

ECONOMIC NEWS SUMMARY SEPTEMBER 6 – SEPTEMBER 12

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ECONOMY & FINANCE

CNB GOVERNOR SPEAKS ABOUT INTEREST RATE HIKES – 12. 9.

CNB¹ governor Rusnok has said that due to the revved-up economy the bank was likely to increase interest rates before the end of the month and then one more time before the end of the year.

Rusnok said he expected a serious debate on a possible interest rate move at a meeting of the bank board on September 26, saying a hike was a strong possibility and there were few arguments against it.

The CNB has lifted interest rates at its last 2 policy meetings.

AGRICULTURE & ENVIRONMENT

BASIC CEREALS HARVEST TO LOWER – 10. 9.

The CR's² harvest of basic cereals will reach 6.62mn³ t⁴ in 2018, which is ▲3.5% lower than in 2017, according to the latest estimate of the CSO⁵.

The CSO's last estimate published a month ago envisaged a ▲7.5% annual drop.

The last time the cereal harvest was worse was in 2012.

On the other hand, the harvest of rape will increase this year, adding 22.8% to 1.407mn t, with the previous estimate projecting a slower rise.

Despite the estimate improvement, prices of baked goods and beer will increase, being impacted by growing prices of key ingredients, wages and energy.

Prices of baked goods and beer will add up to 8% and up to 4%, respectively.

The expected drop in cereal production is due to a smaller field area and a fall in the per ha⁶ yield which is envisaged at 5.3t/ha, 2.5% less than last year.

Rape is grown on 412,000ha of field this year, which is the 2nd largest area after 2013. Rape's yield is estimated to increase annually by 17.6% to 3.42t/ha.

This year's drought did CZK⁷9bn⁸ - CZK11bn worth of damage to Czech agriculture this year, the ACCR⁹ said.

Farmers will demand CZK2bn-CZK2.5bn in compensation for the drought from the state.

The largest damage will be reported on cereals, sugar beet and hops.

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 **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.

³ **mn**: million

⁴ **t**: tonne, metric ton is a non-SI metric unit of mass equal to 1000 kilograms

⁵ **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.

⁶ **ha**: hectare is a non-SI metric system unit of area equal to 10,000 m²

⁷ **CZK**: Czech Crown, the currency of the CR since 8 February 1993

⁸ **bn**: billion

⁹ **ACCR**: Agrarian Chamber of the Czech Republic, associates majority of entrepreneurs in agriculture, forestry and food processing industry. It provides advisory, consultation

Baked goods and products from wheat will grow more expensive this year, the Union of Millers and Bakers said at the beginning of August.

Table 1: Harvest estimate, as of August 15, 2018 (in t thousands, in %)

	Harvest	y-o-y difference
basic cereals	6,622	-3.5
wheat in total	4,514	-4.3
winter wheat	4,309	-4.9
spring wheat	205	+8.7
rye	127	+16.5
barley in total	1,635	-4.5
winter barley	522	-8.0
spring barley	1,113	-2.7
oats	163	+14.6
triticale	182	+2.6
rape	1,407	+22.8
grain maize	528	-10.1
peas	76	-13.0
potatoes	581	-15.7
industrial sugar beet	3,463	-21.3
sunflower for seed	45	-14.9
soya	31	-16.2
green and silage maize	7,004	-9.9
gherkins	8	-52.7

DISCUSSION ON FARMER'S SUBSIDIES IN BRUSSELS – 10. 9.

It is impossible to impose new duties on EU¹⁰ farmers regarding ecology or approach to rural development, for instance, and at the same time cut subsidies from the EU budget, MA¹¹ Minister Toman has said.

After talks with Phil Hogan, EU Commissioner for Agriculture and Rural Development, in Brussels, Toman said that Hogan himself wanted to maintain the CAP¹² budget after 2020 at least at the current level.

He will naturally need support of individual member states, and negotiations will continue, Toman said after the meeting. For the next programming period, the EC¹³ proposed to allocate €365bn for the CAP, about ▲5% less compared to the current budget.

The EC explains the cuts and CAP payment ceilings with the departure of Britain from the EU, which was a net contributor

and legal services for its members. The Agrarian Chamber is non-governmental agricultural professional organization representing interests of more than 100 000 farmers, foresters, food processors, beekeepers etc.

¹⁰ **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.

¹¹ **MA**: Ministry of Agriculture

¹² **CAP**: The Common Agricultural Policy, is the agricultural policy of the European Union. It implements a system of agricultural subsidies and other programmes. It was introduced in 1962 and has undergone several changes since then to reduce the cost (from 71% of the EU budget in 1984 to 39% in 2013) and to also consider rural development in its aims. I

¹³ **EC**: 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.

to the EU budget, and the need to finance other priorities such as migration policy.

According to the ACCR, subsidies to Czech farmers after 2020 might be about 4.1% lower compared to the current payments.

The CR and other members of the V4¹⁴ do not agree with a compulsory ceiling on payments, pushing through a voluntary principle. This measure would affect an overwhelming majority of Czech farms, said Toman.

The EC would like to complete the debate on the shape and architecture of the CAP in 2021-2027 until the spring of 2019.

PRAZDROJ TO RAISE PRICES OF SOME BEERS – 11. 9.

Effective from October 1, 2018, Prazdroj¹⁵ will increase the price of lagers (both bottled, canned and the draft variant - kegs, tanks) by about CZK1/0.5l¹⁶. The price of the premium Pilsner Urquell brand will be by CZK1.50 higher. The 11-degree beer will be by about CZK0.60 more expensive.

Brewery said that the average price hike is 3.7%. The price of draft beer in kegs and tanks will remain unchanged. The price rise will concern only some brands of bottled and canned 10-degree beer. The price of Gambrinus and Radegast 10-degree beers and ciders will remain at the existing level. It added that Prazdroj was reacting in particular to higher costs. It must also factor in last year's and this year's investment, including the planned construction of a new canning line in Nošovice. More than CZK1.2bn has already been invested, especially in the lager production.

ENERGY & INDUSTRY & TRANSPORT

NEW CAR REGISTRATIONS GREW 31.32% IN AUGUST – 6. 9.

Between January and August 2018, the CIA¹⁷ recorded a 4.3% y-o-y¹⁸ increase in registrations of new passenger cars to 193,252 units. In August 2018, registrations rose 31.32% y-o-y. Škoda¹⁹ had the largest share (30.70%), followed by VW²⁰ (10.16%) and Hyundai²¹ (7.77%).

V4 COUNTRIES TO BE LINKED BY SPEED RAILROAD – 7. 9.

MT²² is readying a feasibility study for the Přerov-Ostrava high-speed railway section. V4' MTs have reached an agreement on high-speed railroad connection. The MT has that the feasibility study for the connection between Prague, Brno and Břeclav has been completed and a study for the Brno-Přerov section is being processed. For the future, technical aspects of the Ostrava-Katowice will have to be resolved.

¹⁴ V4: the Visegrád Group, also called the Visegrád Four, or V4 is an alliance of four Central European states – Czech Republic, Hungary, Poland and Slovakia – for the purposes of furthering their European integration as well as advancing their military, economic and energy cooperation with one another.

¹⁵ 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. Plzeňský 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.

¹⁶ l: litre

¹⁷ 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

¹⁸ Y-o-y: year on year, compared, compared with the corresponding month of preceding year

KOREAN AIR TO FLY TO PRAGUE WITH NEW BOEING – 11. 9.

The airline Korean Air will use a Boeing 787-9 Dreamliner on the Prague-Seoul route from October 29, 2018. The aircraft has a capacity of 269 passengers in three classes. Airport operator Letiště Praha has informed that under the winter timetable the airline will continue to serve the route three times a week - on Mondays, Wednesdays and Saturdays. Tickets are already on sale.

INVESTMENTS & TRADE & SERVICES

CHANGES IN CCT – 11. 9.

Tomáš Prouza has become president of the CCCT²³, the agency announced. Mr. Prouza was previously the CR's state secretary for European affairs.

The trained economist said that he would work to achieve the best possible conditions for those sectors and to ensure Czechs benefited from being part of the large European market. Mr. Prouza takes up the new post at the start of October.

CHANGES IN CGA – 11. 9.

The new executive director of the CGA²⁴ will become Lenka Kovačovská, former deputy minister of the MIT, from October 1st.

LABOUR & HEALTH & SOCIAL

STATE READY TO COVER SOCIAL HOUSING – 7. 9.

The Czech state would provide a subsidy to towns for the construction of social flats if they make up at least 20% of all new flats, PM²⁵ Babiš said.

He said some 65,000 social flats are needed, and the state would earmark up to CZK80bn for them in the years to come. "We have to motivate towns to launch construction. If a town decided to build 50 flats, the state would provide a 100-percent subsidy to the 20% of them that would serve as social housing," Babiš said, referring to the "available housing" project prepared by MRD²⁶ Minister Dostálová.

Dostálová said the project will be implemented in the form of a government directive and will also use EU money.

It reacts to towns' applications for subsidies, Dostálová said, adding that towns have requested subsidies worth a total of CZK2.2bn a year.

¹⁹ 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 Volkswagen Group in 2000, positioned as the entry brand to the group. Its total global sales reached 1.127 million cars in 2016.

²⁰ 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

²¹ Hyundai CZ: Hyundai Motor Manufacturing Czech based in the Industrial Zone of Nošovice was founded in 2006.

²² MT: Ministry of Transport

²³ CCCT: Czech Confederation of Commerce and Tourism

²⁴ CGA: Český plynárenský svaz, Czech Gas Association, The CGA is an independent association of organisations and experts operating in the gas and related industries.

²⁵ 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.

²⁶ MRD: Ministry of Regional Development

SMO²⁷ confirmed that mayors are interested in their respective towns joining the project.

It said it would also appreciate it if the cabinet supported doctors in the countryside and the financing of the postal services, if transferred onto towns.

Babiš promised changes to the construction law, which would reduce the deadline for a flat construction in Prague to one year from current ten.

He mentioned the need to build transport infrastructure, an area where EU subsidies should be used.

He spoke in favour of an enlargement of local self-rule bodies' powers.

In the past 4 years, towns' share in the redistributed tax revenues has risen by 30%, Babiš said.

In mid-2018, towns had together a total of CZK162bn on their accounts, Babiš said.

☰ CZECHS MORE WILLING TO CHANGE JOBS – 9. 9.

Some 15% of Czech employees changed jobs in the past 6 months, according to a survey carried out by the recruitment agency Randstadt.

A ¼ of Czechs are considering finding a new employment or are actively searching for it, which is 5% more than in the previous six months. People employed in agriculture, forestry, hospitality and catering were most willing to change jobs. The study also suggest that 62% of Czech employees are happy with their current employer, while ten% are dissatisfied.

☰ MH MINISTER AGAINST BLANKET PAY RISE – 9. 9.

The MH²⁸ Minister of Vojtěch is against a blanket pay rise for employees in the health sector.

The CR's health and social care TUs²⁹ have been pushing for a 10% pay rise, but according to the head of the umbrella organization of health and social services employees, there is still space for negotiation. The TU committee is set to meet on September 10 to further debate the issue.

Meanwhile, the head of the Czech Doctors' Unionsaid they will continue to insists on the 10% salary hike for doctors.

☰ CABINET TO FIGHT POVERTY BUSINESS – 10. 9.

The Cabinet³⁰ is planning a series of measures to fight the poverty business.

MLSA³¹ Minister Maláčová said her own ministry was cooperating with the MI³², MH and MRD on 15 measures which would prevent money-making activities that attract a large portion of their business from the poor.

These include rental price maps, hygiene norms in properties for rent and a limit on the number of persons per square meter. The measures are currently being consulted with town mayors.

According to PM Babiš the government will not try to push through a law on social housing, but will provide housing subsidies for selected localities.

²⁷ SMO: Union of Towns and Municipalities

²⁸ MH: Ministry of Health

²⁹ TU: Trade union, around 1/6 of all employees are union members in the CR.

³⁰ 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

PM Babiš, MLSA Minister Maláčová and Deputy PM Hamáček will discuss the proposal for the re-introduction of sick pay during the 1st 3 days of illness this week again.

The politicians are to meet in the ChD³³ during its September session starting on September 11. The date of the talks has not been set yet, Maláčová and Babiš said.

Maláčová said she expected Babiš to support the proposal.

Babiš, for his part, said he would demand information about the preparation of electronic sick notes, which was the employers' condition for the introduction of payments during the 1st 3 days sick days.

The junior government ČSSD³⁴ is pushing for this measure in the government.

The cabinet of ANO³⁵ and the ČSSD pledged in its government policy statement to re-introduce the payment of 60% of base pay during the 1st 3 days days of illness.

Some ANO deputies stood up against this measure in the ChD economy committee last week.

Babiš said that he did not question the plan. ANO signed an agreement with the ČSSD and must keep it, he added.

"This is a key issue for the ČSSD and one of the reasons why we entered the government," Maláčová said.

Babiš said he would like to learn at the meeting how the MLSA was prepared for the introduction of sick pay during the 1st 3 days and how a part of electronic sick notes would work in practice. Though the policy statement does not mention e-sick notes, the coalition parties have agreed on them, Babiš said. Employers protest against the re-introduction of a compensation payment during the 1st 3 days of illness. They warn that this would lead to a rise in sickness rate and a possible abuse of sick pay.

TUs, on the contrary, have long supported the measure.

E-sick notes were to be introduced in the CR as of next year, but their issuing would not be obligatory. However, Babiš's first one-colour Cabinet abolished this bill in June.

The Cabinet decided to draft a new version to take effect in 2021. In July, the MLSA submitted an amendment on health insurance under which doctors would have to fill in a part of sick notes electronically and send them to ČSSZ³⁶ as of mid-2019. Doctors have been able to send electronic sick notes to the the ČSSZ via a special terminal since 2010. According to the ČSSZ data, up to 4% of doctors did so in March.

AVERAGE PENSION TO EXCEED CZK 13,200 IN 2019 – 11. 9.

The highest ever increase in pensions will take place from 2019. According to the MLSA, the average old age pension will exceed CZK13,200. This reflects the average wage data for H₁³⁷ 2018 in the definitive calculation of pension valorisation. The total increase will reach 7.3%. The basic rate will be raised identically for all pensions - by CZK570 to CZK3,270. The percentage rates, which differ for individual recipients, will be raised by 3.4% for everyone. The

Minister is appointed by the President of the Czech Republic. The current Prime Minister is Andrej Babiš.

³¹ MLSA: Ministry of Labour and Social Affairs

³² MI: Ministry of the Interior

³³ ChD: Chamber of Deputies, is the lower house of the bicameral Parliament of the CR. The seat of the Chamber of Deputies is Thun Palace in Malá Strana, Prague.

³⁴ ČSSD: Czech Social Democratic Party, centre-left party

³⁵ ANO: ANO 2011, centre-right party

³⁶ ČSSZ: Czech Social Security Administration

³⁷ H₁: 1st half of year

valorisation will raise the government's spending on pension payments by CZK31.7bn to CZK464.4bn.

☰ NEGOTIATING HIGHER PAY RISE IN 2018 – 11. 9.

The ČMKOS³⁸ has recommended that TU negotiators push for pay rises of 7 to 9% next year. The issue was discussed at a meeting in Prague on September 11, attended by around 1,300 delegates from throughout the CR.

The ČMKOS's leader Středula said the figures were a guideline and that unions would make pay demands depending on the situation at concrete firms. Delegates also discussed working conditions, with TU leaders saying they plan to press for reduced hours without a cut in earnings.

CTK WAGE BIGGER PROBLEM THAN LACK OF LABOUR – 11. 9.

Firms describe wage growth as a greater obstacle to their development than a lack of labour for the first time in 3 years, according to preliminary results of a survey conducted by the CCC³⁹.

The final outcome will be available at the end of September. Wages will see a record rise of 8.6% this year, and will add 9% in 2019, according to the CCC's forecast. "Wages are growing when companies are doing well, which is quite all right," said CCC's president Dlouhý.

"However, it is also important that companies do not delay necessary investments to raise production efficiency because of wages. Firms that are making no investments are losing competitiveness, which is the question of their existence in such an export-oriented economy as the Czech economy is," said Dlouhý.

More than a ½ of employers said they were raising wages to keep their current employees or attract new ones. The effect of employee efficiency is of secondary importance. Collective bargaining affected pay rises only in 2% of cases, said the CCC. The CCC recommends employers that they increase wages during the collective bargaining process for 2019 and 2020 in a manner not endangering their crucial investments, which would affect adversely their performance. Pay rises are much higher than the unions had ever demanded, Dlouhý said. Businesses are not increasing wages because of the TUs but in response to the labour market situation, he said.

The average gross monthly wage in the CR increased to a record-breaking CZK31,851 in Q2⁴⁰, displaying an annual rise of 8.6%, with real wages adding 6.2%.

Czech unemployment stagnated at 3.1% in August. There were 230,499 job seekers, which was the lowest August figure since 1997. The number of vacancies rose to over 313,000 positions.

³⁸ 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.

³⁹ CCC: Czech Chamber of Commerce (also HK ČR in Czech), is an organisation which represents the business community in the Czech Republic and is an essential part of the Czech business environment. The chamber's competencies are defined by Act No. 301/1992 Coll., on the Czech Chamber of Commerce and the Czech Chamber of Agriculture. It is organised into two sections - region and industry-based chamber networks. The region-based network is broken down into district, area and Region chambers of commerce. The industry-based network is made up of business communities divided into four professional associations: Retail and tourism; Industry and transport; Business services and other; and Construction, technical crafts and technical equipment. It protects the interests of its members - small, mid-sized and large companies that are in the region-based chamber network and business communities. The Czech Chamber of Commerce has over 13,000 members organised in 65 regional

MISCELLANEOUS

CTK CZECH DEPARTURE FROM EU WOULD BE DISASTER – 10. 9.

A strong Europe is needed and the CR's exit from the EU would be a disaster, PM Babiš said in an interview with the German daily Bild.

The EU is a great project thanks to which there have been peace in Europe for decades, Babiš told Bild.

"We need a strong Europe now. Europe is facing problems, we need unity in our foreign and trade policy at present. Just have a look at the trade dispute with Donald Trump, at the development with [Russian President Vladimir] Putin and at Turkey that is buying Russian arms as a partner in NATO," Babiš said in the interview.

"Europe is a great project, thanks to which we have enjoyed peace for 73 years. Brexit is bad. We must jointly prevent its repeating," Babiš said.

He also reiterated that the CR was not planning to adopt the euro for the time being. The euro zone must be reformed first, he added. Like in the past, Babiš in the interview again expressed his conviction that the KSČM⁴¹ had no influence on his government.

The coalition government of his ANO and the ČSSD won confidence in the ChD thanks to the votes of the KSČM.

"I can guarantee that there is no corruption in my government. Money has not been a motivation for me for long," said billionaire businessman Babiš, who is prosecuted on suspicion of an EU subsidy fraud.

Babiš also touched upon migration in the interview with Bild. The election to the EP⁴² to be held next year will show what the "silent majority" is thinking about migration, he told Bild.

☰ EP'S BUDGET CONTROL COMMITTEE INVESTIGATION – 11. 9.

The EP's budget control committee has started debated a complaint regarding suspected conflict of interest on the part of Czech PM Babiš that Transparency International recently addressed to the EC.

The complaint was made on the grounds of information which suggests that although Babiš put his billion-crown conglomerate Agrofert⁴³ into a trust fund to comply with a strict new conflict of interest law, he is still the person controlling the company. Transparency says the findings may have serious implications both as regards the conflict of interest law and EU funding policies.

The Greens⁴⁴ in the EP have said Babiš should not take part in the decision making on the new EU budget, if a part of it were to end up in his pocket. The Czech prime minister has dismissed the accusations as nonsensical.

and 83 industry subdivisions. Membership of the Czech Chamber of Commerce is voluntary.

⁴⁰ Q: * quarter of the year

⁴¹ KSČM: Communist Party of Bohemia and Moravia, far-left party

⁴² EP: European Parliament, is the directly elected parliamentary institution of the European Union. Together with the Council of the European Union and the European Commission, it exercises the legislative function of the EU. The Parliament is composed of 751 members, who represent the second-largest democratic electorate in the world (after the Parliament of India) and the largest trans-national democratic electorate in the world (375 million eligible voters in 2009).

⁴³ Agrofert: an agricultural, food processing and chemical holding company based in CR. The holding consists of more than 230 companies mainly in CR, Slovakia and Germany. It is the 4th largest company in the CR by revenue with revenue exceeding CZK 117bn. It owns or has rented over 57 thousands ha of Czech arable land - 0.7% of total area of the CR or 1.6% area of Czech arable land. The company was founded in 1993. Its current CEO and sole owner is Andrej Babiš.

⁴⁴ Greens: The Green Party is a Czech political party, based on the principles of green politics, such as social justice and nonviolence

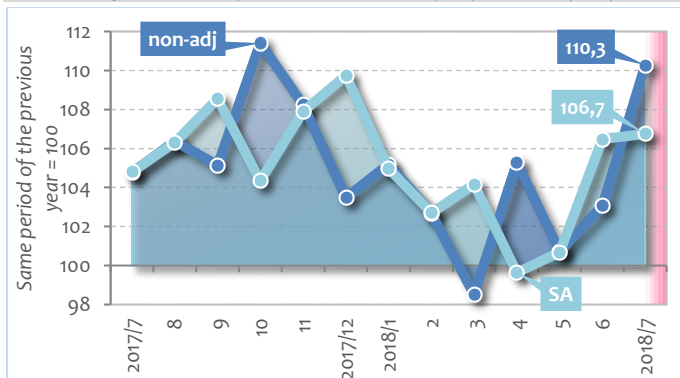
STATISTICS

INDUSTRY – 6. 9.

In July 2018, SA⁴⁵ CoP⁴⁶ industrial production decreased by ▲1.8%, m-o-m. WDA⁴⁷ production increased by 6.7%, y-o-y; non-adj⁴⁸ industrial production increased by 10.3%, y-o-y. The high y-o-y growth of industrial production was influenced partially by a low comparison base of July 2017. All economic activities contributed to the y-o-y growth of industrial production. The highest contributions were recorded by the following: electricity, gas, steam and air conditioning supply (+2.1 p. p., 23.4%), manufacture of fabricated metal products (+1.2 p. p., 10.9%), and manufacture of motor vehicles, trailers and semi-trailers (+1.1 p. p., 7.1%).

CuP⁴⁹ sales from industrial activity increased by 11.3%, y-o-y, in July 2018. Direct export sales of industrial enterprises increased at current prices by 10.7%. Domestic sales, which include also indirect export via non-industrial enterprises increased at current prices by 11.9%.

Graph 1: Industry, CoP, 2017 – 2018, y-o-y, m-o-m (in %)



The value of new orders in selected industrial CZ-NACE⁵⁰ activities increased by 11.2%, y-o-y, in July 2018. Non-domestic new orders increased by 10.7%, while domestic new orders increased by 12.5%. The y-o-y increase of new orders in total was the most contributed to by the following CZ-NACE divisions: manufacture of motor vehicles, trailers and semi-trailers (+2.7 p. p., 8.0%), manufacture of computer, electronic and optical products (+2.3 p. p., 22.7%), and manufacture of fabricated metal products (+1.9 p. p., 15.2%). New orders decreased only in manufacture of wearing apparel (▲0.02 p. p., ▲3.3%). The number of employees increased in July 2018 by 1.3%, y-o-y. Their average gross monthly nominal wage increased in July 2018 by 9.1%, y-o-y, and reached CZK34,016.

According to the Eurostat⁵¹, WDA industrial production in the EU28 in June 2018 increased by 2.6%, y-o-y.

⁴⁵ 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.

⁴⁶ CoP: constant prices are used to measure the true growth of a series, i.e. adjusting for the effects of price inflation.

⁴⁷ WDA: working days adjusted

⁴⁸ Non-adj: non-adjusted

⁴⁹ 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.

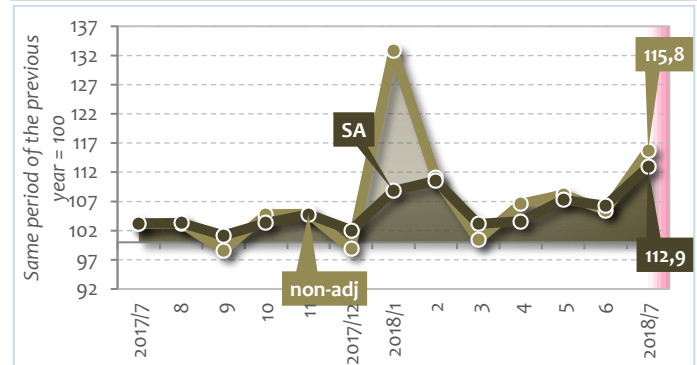
⁵⁰ NACE: Nomenclature générale des Activités économiques dans les Communautés Européennes, Statistical Classification of Economic Activities in the European Community, the industry standard classification system used in the EU. The current version is revision 2 and was established by Regulation (EC) 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



CONSTRUCTION – 6. 9.

In July 2018, the SA WDA construction output increased by 14.2% y-o-y, in real terms. The non-adj construction output grew by 15.8%. The planning and building control authorities granted by ▲2.2% less building permits, y-o-y, and the approximate value of permitted constructions dropped by ▲23.5%, y-o-y. The number of started dwellings decreased by ▲4.9%, y-o-y, and the number of completed dwellings soared by ▲55.3%, y-o-y.

Graph 2: Construction, basic indices, 2017 – 2018, y-o-y (in %)



According to Eurostat the WDA construction output in the EU28 increased by 2.7%, y-o-y, in June 2018. Buildings increased by 1.8% and civil engineering works grew by 6.2%.



EXTERNAL TRADE – 6. 9.

According to CuP preliminary data, in July 2018 the external trade balance in goods ended in a deficit of CZK ▲4.8 bn, which was by CZK 2.9 bn higher, y-o-y.

Y-o-y, total NC⁵² was unfavourably influenced mainly by a larger deficit of balance in 'crude petroleum and natural gas' by ▲CZK2.9 bn, 'chemicals and chemical products' by ▲CZK 1.3 bn and 'refined petroleum products' by ▲CZK 1.0 bn. The trade surplus in 'motor vehicles, trailers and semitrailers' went down by ▲CZK1.3 bn and balance of 'other transport vehicles' got worse by the same amount as a surplus turned into a deficit.

A better balance of 'computer, electronic and optical products' by CZK 2.2 bn brought the main positive effect on the total balance. In July 2018 the trade balance with the EU28⁵³ Member States ended in a surplus of CZK 44.1 bn, and thus it was by CZK 5.1 bn higher, y-o-y. The trade deficit with the non-EU countries increased by CZK 7.9 bn to reach the amount of CZK 47.6 bn.

Compared to June 2018 both the NC SA⁵⁴ exports and imports decreased by ▲0.6%. The development trend shows increasing both exports and imports by +0.6%. Compared to the same month of 2017, exports and imports rose by 11.1% (to

⁵¹ 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).

⁵² 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 measures real trade in goods carried out between Czech and foreign entities, i.e. a change of ownership between residents and non-residents.

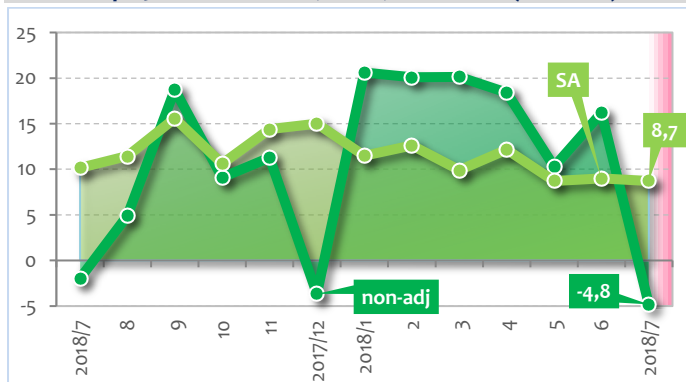
⁵³ EU28: 28 member states of the EU, which are party to the founding treaties of the union and thereby subject to the privileges and obligations of membership

⁵⁴ 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.

CZK 268.0 bn) and 12.2% (to CZK 272.8 bn) respectively. July 2018 had one working day more than July 2017.

In the period from January to July 2018 the trade balance surplus in the national concept reached CZK 100.9 bn which represented a decrease by ▲CZK 22.2 bn, y-o-y. From the beginning of the year exports and imports increased by 1.6% and 2.9% respectively, y-o-y.

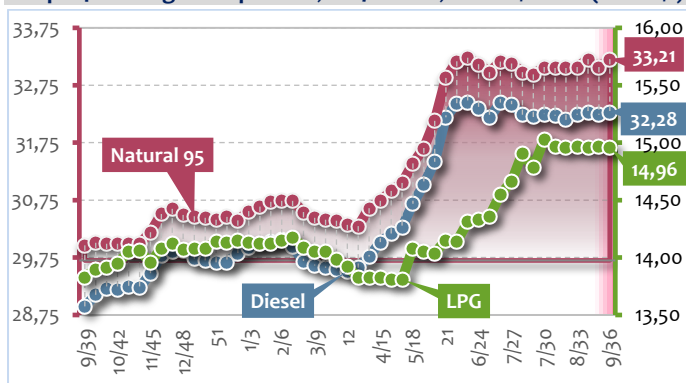
Graph 3: External Trade, CuP⁵⁵, 2017 – 2018 (in CZKbn)



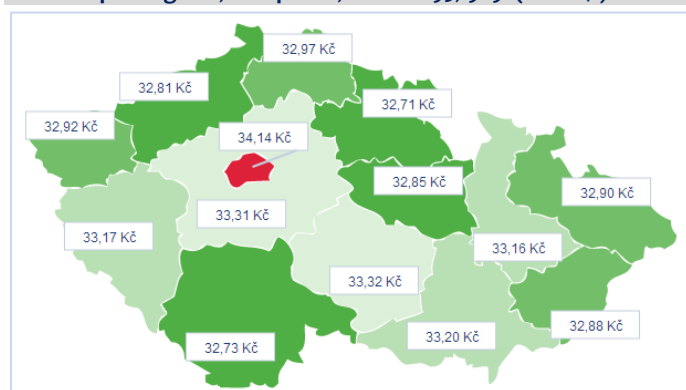
FUEL PRICES – 7. 9.

Natural 95 increased by 14h⁵⁶ to CZK33.21/l over the past week, Diesel oil increased by 4h⁵⁷ to CZK32.28/l.

Graph 4: Average fuel prices⁵⁸, 2017 – 2018, Month/Week (in CZK/l)



Map 1: Regions, fuel prices, Natural 95, 9. 9. (in CZK/l)⁵⁹

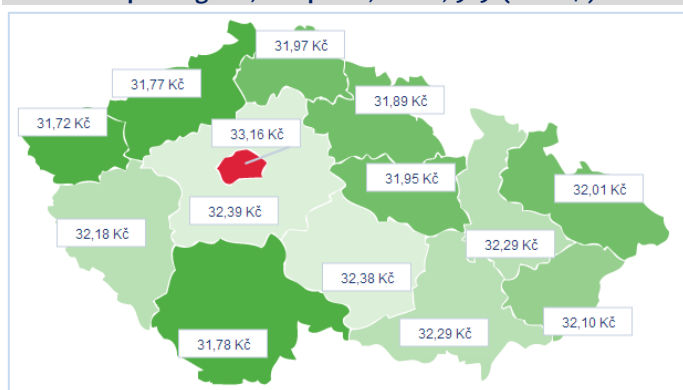


⁵⁵ CuP: current (or “nominal”) prices for each year are in the value of the currency for that particular year, are influenced by the effect of price inflation.

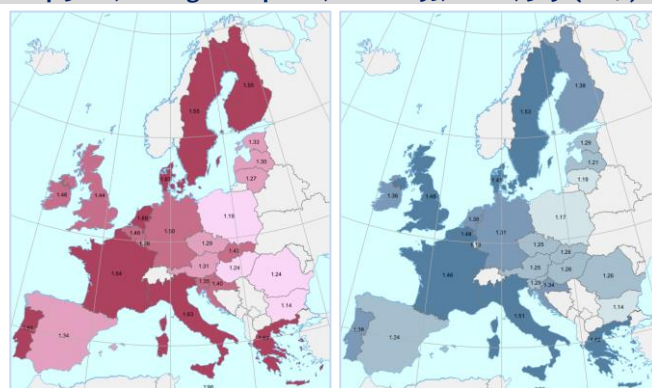
⁵⁶ h: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

⁵⁷ 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.

Map 2: Regions, fuel prices, Diesel, 9. 9. (in CZK/l)



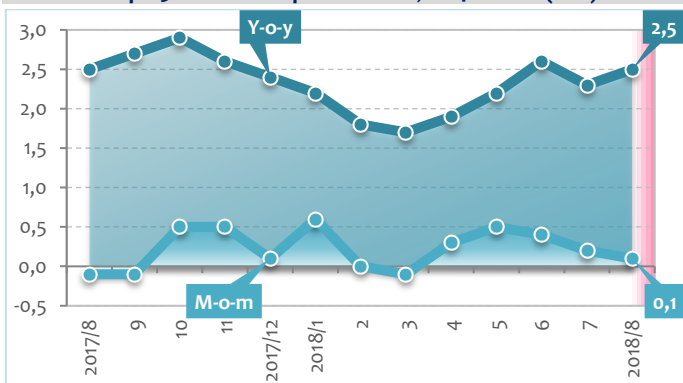
Map 3: EU, Average fuel prices, Natural 95, Diesel, 3. 9. (in €/l)⁶⁰



CONSUMER PRICE INDICES – 10. 9.

Consumer prices in August increased by 0.1% compared with July. This development was influenced especially by higher prices in 'housing, water, electricity, gas and other fuels'. The y-o-y growth of consumer prices accelerated to 2.5% in August, which was 0.2 p. p. up on July.

Graph 5: Consumer prices Index, 2017 – 2018 (in %)



The m-o-m increase in 'housing, water, electricity, gas and other fuels' came from higher prices of electricity by 0.5%, actual rentals for housing by 0.4% and heat and hot water by 0.4%. In 'recreation and culture', prices of package holidays went up by 2.2%. In 'miscellaneous goods and services', prices of personal care increased by 0.7%. In food, prices of non-alcoholic beverages went up by 3.7%, cheese and curd by 1.2% and meat by 0.3% in particular.

⁵⁸ 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

⁵⁹ data issued by the mBenzin.cz; <https://www.penze.cz/ceny-benzinu-a-ceny-nafty>

⁶⁰ data issued by the eopean Commission; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

The decrease in the overall consumer price level in August was influenced by a moderate drop in four divisions of consumer basket. The price drop in 'transport' was mainly influenced by lower car prices by ▲1.0%. In 'alcoholic beverages and tobacco', prices of spirits decreased by ▲2.4%. In 'clothing and footwear', prices of garments went down by ▲0.7% and prices of shoes and other footwear by ▲1.7%. In 'food and non-alcoholic beverages', prices of vegetables were lower by ▲4.5%, fruit by ▲2.5%, sugar by ▲6.2%, bread and cereals by ▲0.3%. Prices of goods in total went down by ▲0.2%, while prices of services went up by 0.5%.

In terms of the **y-o-y** comparison, in August, the consumer prices increased by 2.5%, i.e. 0.2 p. p. up on July. The acceleration in the y-o-y growth in 'housing, water, electricity, gas and other fuels' was influenced in August by higher actual rentals for housing by 3.5% (3.2% in July), electricity by 5.6% (5.1% in July), solid fuels by 4.3% (3.9% in July) and heat and hot water prices, which turned from a price decline by 0.2% in July into a price rise by 0.1% in August. In 'miscellaneous goods and services', prices of personal care rose by 3.9% in particular (2.3% in July). The acceleration in the y-o-y growth was influenced also by prices in 'food and non-alcoholic beverages', where prices have turned from a decline by 0.1% in July to growth in August by 0.6%. This was mainly attributed to vegetable prices, which reduced their decline to ▲0.3% (▲7.4% in July) due to potato prices, which grew by 7.2%, y-o-y, in August (▲14.7% in July). The slowdown in the y-o-y price increase was in 'alcoholic beverages and tobacco', where prices of spirits went up by 0.7% (2.8% in July) and tobacco products by 3.4% (3.6% in July).

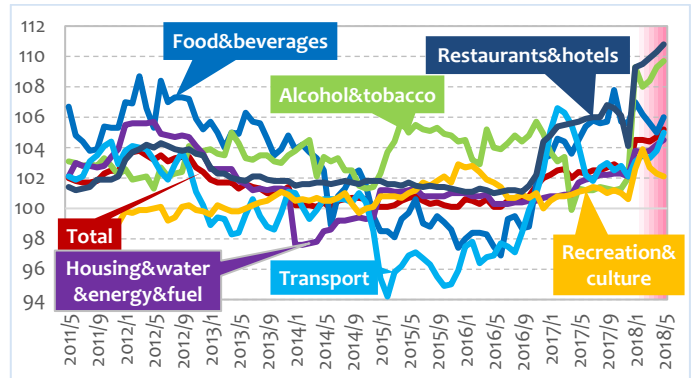
The biggest influence on the growth of the y-o-y price level in August (even stronger than in July) came, as before, from prices in 'housing, water, electricity, gas and other fuels' (3.2% up).

Next in order of influence were the prices in 'transport', where prices of fuels and lubricants for personal transport equipment went up by 12.4%, y-o-y. The increase in the price level came also from prices in 'recreation and culture', where prices of package holidays were higher by 13.6% and prices in 'miscellaneous goods and services' (increase by 3.8%).

A reduction in the price level in August came from prices in 'clothing and footwear', where prices of garments decreased by ▲2.4%. In 'communication', prices of telephone and telefax services dropped by ▲1.4% in particular. In 'housing, water, electricity, gas and other fuels', prices of natural gas decreased by ▲0.8%.

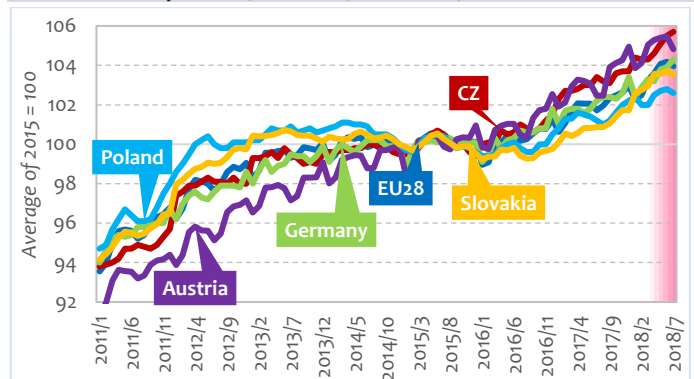
Prices of goods in total and services went up (1.8% and 3.7%, respectively). The overall consumer price index excluding imputed rentals for housing was 102.3%, y-o-y. Inflation rate⁶¹ amounted to 2.3% in August.

Graph 6: CR, CPI⁶², specific indices, y-o-y, 2011 – 2018



According to preliminary data of Eurostat, the y-o-y change in HICP⁶³ in the EU28 member states amounted to 2.2% in July, which is 0.1 p. p. higher than in June. The rise in prices was the highest in Romania (4.3%) and the lowest price increase was in Greece (0.8%). In Slovakia, the price rise decreased to ▲2.6% in July from 2.9% in June. In Germany, prices were higher by 2.1% (2.1% in June). According to preliminary calculations, the HICP in the CR in August was 0.0%, m-o-m, and by 2.4%, y-o-y. The MUICP⁶⁴ flash estimate for the EA in August 2018 amounted to 2.0%, y-o-y.

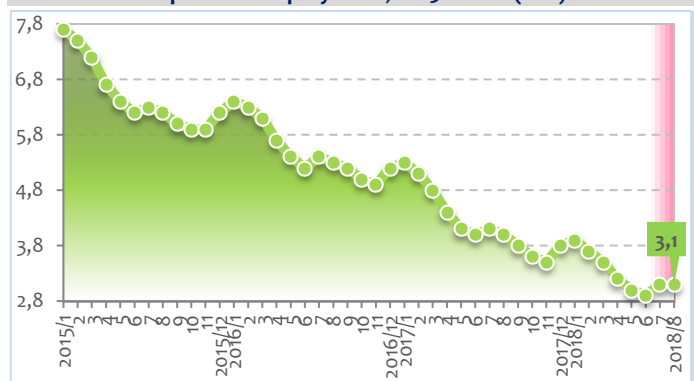
Graph 7: EU, Inflation, Countries, 2011 - 2018



CZECH JOBLESS RATE STAGNATES – 10. 9.

The Czech unemployment rate stood at 3.1% in August. The number of job seekers reached 230,490, which is the lowest figure for the month since the year 1997. The number of vacancies increased slightly to 313,000. Last August the unemployment rate was at 4%.

Graph 8: Unemployment, 2015 – 2018 (in %)



⁶¹ Inflation rate: the increase in the average consumer price index in the 12 months to May 2018 compared with the average CPI in the previous 12 months

⁶² CPI: Consumer Price Index

⁶³ HICP: Harmonized Index of Consumer Prices

⁶⁴ MUICP: Monetary Union Index of Consumer Prices

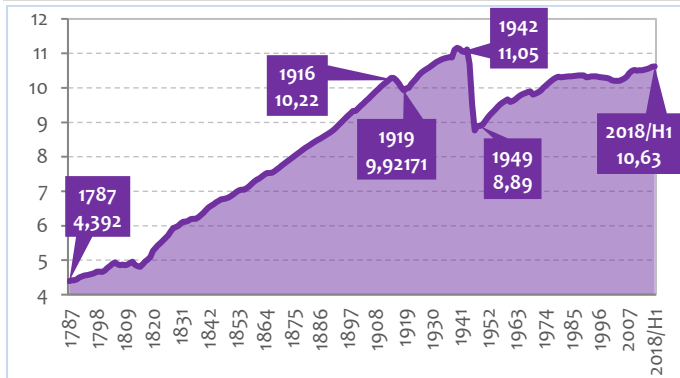


POPULATION – 11. 9.

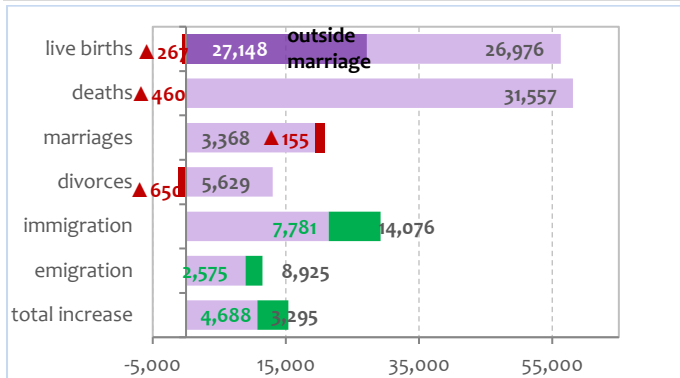
At the end of March this year, the CR had a total of 10.613mn inhabitants. From the beginning of the year, the population increased by 3,300, due to net migration which balance amounted to 7,900. The number of deaths (31,600) was higher than the number of live births (27,000).

At the end of June this year, the CR had a total of 10.625mn inhabitants. The population increased by 15,400 during the H1 2018, as a consequence of net migration, which amounted to 17,700. The number of live births (55,700) was lower than the number of deaths (58,100).

Graph 9: Population, 1787 – 2018 (in mn)

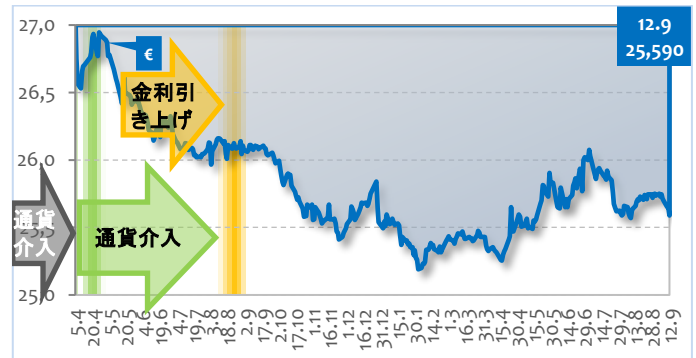


Graph 10: Population, y-o-y change, H1, 2018

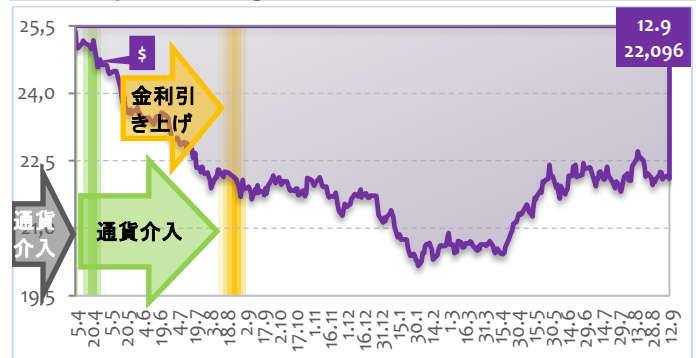


CZK vs €, \$, ¥ – 12. 9.

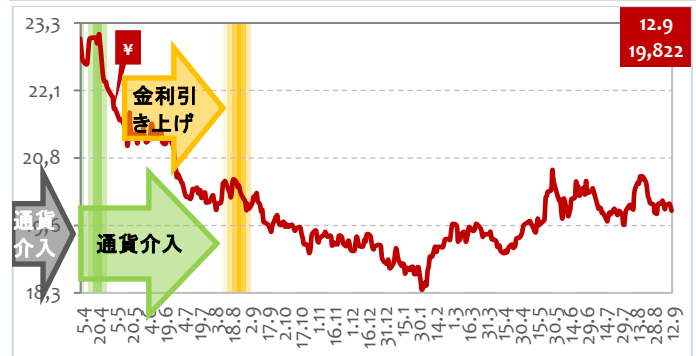
Graph 11: Exchange rates, CZK/€, 5. 4. 2017 – 12. 9. 2018



Graph 12: Exchange rates, CZK/\$, 5. 4. 2017 – 12. 9. 2018



Graph 13: Exchange rates, CZK/100¥, 5. 4. 2017 – 12. 9. 2018



News outside the time span of this News summary

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

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.

E15.cz Daily; is published by Czech Media Investment (CMI), a holding company that focuses on the acquisition and management of media assets in Central and Western Europe. It is owned by Daniel Křetínský, Patrik Tkáč and Roman Korbačka.

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.