1bn lower, y-o-y. The trade deficit with the non-EU countries shrank by ▲CZK0.6bn to reach the amount of CZK39.6bn.

Compared to May 2018, NC SA⁸⁰ exports and imports grew by 3.1% and 2.8% respectively. The development trend shows increasing exports (+0.1%) and imports (+2.0%).

Compared to the same month of 2017, exports and imports rose by 0.8% (to CZK315.0bn) and 2.0% (to CZK299.2bn) respectively.

In the period from January to June 2018 the trade balance surplus in the national concept reached CZK98.5bn which represented a decrease by ▲ CZK14.8bn, y-o-y. From the beginning of the year exports decreased by ▲0.1% and imports increased by 0.8% y-o-y.

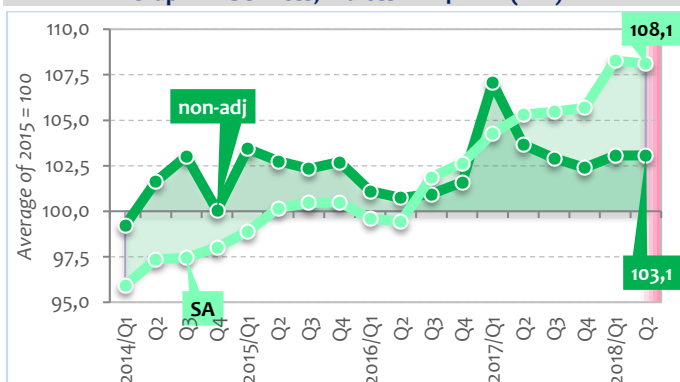
Graph 9: External Trade, CuP⁸¹, 2017 – 2018 (in CZKbn)



SERVICES – 8. 8.

In the Q2 2018, CoP SA sales in services decreased by ▲0.2%, q-o-q. CoP SA CE sales increased by 2.6%, y-o-y; non-adj sales increased by 3.1%, y-o-y.

Graph 10: Services, indices. 2014-2018 (in %)



measures real trade in goods carried out between Czech and foreign entities, i.e. a change of ownership between residents and non-residents.

⁷⁹ EU28: 28 member states of the EU, which are party to the founding treaties of the union and thereby subject to the privileges and obligations of membership

⁸⁰ SA: seasonally adjusted, Seasonal adjustment is a statistical method for removing the seasonal component of a time series that exhibits a seasonal pattern, which allows to analyse the trend of a time series independently of the seasonal components.

⁸¹ CuP: current (or "nominal") prices for each year are in the value of the currency for that particular year, are influenced by the effect of price inflation.

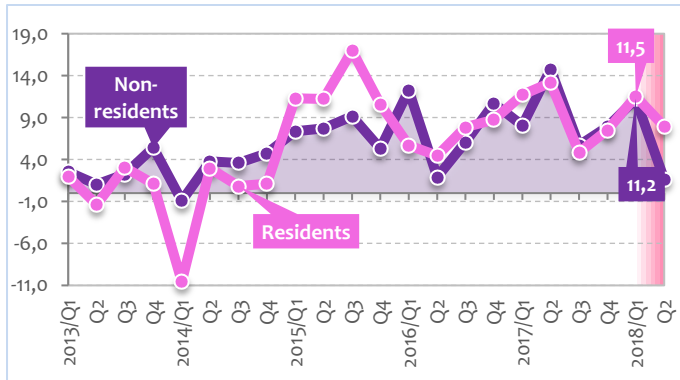
Like in June, July saw 0.7 job seeker per vacancy on average, with the highest figures seen for Karvina (6), Usti (4.3), Most (3.7) and Jesenice (3.2) districts



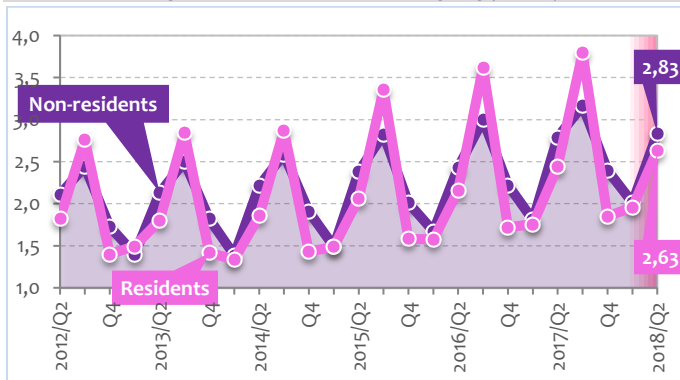
TOURISM – 8. 8.

In the Q₂ 2018, the number of guests in collective accommodation establishments increased by 4.6%, y-o-y. The number of overnight stays increased by 2.2%, y-o-y. The number of guests in collective accommodation establishments is thus increasing for the 5th successive year already.

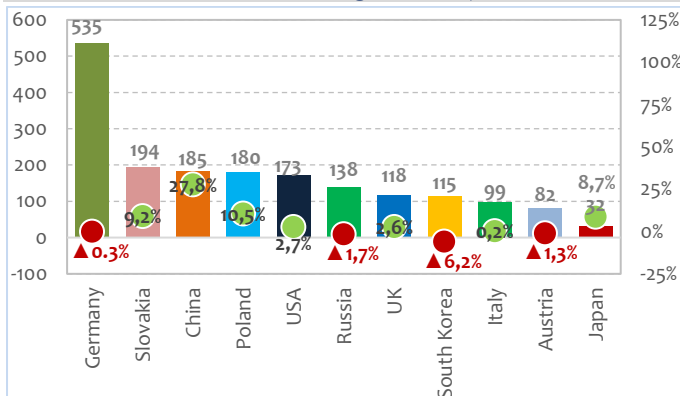
Graph 12: Tourism, 2013-2018, y-o-y (in %)



Graph 13: Tourism, 2012-2017, q-o-q (in mn)



Graph 14: Tourism, TOP 10 countries + Japan, Q₂ 2018 (in thousands of guests, in %)



The highest number of foreign guests (by citizenship) came, as usually, from Germany. German guests made almost a 1/3 of

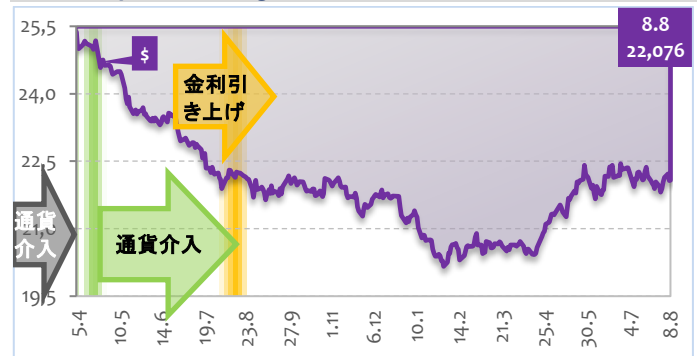
foreign clients in the surveyed accommodation establishments (535,000 arrivals). Compared to the corresponding period of the previous year, their number decreased by 0.3%. The 2nd most numerous group in the Q₂ 2018 consisted of visitors from Slovakia (194,000) with a y-o-y increase by 9.2%. Guests from China ranked 3rd (185,000 arrivals; +27.8%, y-o-y). Also our neighbours from the north, Poland, showed an increased interest in accommodation in the surveyed establishments (+10.5%) as well as guests from over the ocean, the USA (+2.7%). On the contrary, the demand dropped as for arrivals from the Russia (▲1.7%), South Korea (▲6.2%), and Austria (▲1.3%).

CZK VS €, \$, ¥ – 8. 8.

Graph 15: Exchange rates, CZK/€, 5. 4. 2017 – 8. 8. 2018



Graph 16: Exchange rates, CZK/\$, 5. 4. 2017 – 8. 8. 2018



Graph 17: Exchange rates, CZK/100¥, 5. 4. 2017 – 8. 8. 2018



News outside the time span of this News summary

CEEMarketWatch, is a subscription-based analytical service, covering the emerging regions of Central and Eastern Europe, Euro zone periphery, Middle East, Africa and Latin America.



ČNB, CNB (Česká národní banka); is the central bank and financial market supervisor in the CR and a member of the European System of Central Banks.



ČTK, Czech Press Agency (Česká tisková kancelář); a national news agency dealing with the gathering, processing, storing, and distributing of text and pictorial information. ČTK is a public corporation and is governed by the law on ČTK no. 517/1992 Coll.



ČSÚ, Czech Statistical Office (Český statistický úřad), is the main organization which collects, analyses and disseminates statistical information for the benefit of the various parts of the local and national governments of the CR.



LO, Labour Office of the CR (Úřad práce České republiky); an administrative authority of the Czech Republic is subordinated to the Ministry of Labour and Social Affairs, its main activity is to provide information in the field of labour market.

PRÁVO



Právo Daily; a Czech daily newspaper by Borgis. jsc. owned by Zdeněk Porybný; Centre-left, social democrat, pro-Social Democratic Party view.

Radio Prague (Český rozhlas); is the official international broadcasting station of the CR. Radio Prague broadcasts in six languages: English, German, French, Spanish, Czech and Russian. It broadcasts programmes about the CR on satellite and on the Internet. Broadcasting first began on August 31, 1936.