

ECONOMIC NEWS SUMMARY AUGUST 16 – AUGUST 22

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ECONOMY & FINANCE

CENTRAL PURCHASES SAVE CZK 1.9BN FOR STATE -16.8.

The total financial volume of inter-ministerial purchases reached CZK 4.6bn. The state was thus able to save CZK 1.9bn (over 40%) compared with original pricelist prices. This stems from information provided by the Ministry of Finance of the CR (MF), which conducted two pilot public tenders for the purchase of cars and paper in last two years. The Ministry of the Interior of the CR executed four tenders in the field of ICT. MF submitted the report on the assessment of the central purchase of the state for the year 2017 to the government of the CR on August 15, 2018.

NKU: SYSTEM OF STATE'S CENTRAL PURCHASING IS NOT WORKING – 20.8.

Central purchasing of the state is not working or bringing the expected savings four years after its launch, according to today's report of the Supreme Audit Office (NKU) which investigated state administration's central awarding of public contracts in 2014-2017.

Almost no one uses the tool for gathering requests of the entire state administration, and the system does not correspond with demands of contracting authorities, NKU said.

The Finance Ministry insists that the approach that it has selected is economical, purposeful and effective.

It was Prime Minister Andrej Babis who, as a finance minister, pushed the central purchasing system four years ago with an idea of saving a significant amount of the state's operating costs.

Central purchasing should concern goods and services worth nearly Kc13bn, according to plans. The amount corresponds with roughly 20 percent of the state's operating expenses, and nearly 1 percent of the overall budget expenditures.

The system of central purchasing should be fully operating after 2020.

There are currently two systems in use. One is the central purchasing of the state through which the Finance Ministry and the Interior Ministry are supposed to make purchases for the entire state administration. The second system involves individual ministries making purchases for themselves and organisations under them.

Within the second system, contracts worth more than Kc45bn were expected to be awarded every year. In 2016, however, contracts worth only Kc8.2bn were awarded, with projects of the Interior Ministry accounting for more than a half.

Using the central purchasing system is voluntary.

The government assumed that central purchasing will bring major savings, reduce administrative burden and make purchases more effective.

The amount of savings is distorted, and other benefits have not been assessed, NKU said.

The Czech state's central purchasing of goods and services amounted to Kc4.6bn over the past two years, saving

Kc1.9bn in total compared to the original price list, according to an August report of the Finance Ministry.

TEN SUBJECTS CHARGED WITH UNLAWFUL DRAWING OF EU MONEY – 20.8.

The Zlin branch of the Brno State Attorney's Office has charged ten subjects with causing damage worth dozens of million crowns by unlawful drawing of EU subsidies, for which they face up to 12 years in jail if convicted, police spokeswoman Lenka Javorkova told CTK today.

The suspects are prosecuted without being taken into custody.

Javorkova would not reveal their identity.

According to CTK's information, the case is linked to the Central Moravia Regional Operational Programme (ROP).

Multiple charges have been levelled against six individuals and four firms. The criminal police have been dealing with the case since 2014 based on a businessman's complaint.

"The mastermind was a 57-year-old man from Zlin, an employee of an organisation that mediates the drawing of European subsidies. Together with a fellow employee and a former employee, they used their insider knowledge, experience and information they gained at work to help applicants, in exchange for a financial reward and at variance with EU rules, to attain and draw subsidies for the construction of accommodating facilities in the Zlin Region," Javorkova said.

EU subsidies flow to the Olomouc and Zlin Regions through the ROP Central Moravia.

The police said the suspects used unlawful methods to apply for subsidies in support of five projects worth a total of 82 million crowns. They succeeded in gaining 50 million crowns worth of subsidies.

"The unlawful drawing of money rested, for example, in the suspects' influencing of the tender for the construction project supplier and forging the data about a company's financial health. They provided different data in their reports to the financial office and in the documents required for the subsidy drawing, with the aim to gain the highest possible subsidy," Javorkova said.

The unlawful money drawing lasted from 2008 to 2015, the police said.

"Within the criminal proceedings, the police seized real estate worth 50 million crowns, including the accommodation facilities built for the EU money, and over 100,000 crowns from a bank account," Javorkova said.

The charges are faced by two men and a woman, who previously worked in various posts in an organisation securing the drawing of subsidies, and also three executives of three accommodation providers, who applied for the subsidies on their respective firms' behalf, and four firms from Prague, Zlin and Ostrava, north Moravia.

They are prosecuted for abuse of power, bribe taking and giving, harming the EU's financial interests and inadmissibly negotiating on an advantage in public procurement, tender and auction.

MF PLANS UP TO CZK 60BN BOND ISSUE IN Q3 – 21.8.

The Czech Ministry of Finance (MF) has published a schedule of medium-term and long-term state bonds to be issued on September 7 and 21, 2018. Auctions are planned for September 5 and 19. In the third quarter of 2018, the total planned nominal value of state bonds sold at auctions is set at the indicative maximum amount of CZK 60bn.

AGRICULTURE & ENVIRONMENT

CZECH FIELDS NOT SOWN WITH GM MAIZE FOR 2ND YEAR IN ROW – 16.8.

The CR reports no genetically modified (GM) maize for the second year in a row, Agriculture Ministry spokesman Vaclav Tampir told CTK today.

Genetically modified organisms (GMO) will be cultivated again in roughly 10-15 years, said Josef Soukup of the Czech University of Life Sciences Prague.

The ministry has talked about a decline in the area of fields sown with GM maize before because its sales are problematic. In 2008 when the volume of GM maize in the country was the highest, the crop was cultivated by 167 growers on fields covering 8,380 hectares in area.

GM maize was the only GM crop allowed in the CR. It was used as feedstuff and for the production of ethanol fuel and biogas.

GM maize is grown for its resistance to the European corn borer whose occurrence has been decreasing.

However, the occurrence of the pest will start increasing again because of climate change, Soukup said.

GM maize development in CR in 2005-2018

Year	Area (ha)	No. of growers
2005	150	51
2006	1,290	82
2007	5,000	126
2008	8,380	167
2009	6,480	121
2010	4,680	82
2011	5,090	64
2012	3,050	41
2013	2,560	31
2014	1,754	18
2015	997	11
2016	75	1
2017	0	0
2018	0	0

GOVERNMENT APPROVES SUSTAINABILITY OF ORGANIC FUELS – 16.8.

The government of the CR met on August 15, 2018 to approve the draft regulation of the government on criteria for the sustainability of organic fuels and the reduction of greenhouse gas emissions from fuel (PHM). The draft was submitted in relation with the amendment of the Air Protection Act currently discussed by the Chamber of Deputies. On the other hand, the government rejected amendments of the Criminal Code or the cancellation of the electronic revenue registration system submitted by MPs. The ministers also discussed the support for sports including the establishment of the National Agency for Sports and

approved the action plan with the concept SPORT 2025 for the period of years 2018-2019.

OVER 550 FIRMS TO TAKE PART IN SOUTH BOHEMIAN FARMING EXHIBITION – 17.8.

Products of more than 550 exhibitors from over 20 countries will be on display at the 45th annual agricultural exhibition Zeme zivitelka that will be held in Ceske Budejovice on August 23-28, organisers told journalists today.

Last year's number of exhibitors was 547. The exhibition, covering an area of 25 hectares, attracted 109,278 people, which was the highest figure since 2005.

The opening ceremony of the exhibition that will mark 100 years of Czech agriculture this year will be attended by President Milos Zeman, and Prime Minister Andrej Babis will visit a harvest festival on August 25, said the organisers and an Agrarian Chamber representative.

At the exhibition, people will get some information on smart agriculture including automation systems for cowhouses, self-driving and GPS enabled tractors, drones with cameras, or soil sensors.

Visitors will also see historical ploughs and tractors exhibited by the National Museum of Agriculture in Prague as part of celebrations of the 100th anniversary of the agriculture sector.

On display will also be a CR10.90 combine harvester that made it into the Guinness Book of Records as it harvested 798 tonnes of wheat in the span of eight hours, thus setting a new Guinness World Record.

The Agrarian Chamber will be discussing EC proposals for the common agricultural policy after 2020 at the exhibition, and the commodity board will deal with the situation on the milk market, said Jan Zahorka, adviser to the Agrarian Chamber head.

This year, the exhibition will feature for the first time a pavilion with the best Czech wines and the first European Angus (Scottish breed of small beef cattle) Show. The exhibition's budget is worth tens of millions of crowns.

PRAGUE HAS WORST AIR OF POPULAR EUROPEAN CITIES – 17.8.

Prague fares the worst in a recent study comparing air pollution in ten metropolises in the European Union (EU) that was conducted by the Brussels-based Transport & Environment (T&E) think tank, daily Lidove noviny (LN) writes today.

To breathe the air in Prague for four days is like smoking one cigarette a day, according to the study results.

The think tank has gathered data from the measurement stations in the centres of ten most popular European cities between August 1 and 7, 2018. Along with Prague, the most attractive tourist destination in the CR that welcomed 7.5 million visitors last year, those are Paris, London, Vienna, Amsterdam, Barcelona, Dublin, Milan, Rome and Istanbul. Experts compared the pollution by airborne particles in the centres of these cities with similar levels of micro-particles that smokers breathe in from one cigarette.

The comparison focused on dust particles under 2.5 micrometre that can settle in bronchi. The data are in microgrammes per square metre and day, while Prague has 22, which equals one cigarette.

Out of the cities, only Istanbul (19) has almost as bad air as Prague. Tourists in Paris, Amsterdam and Vienna (12, 11, 10)

breathe in a half of airborne dust of those in the Czech capital, while the cleanest metropolises in this respect are Barcelona and the Dublin (4, 3).

However, experts question the comparison of the breathing of polluted air with smoking cigarettes mainly because it focuses on microdust only, while ignoring other harmful substances in tobacco.

This comparison is also misleading as up to 30 times more people die of smoking consequences than of diseases caused by air pollution, which Bohumil Kotik, head of the air and waste sanitary section of the State Health Institute (SZU), confirmed.

Moreover, the Brussels think tank used data from the measurement in the Prague-Smichov neighbourhood that are affected by a bustling city ring road.

However, Kotik admits that Prague has another "skeleton in the cupboard" - the south-north arterial road in the centre, crossing Wenceslas Square, the real heart of Prague.

The certificate of "a dirty city," which Prague receives from the European think tank, also corresponds to the air pollution level used by Czech experts. The long-term average level of PM 2.5 dust particles, on which the European study is based, was 17-22 microgrammes last year, while the upper limit came exactly from the Prague-Smichov station.

The study also reveals another problem of Prague. It suffers from extensive car traffic that is not regulated at all.

LN writes that the quality of air in Prague is rather average in the country. The worst air pollution has long been reported in the Ostrava locality in the Moravian-Silesia Region, north Moravia, where the airborne dust level has been twice as high as in the capital, LN writes.

But unlike the Ostrava area where the industry is the main polluter, bad air in Prague is mainly caused by extensive road traffic, primarily by old cars or those whose owners intentionally modified them or even removed filters of solid particles.

Consequently, a mere one-tenth of all cars driving in Prague produce some two-thirds of the most harmful emissions from transport, which are small dust particles and nitrogen oxides.

Miroslav Suta, from the Centre for Environment and Health, points to long-term solutions to improve the air in Prague, such as the German model of obligatory eco-friendly labels on car windscreens.

"The creation of green zones where only the vehicles meeting the new emissions standards could enter would have the strongest effect," he said, adding that another measure might be the introduction of a toll for driving into the centre.

Low-emission zones have been planned in Prague for years. They were to take effect in 2015 originally and then two years later, but the City Hall has not yet agreed on their final version, LN writes.

AV ČR: SCIENTISTS CRACK WHEAT'S GENETIC CODE – 21.8.

Olomouc scientists from the Institute of Experimental Botany of the Czech Academy of Sciences have contributed to the breakthrough cracking of the entire genetic code of wheat. Until now, it had been deemed impossible due to its size. This information was provided by the Czech Academy of Sciences (AV ČR), adding that the discovery would serve breeders and other research projects. The Czech Ministry of

Agriculture added that according to the scientists, the genome had almost 17bn genetic-code letters. The genetic code of wheat is five times larger than of humans.

AGRICULTURAL MINISTRY TO DIVIDE CZK 800MN ON WATERWORKS INFRASTRUCTURE – 21.8.

The Czech Ministry of Agriculture will divide CZK 800m among municipalities and municipality alliances that are planning to build waterworks infrastructure.

The subsidy is to be used towards the construction of water mains, sewerage systems, water/wastewater treatment plants, and water towers.

The objective is to mitigate the negative impact of drought and lack of water. Applications will be received from September 20, 2018 and can be sent until January 15, 2019.

The state subsidy will cover 55%–75% of costs.

Each applicant can get up to CZK 50m towards their project.

The entire programme is planned to run until 2022 with a budget of CZK 4.8bn.

REPORT: OVER 90 PERCENT OF CR AFFECTED BY DROUGHT – 21.8.

More than 90 percent of the area of the CR has been affected by drought, according to a report carried out by a scientific team within a project called InterSucho.

Over 72,000 square kilometres are currently affected by the down-out period of dry weather and lack of rainfall.

According to climatologist Miroslav Trnka, a co-author of the study, there are between 40 and 80 millimetres of water lacking in the soil. The situation could only improve by a long-term, moderate rain.

CZECH DAIRY CONSUMPTION FALLS TO 246.5 KG PER CAPITA IN 2017 – 21.8.

The consumption of dairy products, excluding butter, decreased by 1 kg to 246.5 kg per capita in the Czech Republic last year, while butter consumption fell by 6 percent to 5.1 kg per capita, Bohemian-Moravian Dairy Product Association chairman Jiri Kopacek told CTK today.

The decrease in the Czech Republic was lower than in the rest of Europe, and the consumption has a slightly growing tendency at present, Kopacek said. Its potential is around 260 per capita a year, he added.

Butter prices rose steeply last year. According to data from the Czech Statistical Office (CSU), the average price went up by 45.2 percent to Kc52.31.

Butter prices reached all-time highs in the entire EU and they keep growing.

Czech consumption of yoghurts and other fermented dairy products is one of the highest in Central Europe, at about 15.5 kg per capita a year.

The average consumption of cottage cheese in the Czech Republic is 4.67 kg per capita a year.

EGAP INSURES AGRICULTURE PRODUCT EXPORTS FOR OVER CZK 500MN THIS YEAR – 22.8.

The Czech state-run Export Guarantee and Insurance Corporation (EGAP) has insured agricultural exports for more than Kc500m this year, EGAP spokesman Josef Jirkal told CTK in a press release.

Agricultural machinery, foodstuffs and supplements went to Russia, Ukraine, Cuba, Kazakhstan, Armenia, and Turkey,

which is a new destination in terms of the export of bull semen for insemination, said Jirkal.

EGAP will offer its services at agricultural exhibition Zeme zivitelka that starts in Ceske Budejovice on August 23, he added.

The export of tractors made by Zetor Tractors company to Russia and Ukraine is the biggest deal this year. Bednar FMT, too, has supplied agricultural machines to those countries.

"In the past two years, we've seen a much bigger interest in Czech agricultural technologies from the two countries, which is quite natural as both countries want to be more self-sufficient in food production," said EGAP CEO an Prochazka. Farmet has been shipping technology to Russia.

Czech breeders export cattle, mainly Flekvieh cows, to Turkey.

EGAP has insured some export deals in Cuba. Simplex CZ exported alimentary wheat, dried milk and other commodities worth nearly Kc150m to Cuba. More supplies will follow towards the end of the year.

Cuba is interested in Czech technologies for meat, dairy, drinks and bakery industries.

This year, EGAP has insured the export of some products of Hame food producer to Ukraine and the export of food supplements of Walmark company to Kazakhstan and Armenia.

EGAP's loss increased to Kc2.7bn last year from Kc1.25bn in 2016 because of reserves for insurance claims. It insured Kc42.8bn worth of deals, 30 percent more yr/yr, boosting exports to 33 countries. Set up in 1992, EGAP has insured exports for more than Kc800bn to 117 countries during the period.

ENERGY & INDUSTRY & TRANSPORT

CTK ALMOST 250,000 KM OF TRANSMISSION LINES BUILT IN 100 YRS – 16.8.

Nearly 250,000 kilometres of electrical power transmission lines have been built in the Czech lands over the past hundred years, CEZ energy group spokeswoman Sona Holingerova told CTK.

When Czechoslovakia was established (1918), the power grid covered 1,500 kilometres, which means over 2,460 kilometres of transmission lines have been built a year on average, she said.

CEPS is the power grid operator, and the distribution area is divided among three companies - CEZ Distribuce, E.ON Distribuce and PREDistribuce.

Before World War I, the power grid development was spontaneous and chaotic, CEZ new energy and distribution division head Tomas Pleskac said.

The network was split into miniature units, and hundreds of power facilities supplied merely their surroundings, Pleskac said.

It was in the decades after when distribution networks got concentrated around big power plants, he added.

Integrated electrical power grid of Czechoslovakia is considered to begin in 1950 when the two largest networks - Bohemian and Moravian-Silesian - joined together, CEZ said.

While more than 90 percent of Moravian municipalities had electricity in 1945, there were significant differences between Bohemian districts. In 1955, however, electrification of the Czech lands was nearly done, CEZ added.

The first 400 kilovolt (kV) transmission line heading from northern Bohemia to northern Moravia was launched in September 1965, being 346 kilometres long. The 400 kV power grid was developing quickly in the 1960s, CEZ said.

The high voltage distribution system was then harmonised at 380/220V.

During the 1980s, all major electrical power units gradually connected to the grid, including Dukovany nuclear power plant.

In the new millennium, Czech electricity production separated from distribution within the European Union's electricity market liberalisation.

There are still challenges in distribution, Pleskac said.

"We focus on digitisation as there is an enormous rise in data that need to be effectively processed," he said.

The number of small producers is growing, and accumulation is being monitored, too, he added.

ČIA ŠKODA RAISES SUPPLIES OF OCTAVIAS TO 30,700 – 16.8.

Czech brand ŠKODA delivered in July 2018 a total of 30,700 cars branded OCTAVIA to its customers. The information was provided by ŠKODA AUTO adding that it represented a growth by 3.6% y/y. the brand registered growths also for models FABIA (14,900; +4.5%) and KODIAQ (12,300; +22.6%). Decreases were recorded for sales of models RAPID (14,300; -2.8%), SUPERB (10,400; -7.4%) and YETI (700; -86.3%). The model CITIGO, which is available only in Europe, showed a growth by 75.6% to 3,600 units. The automaker sold also 10,700 units of the model KAROQ and 2,200 units of the model KAMIQ. It globally delivered 99,700 cars, up by 14.6% y/y, in July 2018.

ČIA ČEZ BUYS ANOTHER 5 ELECTRIC CARS, IT HAS MORE THAN 30 – 17.8.

The ČEZ Group has with the use of a subsidy from program OPPIK (Call for low-carbon technologies) purchased five electric cars. The Hyundai Ionic electric cars will be used by hydro power plant employees in localities Dlouhé stráně, Štěchovice, power plant and heating plant Mělník and Trmice, ČEZ ESCO specialists in Plzeň and ČEZ Energetické Služby technicians in Ostrava. There are currently more than 30 electric cars operating within the group.

ČIA CZECH RAILWAYS ANNOUNCES TENDER FOR DELIVERY OF UP TO 90 EXPRESS WAGONS – 20.8.

Czech Railways (České dráhy) has announced a tender for the delivery of up to 90 express wagons to replace its ageing fleet that should feature air conditioning, internet access and electrical outlets, and offer passengers a smooth ride at speeds of up to 200 km/hour.

This is the second major investment announced this summer by the national railways operator, which faces increasing competition from private transport companies. In late June, Czech Railways signed a contract for the delivery of 50 passenger trains for its Prague - Brno - Bratislava - Budapest line.

CTK CZECH INDUSTRY MINISTER, KHNP TALK ABOUT NUCLEAR ENERGY – 20.8.

Industry and Trade Minister Marta Novakova has held talks with South Korean company Korea Hydro & Nuclear Power (KHNP) CEO Chung Jae-hoo about the possibilities of

collaboration in the field of nuclear energy, the ministry told CTK today.

According to the ministry, Novakova and Chung have agreed that collaboration in many branches of industry is promising. KHNP ranks among companies interested in taking part in the potential construction of new nuclear units in the CR.

"If a decision on the completion of nuclear power plants in the CR is made, (South) Korea's participation in the tender would be welcome," Novakova said.

According to the ministry, South Korea ranks among the CR's most important non-European business partners.

"Bilateral trade between both countries reached a new all-time high of Kc109.7bn in 2017," the ministry said.

"Since South Korea has rich experience in the development and use of nuclear energy, collaboration of both countries in this area will be beneficial. At present, there are more than 20 nuclear reactors in operation in South Korea, covering around 30 percent of the country's energy output, which is similar percentage as in the CR," the ministry said.

According to earlier information, interest in the construction of new nuclear units in the CR has been shown by six companies, namely Russia's state-run Rosatom, France's DF, China's China General Nuclear Power, Areva's and Mitsubishi's joint project Atmea, US company Westinghouse, and KHNP.

The decision on the construction of a new nuclear source has been delayed by disputes over the method of its financing.

Prime Minister Andrej Babis has said recently he wants the decision on the financing of a new unit at the Dukovany nuclear power plant, owned by CEZ, to be made by the end of this year.

VALUE OF CONSTRUCTION CONTRACTS AWARDED BY END-JULY GROWS 62% – 21.8.

Czech public investors awarded 2,871 new contracts worth Kc114.5bn to construction companies by the end of July, their value rising by 61.5 percent in year-on-year terms, while their number remained almost unchanged, according to data from the IS company.

The value of public contracts for housing construction projects awarded by the end of July rose annually by 60 percent to Kc32.8bn, while the value of contracts awarded for civil engineering projects went up by 62 percent to Kc81.7bn.

Nearly one half of the contracts awarded was co-financed from EU subsidies.

The average public construction contract amounted to Kc34m, three fifths more than a year ago.

Since the beginning of the year, 12 contracts have exceeded the value of Kc1bn. In July alone, no new contract over Kc1bn was awarded.

The biggest of these contracts concerned modernisation of the Sudomerice-Votice railway line awarded by the railway infrastructure administration company SZDC to OHL ZS for Kc5.3bn.

The second biggest contract concerned renovation of the railway section between Prague-Hostivar and Prague-Main Railway Station worth Kc4.22bn, awarded by SZDC to a consortium of Metrostav, Swietelsky Rail CZ and SMP CZ.

Third came the construction of a section of the D35 motorway worth Kc3.91bn, awarded by the Road and

Motorway Directorate (RSD) to a consortium of Eurovia, Metrostav and Swietelsky stavebni.

Last year, public investors awarded 14 contracts exceeding Kc1bn.

By the end of July, the biggest volume of contracts was awarded by public administration bodies to Metrostav (36 contracts worth Kc2.6bn in total). In addition, Metrostav will take part in another 31 contracts totalling Kc12.22bn in consortium with other companies.

The biggest public investor in H1 was SZDC, which awarded 34 contracts worth Kc19.13bn.

The value of new construction contracts announced by the end of June rose annually by 21.7 percent to Kc82.4bn. In housing construction the amount rose by 82 percent year on year, in civil engineering by 2.8 percent, though the value of contracts announced for transport infrastructure projects decreased by nearly two fifths.

"With regard to the low level of contracts announced in a comparable period of 2017, this is not a favourable piece of news for transport infrastructure builders," IS analyst Ivan Vrhel said.

Public contracts accounted for 32.6 percent of total sales of construction companies in 2016, which was the lowest share since 1996, according to data from the Czech Statistical Office (CSU). The biggest percentage was registered in 2002 (55.1 percent).

Public construction contracts awarded since the beginning of 2016 (in CZK bn)	
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
May 2018	23.2
June 2018	11.8
July 2018	15.0

CZECH CAR PRODUCTION 0.5% HIGHER AT 822,389 UNITS IN JAN-JULY – 21.8.

The Czech Republic's passenger car production grew by an annual rate of 0.5 percent to 822,389 units in Jan-July, with domestic sales rising by 1.5 percent to 68,534 cars, according to data from the Automotive Industry Association.

Skoda Auto, the largest Czech car maker, turned out 503,515 cars, 3.8 percent more yr/yr.

TPCA raised its output by 3.4 percent to 128,624 cars and Hyundai reported a drop of 9 percent to 190,250 cars.

Lorry production declined by 46 percent to 481 units. Tatra made 446 vehicles, and Avia the rest.

Bus production was 5 percent higher at 2,762 vehicles. Iveco made 2,452 buses and SOR 289 units.

Jawa, the only manufacturer of motorcycles on the Czech market, registered a drop of 13.6 percent to 770 units.

Passenger car production went up by 5 percent to a record-breaking 1.414 million units in the country last year thanks to high domestic and European demand. Exports grew by 5 percent and domestic sales rose by nearly 7 percent.

ROAD FREIGHT TRANSPORT GROWS TO 10-YR RECORD OF 88M T IN Q1 – 22.8.

Lorries and vans transported nearly 88 million tonnes of goods on Czech roads in the first quarter of the year, about a tenth more annually and the highest Q1 figure in ten years, the Czech Statistical Office (CSU) said today.

International freight transport makes up only 11 percent of the total figure, with exports outpacing imports, said Marie Bouskova, head of the CSU service statistics department.

Metal ores and mining products constitute a major portion of the inland freight transport volumes, making up 29 percent of the goods structure in the Jan-March period.

Foodstuffs, drinks and tobacco accounted for 9 percent, and agriculture, hunting and forestry products including fish constituted nearly a tenth.

"The average distance on which goods are carried on roads is 111 km. As statistics show, the length is usually the highest in the first quarter," Bouskova said.

The government has long been trying to lower the amount of goods moved on roads and raise the share of rail and water transport.

In its policy statement, the cabinet of Prime Minister Andrej Babis said it would back shifting freight transport from roads to railway and help create conditions to enable that, including EU funding to develop intermodal transport terminals.

The Czech road and motorway network is 55,756 km long, with the latter making up 2 percent and first-class roads 10 percent of roads in operation, according to data from the Transport Ministry.

BOMBARDIER TO SUPPLY 50 TRAXX LOCOMOTIVES TO ČD CARGO – 22.8.

Bombardier Transportation and ČD Cargo have signed a contract for the supply of 50 BOMBARDIER TRAXX multi-system locomotives of the newest generation. The first supply is for 10 TRAXX MS locomotives. They will be used for cargo and personal transportation in the Czech Republic, Slovakia, Germany, Austria, Poland and Hungary, with the possibility of expanding the fleet for Slovenia and Croatia. The TRAXX MS3 is the only multi-system locomotive on the market with the Last Mile function that enables one to pass non-electrified track sections in harbours or cargo terminals. Including this order, customers from the Czech Republic have already ordered 54 TRAXX locomotives.

ŠKODA AUTO MANUFACTURED MILLIONTH SUV – 22.8.

The anniversary vehicle is the KAROQ model from the Kvasiny plant.

The carmaker expanded into the SUV segment in 2009 with the launch of the ŠKODA YETI model.

The SUV offensive is an integral part of Strategy 2025.

ŠKODA AUTO's board of directors member for production and logistics, Michael Oeljeklaus, has stated that the company is currently adopting measures to be able to satisfy the growing demand for this segment in the future.

The plant in Kvasiny will be transformed into the SUV competence centre.

TRADE

PLUNGE OF TURKISH LIRA NOT TO IMPACT CZECH IMPORTS THIS YEAR – 16.8.

The Turkish lira's loss to the Czech crown or to the US dollar will not have an impact on import prices in the CR this year, according to companies approached by CTK.

The lira has dropped by 34 percent to the crown this year. Czech imports from Turkey reached Kc36bn last year, and the main articles are motor vehicles, boilers, clothes, electronic devices and furniture.

Toyota models Corolla and C-HR are made for the Czech market in Turkey.

"The current crisis and weakening of the Turkish currency will not affect car prices in the CR," Toyota's Czech representation spokeswoman Jitka Jechova said.

Products of the Beko brand are imported from Turkey. Alza.cz electronics e-shop buys Beko products in the local currency, reporting no indication of a price change, Alza.cz financial director Jiri Pontr said.

A big part of the goods is stored, and main suppliers have hedged against currency risks for a major part of the future imports, he added.

No price jumps can be expected this year, Pontr said.

While there might be some changes in the long term, they cannot be predicted as it depends on the supplier's reaction, he added.

Turkey has been battling with a currency crisis, losing nearly 40 percent to the US dollar from the beginning of this year.

The lira is being pushed down by Turkey's disputes with the USA, and worries concerning the growing influence of Turkish President Recep Tayyip Erdogan on the economy and him pushing lower interest rates despite high inflation.

CZECHS CAN START EXPORTING BEEF TO CHILE – 16.8.

Exporters from the CR as well as other ten European countries can start exporting beef to Chile, State Veterinary Administration (SVS) representatives told CTK today.

Talks on cattle exports from the CR to Israel and discussions on the possibilities of beef exports to Turkey and China are also under way, SVS said.

According to SVS, Chile notified the European Commission of the possibility of beef imports in July.

"Chile has come to the conclusion that inspection and processing systems of EU countries are satisfactory and has sent a list of countries that have been approved for exports," SVS spokesman Petr Vorlicek said.

SVS now wants to find companies interested in exports of beef to Chile.

According to data from the Czech Statistical Office (CSU), the CR exported frozen beef worth Kc175m and chilled beef worth Kc995m last year. The biggest amount of more than Kc583m went to Slovakia. Exports outside the EU were virtually zero.

In contrast, imports of chilled beef to the CR amounted to Kc3.7bn and imports of frozen beef to nearly Kc0.5bn. The

biggest importer was Poland, which sold chilled meat worth almost Kc900m on the Czech market, followed by the Netherlands and Germany. Czech exports of live cattle amounted to Kc4.8bn last year. Most of these exports went to Austria and Turkey.

CEA CZECH EXPORTERS CAN EXPORT BEEF TO CHILE – 17.8.

The CR and ten other countries of the European Union can newly export beef to Chile. The State Veterinary Administration (SVS) has informed about this, which will now undertake moves necessary to begin trading. Chile has acknowledged that the control and processing mechanisms of the EU countries are satisfactory and has sent a list of countries, which have been approved for import. SVS will pre-selected and subsequently address potential exporters.

LABOUR & HEALTH & SOCIAL

CEA HK ČR ACCEPTS APPLICATIONS FOR EMPLOYEES FROM SERBIA – 16.8.

The Chamber of Commerce of the CR (HK ČR) has started accepting applications for employees from Serbia. The government approved a proposal of the chamber to extend the regime by other countries with applicants for jobs close to the Czech language and culture. An employee card will be granted to at most 2,000 workers a year. The applications will be assessed by the Ministry of Industry and Trade of the CR based on recommendation by HK ČR. The new programme has been designed for the direct employment and not for intermediaries.

CEA MMR WILL PROVIDE CZK 650M IN LOANS FOR YOUTH – 16.8.

The Ministry for the Regional development of the CR (MMR) launched on August 15, 2018 the reception of applications for advantaged loans for youth. The ministry will use the State Housing Development Fund (SFRB) to allocate roughly CZK 650m for the purpose in 2018. Young people up to the age of 36 years (married couples or registered partners) can borrow up to CZK 2m for the acquisition or repair of their own housing. The loans will have a maturity period of 20 years and the project is not limited by time. Some applications could be transferred to the following calendar year.

CTK EXPERTS: STATE LOANS PROGRAMME FOR YOUNG IS POPULIST – 16.8.

The state loan programme for young families under 36 years that started on Wednesday will not improve the availability of housing and it is a populist step of the politicians, experts have told CTK.

People waited overnight to apply for a loan within the State Housing Development Fund (SFRB) programme for young families, which got 256 applications worth 299.2 million crowns the first day, fund spokeswoman Karolina Smetanova has told CTK.

The loans are intended for young married couples or registered partners with at least one in the couple under 36 years or single applicants looking after at least one child under 15. The couples may ask for a state loan of up to two million crowns for the reconstruction of their housing or purchase of a new one. The state earmarked 650 million crowns for this purpose in 2018.

"This is just a drop in the ocean with regard to the volume of the mortgage market in the CR. This year, Czechs have been

closing mortgage deals worth 17.45 billion crowns a month on average. In a single month, almost 27 times as much money goes to mortgages than into the respective state loan programme for the entire rest of the year," Cyrrus analyst Lukas Kovanda told CTK.

In the most, the programme with an allocation of 650 million crowns can help only hundreds of people in the country and in towns where the prices of real estate are low, added Pavel Kliment, from the Association for Architecture and Development.

In Prague, the loan suffices for 13 square metres.

According to Kliment, politicians should instead launch an offer of flats.

Some politicians share this view.

"With regard to the current prices of real estate in Prague, the loan size is completely inadequate. One can only acquire a better garage for 1.5 million crowns in Prague," Social Democrats (CSSD) candidate for Prague mayor Jakub Landovsky said. According to him, determining the loan size according to the price map would be a solution.

"Price maps are respected today and are used to calculate rent, for instance. We want the loans in Prague to be higher than in other towns. Because the flats simply are more expensive here," he noted, adding that the CSSD is elaborating the particular draft.

Bidli Real Estate agency director Ondrej Masin believes that in the regions where the property prices are low, such as in the Usti (north Bohemia) or Karlovy Vary (west Bohemia) regions, the loan for the young makes sense. However, it does not reach the average property prices in Prague, the South Moravia or Central Bohemia regions. The long period of closing the loan deals is another disadvantage, he said.

Chytry Honza mortgage specialist Daniel Hornak said a classic mortgage was the only possible solution, apart from living in expensive rent accommodation, as it is not limited by size, but by the income of the household instead. Since October, however, the Czech National Bank (CNB) has tightened up the terms for the acquisition of mortgages.

"I would rather expect the state to help by constructing state housing for lease, which would help start life for young families," he added.

CTK MINISTRIES COULD HAVE ONE TENTH FEWER PLACES AS OF JANUARY – 17.8.

Some Czech ministries could reduce their staff as of January by about ten percent compared to the present levels, according to information provided by the ministries and CTK sources.

Jobs would be abolished also in offices that fall under the ministries. The cuts are envisaged within the preparation of the state budget by the Finance Ministry, which is planning to limit unoccupied posts and save 3.4 billion crowns by cancelling 2,221 of them.

Most ministries refused to comment on this plan in detail.

The trade unions are not opposed to the cuts if these posts are not useful. They maintain that the money saved should be used to increase the salaries in the public sector.

The Agriculture Ministry is currently looking into the numbers of its occupied and unoccupied posts.

"We expect to decrease the number of civil service regulation and other posts. The specific final version of the amendment is not known at this moment, the minister [for agriculture

Miroslav Toman, Social Democrats, CSSD] wants to decrease the number of employees by ten percent," spokesman for the ministry Vaclav Tampir told CTK.

Likewise, the Labour Ministry received a request to cut its staff by ten percent, which concerns about 130 posts. New Labour Minister Jana Malacova (CSSD) did not want to comment on this. Her ministry has dozens of unoccupied posts and many employees left it during the last month of former minister Jaroslava Nemcova (ANO) in the office. Malacova undertook to stabilise the ministry first and wants to replenish the staff in the necessary posts as soon as possible.

The Culture Ministry should abolish 13 posts and the Transport Ministry about 30.

"The savings will be in tens of millions of crowns," Transport Ministry spokesman Jakub Stadler said.

Deputy PM, Interior Minister and acting Foreign Minister Jan Hamacek (CSSD) told journalists that CSSD ministers are ready to implement the cuts. However, the situation in particular ministries should at first be examined by audits to ensure the cuts will not impact certain agendas or security.

CTK NEARLY 50% OF CZECHS FOR 5-HOUR WORKING DAY – 19.8.

A total of 45 percent of Czechs would appreciate a five-hour working day, and a fifth of employees said shorter working days would help reduce stress and make work environment more comfortable, a survey carried out by Up CR company among 525 employees has revealed.

A five-hour working day is one of the most popular non-traditional perks globally.

Czech trade unionists want a working week to have 37.5 hours, which represents a drop of 2.5 hours, while some foreign companies are talking about a five-hour working day. The average number of hours Czechs work a week decreased to 41.1 hours last year, against 42 hours in 2003. Employees worked an average of 39.3 hours a week, while entrepreneurs spent 44.1 hours at work.

A recent study of Raiffeisenbank showed that working shorter hours is not a way to cut unemployment. On the contrary, it can be one of the factors behind an economic downturn.

All age groups, both men and women, have expressed interest in a shorter working day. An indefinite holiday would be praised as a benefit in kind by 40 percent of employees, according to the study.

Two years ago, US company Tower Paddle Boards introduced a five-hour working day and was then listed as one of the fastest-growing companies in the USA.

Apart from rise in productivity, employers think such measure will relieve stress and improve the balance between work and home, said Up CR sales director Petra Gubikova.

Critics of shorter working hours argue that production companies would have to take on employees to meet targets should they introduce a shorter working day.

The survey showed that 22 percent of employees were in favour of workplace massage, others would prefer a psychologist and yoga classes, or leisure vouchers and cafeteria plans.

CTK POLL: OVER 60% OF CZECHS SATISFIED WITH EMPLOYMENT – 19.8.

As much as 61 percent of the economically active population assessed their work positively, while 2 percent viewed it very negatively and 5 percent were rather discontented with their employment, said a poll conducted by CVVM agency.

A total of 16 percent of people said they were very satisfied and the rest were rather satisfied with their work.

Those who respected their work were senior officers and higher professionals (83%), and entrepreneurs and sole traders (82%), while unqualified workers were the most dissatisfied workers, the poll has shown.

Nearly a third of the respondents had a neutral opinion about their work.

More than 50 percent of administrative staff said they felt happy at work, while both qualified and unqualified workers were less optimistic, 45 and 40 percent, respectively, with one in six unqualified workers being dissatisfied with their employment.

"The share of satisfied employees is growing with the education level and the net personal income," the agency said.

People who saw their standards of living as good were more frequently satisfied with their work, compared to those viewing their standard of living as bad, which is not surprising, the agency added.

A total of 78 percent of the economically active respondents viewed workplace relationships positively, which is the highest share since 2013, when the rate topped 80 percent.

In terms of monthly income, nearly three-fifths of those polled said their remuneration could be higher, while 38 percent said their income was adequate, and 1 percent said their income was higher than they deserved.

People mostly complained about low incomes expect entrepreneurs and sole traders.

Sixteen percent of respondents said they were considering leaving their job or ending their work, while 77 percent rejected this possibility.

People aged 20-29, those with primary education and those seeing their standards of living as bad, and unqualified workers were considering terminating of employment more frequently, CVVM said. Only about a tenth of people said they feared a job loss, while nearly 80 percent said such option was unlikely.

The poll was conducted among 1,078 people on June 16-29. The statistics include answers of 635 economically active respondents.

CTK DISMISSAL RULES IN CR AMONG STRICTEST IN EUROPE – 20.8.

Rules for letting employees go in the CR are among the strictest ones in Europe; and in costs of dismissal with an objective individual or economic reason, the country ranks 14th among the 36 countries providing information on such cases, according to a study conducted by Deloitte company.

The study compared data of 46 countries in Europe, South America and Southeast Asia.

The study does not include wrongful termination cases successful at court where the employer's expenses increase significantly, Deloitte Legal lawyer Anna Szabova said.

Three practical examples were used taking into account local dismissal regulations. The countries were asked to provide

termination costs information in view of both dismissal due to an objective individual or economic reason and dismissal without such a reason.

Only a half of the cases are relevant for Czech employers as local legislation does not recognise a dismissal without a reason listed in the Labour Code, Szabova said.

Seniority is key in dismissal costs in almost all the surveyed countries. In the CR, it sets a severance pay in cases of termination for organisation reasons.

CTK **MINIMUM WAGE TO BE EQUAL TO 50% OF AVERAGE WAGE –**

20.8.

The Czech minimum wage can possibly start growing as of 2020 to reach a level equivalent to a half of the 2016 average wage every January, Labour Minister Jana Malacova said today.

The ministry proposes to include this indexation mechanism in a draft amendment to the Labour Code, Malacova told journalists after a meeting with leaders of CMKOS umbrella trade union.

Trade unionists agree with the proposal as they see as insufficient the current plan to get the lowest income to 40 percent of the average salary.

"We should gradually reach the target: 50 percent of the average wage. It's a matter of discussion and economic development," Malacova said.

"We should be seeking a minimum amount of Kc16,000 and we'll see what the average wage development will look like," she added.

Cyrus chief analyst Lukas Kovanda said the proposal does not correspond with the economic reality and that it is an evident populist pre-election step, endangering competitiveness of Czech companies, sustainable development of public finances and favourable development of the entire economy.

The minimum wage is Kc12,200 from January this year. Unions are demanding a rise of 12 percent or Kc1,500. Employers argue that it is not consistent with GDP growth and businesses in some industries might have problems raising wages by 12 percent. They are proposing an increase by Kc800. Malacova backs the unions' demand.

The cabinet of Andrej Babis said in its policy statement it would prepare binding rules for a predictable growth in minimum wage.

The previous cabinet of Bohuslav Sobotka vowed to raise the minimum wage close to 40 percent of the average wage, which was Kc29,504 last year.

If the indexation mechanism were in force, people with lowest incomes would earn some Kc14,750 as of January next year. However, in reality they will earn between Kc13,000 and Kc13,700.

Unions back the planned model but want to come to an agreement on the final mechanism with employers and the government within a tripartite structure. The agreement would then be passed to the Chamber of Deputies, CMKOS leader Josef Stredula said at the press conference.

Commenting on unions' requirements for pay rises in the public sector, Malacova said she believed the government and the unions would arrive at an agreement until the end of the month. No date for a meeting has been set as yet, however, she added.

CMKOS wants salaries to grow by 10 percent in the public sector, while the cabinet prefers a 10 percent rise for teachers, professions with low incomes would get 7 percent, clerks 6 percent, medical professions 4 to 5 percent and the police and soldiers 2 percent.

Health unions went on strike alert over wages on Friday.

Babis said earlier he knew unions' demands, which is why it was not necessary for him to talk to them again. On Friday, he described the health union's action as a threat, saying he would not meet its representatives.

CTK **PM BABIŠ: MINIMUM WAGE IN CR SHOULD RISE BY Kc1,000**

AT MOST – 21.8.

The minimum wage in the Czech Republic should rise by Kc1,000 at the most, Prime Minister Andrej Babis said after a meeting with Confederation of Industry head Jaroslav Hanak today, the public Czech Television (CT) has reported.

As of January, the minimum wage is Kc12,200.

Trade unions demand that the minimum wage be raised by Kc1,500, or 12 percent, next year.

Employers argue that such a rise is not consistent with the GDP growth and businesses in some industries might have problems raising wages by 12 percent

Employers have proposed a rise of Kc800.

Labour and Social Affairs Minister Jana Malacova backs the trade unions' demand.

The Czech Republic is faring well at present, but this may not last long, Babis told CTK.

Hanak said earlier that a rise of Kc1,000 is acceptable for a big portion of companies.

Babis's government said in its programme that it would prepare binding rules for a predictable growth of the minimum wage.

Former cabinet of Bohuslav Sobotka had pledged to raise the minimum wage closer to 40 percent of the average wage, which stood at Kc29,504 last year.

On Monday, Malacova presented a proposal of indexation of the minimum wage as of 2020. Under the proposal, the minimum wage would, each January, reach 50 percent of the average wage in the year before the last one.

The unions agree with the proposal. According to them, the intention to push the minimum wage up to 40 percent of the average wage is not sufficient.

Employers are in favour of introducing an indexation mechanism but disagree with the proposed parameters.

Hanak said Malacova's proposal is irresponsible.

HOSPODÁŘSKÉ NOVINY **LABOUR MINISTRY PLANS SIGNIFICANT CHANGES**

IN TAKING HOLIDAY – 22.8.

The Ministry of Labour proposes to make it possible for employees to carry over their unused vacation days to the next year on their own request. It would apply only to the days that exceed the mandatory four-week vacation period. In fact, employees could carry over 1 to 2 weeks as some companies offer as much as two extra weeks (for a total of six weeks of vacation).

Currently, unused vacation above the mandatory four-week vacation period can be carried over to the next year only under certain conditions stipulated in the law.

MISCELLANEOUS

CTK CUSTOMS OFFICERS SEIZE TABLETS WITH RARE PLANT AT PRAGUE AIRPORT – 16.8.

Customs officers have seized two kilos of tablets containing the Indian snakeroot rare plant, which falls under the CITES convention to protect endangered plants and animals, at the Vaclav Havel Airport in Prague, customs office spokeswoman Sarka Miskovska reported today.

This is why the case is investigated on suspicion of unauthorised handling of wild plants, Miskovska said in a press release.

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) multilateral treaty entered into force in 1975.

The consignments, which the customs officers revealed at the Prague international airport this week, were sent to the CR from India.

They contained 29 boxes with "Mukta vati extra power" inscription in a packaging marked as a hypertension medicine. Blisters with 3,480 tablets in total were found inside.

"The Czech Environmental Inspection (CIZIP) inspectors, who cooperate with customs officers in this case, have found out that the goods contain, among others, the *Rauwolfia serpentina* (Indian snakeroot) plant that is listed in the CITES convention," Miskovska said.

The Indian snakeroot or devil pepper is a plant species that is native to South and Southeast Asia. Its root contains a high number of alkaloids. It has been traditionally used, for instance, for the treatment of mental diseases in India.

Under Czech law, perpetrators of unauthorised handling of endangered wild plants and animals face up to three years in prison if convicted, or even a higher sentence if they commit the crime as members of an organised group.

CTK AGROFERT CANCELS 1,665 JOBS IN GERMANY'S LIEKEN – 20.8.

Czech group Agrofert cancels 1,665 jobs in German bakery Lieken, which employs some 2,800 people, server E15.cz reported today, based on information of German food industry unions NGG, and Agrofert spokesman Karel Hanzelka refused to comment on the figures.

Agrofert bought Lieken in 2013 when it had a 4,000-strong workforce.

Agrofert, formerly owned by incumbent Prime Minister Andrej Babis, has Penam bakeries in the CR, which also operate on the German market.

Lieken was a loss-making company at a time when Agrofert bought into it, its restructuring under way since 2015, Hanzelka said.

Within the transformation programme Agenda 2020, some logistics and production facilities had been closed down in the past, with the planned dismissals to affect the same segments, German union spokeswoman Karin Vladimirov told the server.

The exact figures are seen as internal information, which Agrofert is not going to make public, Hanzelka told the server. "We are seeking and hiring new workers for the newly opened facilities," he said.

Lieken group ranks among the six largest bakeries in Germany by turnover, E15.cz wrote. Data on Lieken's performance are not available in the German register of companies, according to the server.

Agrofert is the largest group in Czech agriculture and food industry and the second largest in chemical industry. It is a key player on the forestry and media markets. It had some 33,000 employees last year, 22,000 of whom worked in the CR. Its consolidated profit fell by an annual rate of 38 percent to Kc4.8bn last year.

At the beginning of 2017, the group was in the hands of Andrej Babis, the then deputy prime minister and finance minister, but in February of the year Babis transferred his shares to trustee funds because of conflict of interest.

CTK BABIS, ZEMAN TO VISIT GERMANY SEPARATELY IN SEPT, MEET MERKEL – 20.8.

Czech Prime Minister Andrej Babis and President Milos Zeman will visit Berlin separately in September, and both are to meet Chancellor Angela Merkel, according to CTK's information, while Zeman is also to meet President Frank-Walter Steinmeier.

Merkel is to receive Babis with military honours on September 5.

Their talks in the Chancellor's Office seat will probably focus on bilateral relations and cooperation in the modernisation of cross-border infrastructure.

Babis and Merkel will probably also touch on European affairs and the migration issue, on which their positions profoundly differ. Babis discussed these issues with Bavarian Minister President Markus Soder at the Richard Wagner Festival in Bayreuth in late July. They agreed on the need to effectively protect the EU's external border, consistently suppress the activities of people smugglers and markedly improve the living conditions in the migrants' countries of origin.

A few weeks after Babis, a trip to Berlin is planned by Zeman. His two- to three-day visit is to take place around September 20.

Apart from Berlin, Zeman might also visit other German lands. He is to have talks Merkel, although she meets heads of states other than prime ministers only rarely.

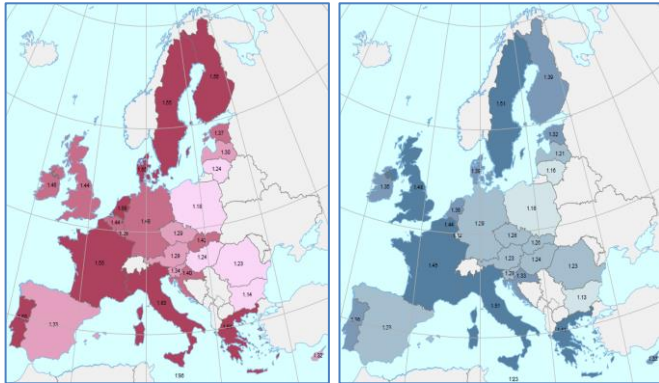
Czech diplomacy views the meeting of Zeman and Merkel, whom many view as opposite poles of the approach to migration, as very important.

By visiting Germany, Zeman will continue in his series of visits to the countries neighbouring on the CR. Since his re-election as president this January, he has visited Slovakia and Poland so far. He is expected to visit the last neighbour, Austria, next spring.

STATISTICS

FUEL PRICES IN EUROPE – 13.8.

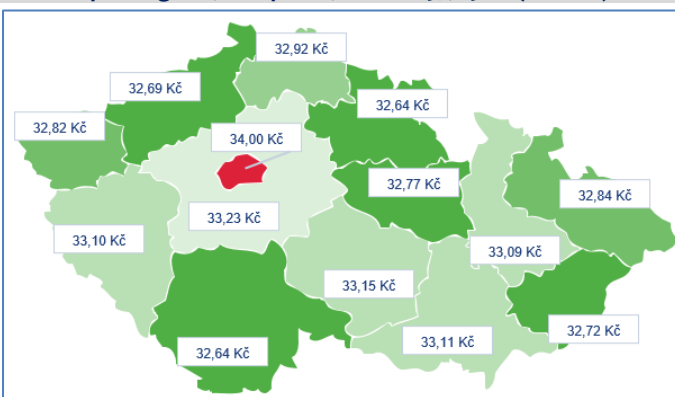
Map 1: EU, Average fuel prices, Natural 95, Diesel, 13. 8. (in €/l)¹



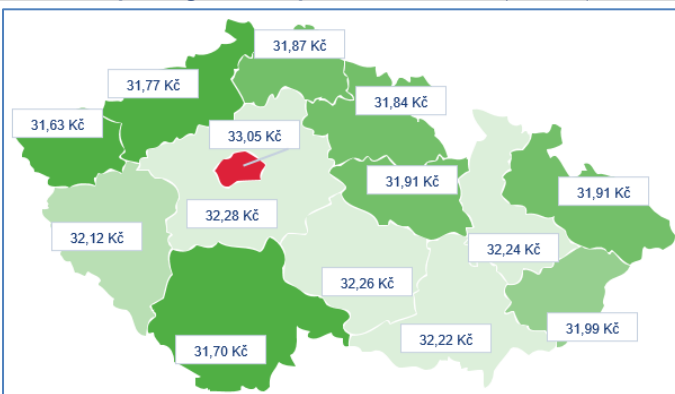
penize.cz

FUEL PRICES IN THE CR – 19. 8.

Map 2: Regions, fuel prices, Natural 95, 19. 8. (in CZK/l)²



Map 3: Regions, fuel prices, Diesel, 19. 8. (in CZK/l)



PRODUCER PRICE INDICES IN THE CR IN JULY 2018: Y-O-Y
GROWTH OF PRICES IN CONSTRUCTION ACCELERATED – 16.8.

In July 2018 compared with the previous month, agricultural producer prices fell by 0.8% and prices of market services for businesses went down by 1.0%. Industrial producer prices (+0.3%) and construction work prices (+0.4%) both went up. In comparison to July 2017, agricultural producer prices went down by 4.4%. Industrial producer prices and construction work prices were both higher by 3.4%. Prices of market services for businesses grew by 1.7%.

Month-on-month comparison:

Agricultural producer prices decreased by 0.8%. Prices of milk (-0.4%), cereals (-0.7%), poultry (-1.3%), fresh vegetables (-

14.1%) and fruit (-38.2%) went down. On the increase were prices of potatoes (+3.4%), pigs for slaughter (+2.2%), oil plants (+1.7%) and eggs (+0.8%).

Prices of industrial producers went up by 0.3%. Prices increased primarily in 'chemicals and chemical products' (+1.8%), 'rubber and plastic products, other non-metallic mineral products' (+0.5%) and 'wood, wood products, paper, printing' (+0.6%). Prices rose in 'food products, beverages, tobacco' (+0.2%), thereof 'beverages' and 'dairy products' (+0.8% both). Prices fell only in 'mining and quarrying' (-0.2%) and 'electrical equipment' (-0.1%).

According to an estimate, construction work prices increased by 0.4% and construction material input prices grew by 0.9%.

Prices of market services for businesses fell by 1.0%. On the decrease were prices of 'advertising and market research services' (-16.2%), 'management consulting services' (-1.6%) and 'employment services' (-1.3%). On the increase were prices of 'architectural and engineering services' (+0.7%) and 'land transport services and transport services via pipelines' (+0.6%). Prices of market services for businesses excluding advertising rose by 0.1%.

Year-on-year comparison:

Agricultural producer prices were lower by 4.4% (-4.2% in June). Prices of crop products dropped by 2.6% due to decreasing prices of potatoes (-1.3%), oil plants (-7.8%) and fruit (-34.4%). Higher were prices of fresh vegetables (+25.3%) and cereals (+1.9%). Prices of animal products went down by 6.6%. Lower were prices of pigs for slaughter (-22.2%), poultry (-5.9%) and milk (-2.6%). Prices of cattle for slaughter went up by 1.3%.

Prices of industrial producers rose by 3.4% (+2.9% in June) year-on-year. It was the most since February 2012. Prices were higher particularly in 'coke, refined petroleum products'. On the increase were prices in 'basic metals, fabricated metal products' (+3.6%), 'electricity, gas, steam and air conditioning' (+2.3%), 'chemicals and chemical products' (+7.6%) and 'mining and quarrying' (+8.4%). Prices were lower in 'transport equipment' (-0.8%), thereof 'parts and accessories for motor vehicles' (-1.6%). On the decrease were also prices in 'food products, beverages, tobacco' (-0.7%), thereof 'preserved meat and meat products' (-5.2%) and 'other food products' (-5.8%).

Among the main industrial groupings, prices of 'energy' (+9.7%) increased the most, decreased only prices of 'non-durable consumer goods' (-0.6%), year-on-year.

According to an estimate, construction work prices rose by 3.4% (+3.1% in June after specification) and construction material input prices grew by 4.5% (+3.6% in June).

Prices of market services for businesses were higher by 1.7% (+1.8% in June). Increasing were prices in 'employment services' (+9.6%), 'security and investigation services' (+9.3%) and 'insurance services' (+5.4%). On the increase were also prices of 'real estate services' (+3.0%), 'architectural and engineering services' (+2.0%), 'publishing services' (+1.9%) and 'land transport services and transport services via pipelines' (+1.4%). Lower were prices of 'management consulting services' (-1.4%), 'advertising and market research services' (-1.9%) and 'warehousing and support services for transportation' (-2.3%). Prices of market services for

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

² data issued by the mBenzin.cz; <https://www.penize.cz/ceny-benzinu-a-ceny-nafty>

businesses excluding advertising services increased by 1.8% (+1.9% in June).

INDUSTRIAL PRODUCER PRICES IN THE EU IN JUNE 2018
(PRELIMINARY DATA) – 16.8.

According to the Eurostat News Releases, industrial producer prices increased in June by 0.4% (+1.1% in May) in EU28, month-on-month. The highest increases in prices were observed in Denmark (+2.6%). Prices went up in Slovakia (+0.7%), the CR (+0.6%), Austria and Germany (+0.4% both) and in Poland (+0.2%). Prices fell the most in Luxembourg (-0.9%).

Industrial producer prices were higher in June by 4.4% (+3.7% in May) in EU28, year-on-year.

The highest increases in prices were recorded in Denmark (+9.1%). Prices rose in Slovakia (+5.6%), Poland (+4.1%), Austria (+3.6%), Germany (+3.0%) and in the CR (+2.9%). Decreases were observed only in Ireland (-2.6%) and Luxembourg (-1.5%).

EXPORT AND IMPORT PRICE INDICES IN JUNE 2018:
EXTERNAL TRADE PRICES INCREASED AFTER A LONG-TERM DECLINE, Y-O-Y – 16.8.

In June 2018, export prices increased by 0.8% and import prices by 1.3%, the terms of trade figures reached 99.5%, month-on-month. Export prices increased by 0.5%, import prices by 0.7% and the terms of trade reached 99.8%, year-on-year.

Month-on-month comparison:

Exports: export prices have increased by 0.8% in June (+1.3% in May). The change of the total m-o-m export price index was led mainly by a 0.7% price growth in ‘machinery and transport equipment’. Prices in ‘mineral fuels, lubricants, and related products’ reached 4.8% (especially electricity), ‘chemicals and related products’ (+1.5%) and ‘manufactured goods classified chiefly by material’ (+0.7%). No price drop was recorded in any of the observed groups.

Imports: import prices advanced 1.3% in June (+1.7% in May). The change of the total m-o-m import price index was led mainly by a 1.1% price growth in ‘machinery and transport equipment’. Prices increased in ‘mineral fuels, lubricants, and related products’ (+3.7%), ‘chemicals and related products’ (+1.1%), and ‘manufactured goods classified chiefly by material’ (+0.8%). There was no price drop recorded in any of the observed groups.

The terms of trade decreased to the value of 99.5% (99.6% in May). Negative values were reached in ‘machinery and transport equipment’ (99.6%) and ‘miscellaneous manufactured articles’ (99.7%). Positive values of terms of trade were reached by prices ‘mineral fuels, lubricants, and related products’ (101.1%) and ‘chemicals and related products’ (100.4%).

Year-on-year comparison:

Exports: export prices grew by 0.5% (-1.5% in May). A significant effect on the development of the y-o-y export price index was the increase in the prices of ‘manufactured goods classified chiefly by material’ (3.3%). Prices increased in ‘mineral fuels, lubricants, and related products’ (+16.3%) (especially petroleum products) and ‘chemicals and related products’ (0.7%). Prices fell in ‘miscellaneous manufactured articles’ (-2.2%) and ‘machinery and transport equipment’ (-0.6%).

Imports: import prices increased by 0.7% after a 2.3% decline in May. The growth of the total annual import price index

was primarily driven by a 28.2% rise in ‘mineral fuels, lubricants, and related products’ (primarily petroleum and petroleum products). Prices increased in ‘manufactured goods classified chiefly by material’ (+1.5%), and ‘chemicals and related products’ (+0.9%). Prices fell in ‘crude materials, inedible, except fuels’ (-10.0%) (especially crude rubber), ‘food and live animals’ (-6.0%) and ‘machinery and transport equipment’ (-2.0%).

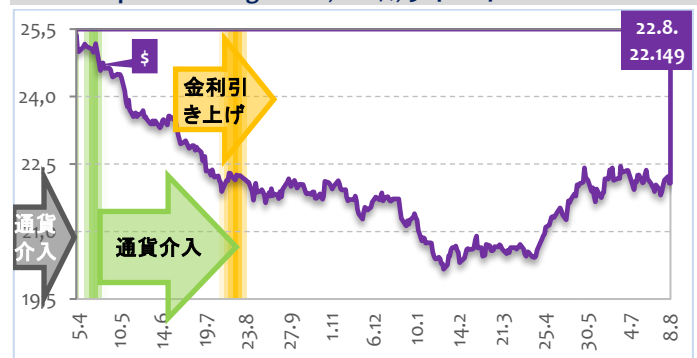
The terms of trade figures decreased to the value of 99.8% (100.8% in May) and after eight months they went to negative values. Negative values were reached by prices of ‘mineral fuels, lubricants, and related products’ (90.7%) and ‘chemicals and related products’ (99.8%). Positive values were reached by ‘manufactured goods classified chiefly by material’ (101.8%), ‘machinery and transport equipment’ (101.4%) and ‘miscellaneous manufactured articles’ (100.5%).

CZK VS €, \$, ¥ – 22.8.

Graph 1: Exchange rates, CZK/€, 5. 4. 2017 – 22. 8. 2018



Graph 2: Exchange rates, CZK/\$, 5. 4. 2017 – 22. 8. 2018



Graph 3: Exchange rates, CZK/100¥, 5. 4. 2017 – 22. 8. 2018





News outside the time span of this News summary



CIA News (Česká informační agentura Ltd.); a news agency, specialising in the CR's economy and markets. It is owned by Inergo Slovakia Jsc., owned by Emil Hubinák.



CNB, 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.



European Commission; European Commission, is the executive body of the EU responsible for proposing legislation, implementing decisions, upholding the EU treaties and managing the day-to-day business of the EU.



HN, Hospodářské noviny Daily; published by Economia a.s., publishing company issuing economic and professional periodicals in the Czech Republic that is owned by Zdeněk Bakala from 2008. Centre-right view.



Peníze.cz; is an online news magazine published by Partners Media, owned by Partners Financial Services, jsc.



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.