

## ECONOMIC NEWS SUMMARY NOVEMBER 15 – NOVEMBER 21

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## ECONOMY &amp; FINANCE

STATE DRAWS LOW AMOUNT OF INVESTMENTS IN H<sub>1</sub> – 18. 11.

Less than 37% of the approved amount of investment expenditures were drawn from the state budget in the H<sub>1</sub><sup>1</sup> 2018, SAO<sup>2</sup> said. The government report says the investment slowdown in the H<sub>1</sub> 2018 is a regular phenomenon.

According to the government, the state spent a total of CZK<sup>3</sup>649bn<sup>4</sup> from the budget by the end of H<sub>1</sub>, which was 50.5% of the budget after changes made at the beginning of the year. A total of CZK33.2bn were spent on investments, which was an annual rise of nearly CZK13bn.

The state budget showed a deficit of CZK5.9bn in H<sub>1</sub>.

The budget approved for this year contains CZK90.12bn for investments, which is CZK13.75bn less than last year.

"This fact does not testify to a notable support of investment activities on the part of the government," SAO said.

Criticism for an allegedly low volume of money earmarked for investments could also be heard in the ChD<sup>5</sup> during a debate on next year's budget recently. MF<sup>6</sup> Minister Schillerová was, however, defending the budget saying it contained a record-high amount of investments for necessary projects.

SAO also said that with regard to the current development of the state budget, a better result than the planned deficit of CZK50bn can be expected at the end of the year.

Like in the previous 2 years, a great difference between the planned and the real state budget result may occur at the year's end, it said. Total budget revenues in H<sub>1</sub> increased by CZK26.6bn to CZK688.1bn.

According to the government, tax collection reflected positively the economic growth accompanied by solid business results of companies, growing wages and high employment.

The planned tax revenue can be expected to be exceeded by the end of the year, according to the government.

PM<sup>7</sup> Babiš told ChD in late October that the state budget should be balanced at the end of the year.

SAO also said in its statement that the Czech economic growth has been slowing down since the beginning of the year and could get to the level corresponding to the production capacities and the labour market potential.

The development, however, also indicates that the export-oriented Czech economy may be affected by a slowdown of

EU<sup>8</sup> economies in the forthcoming period, which would lead to a worse foreign trade balance, SAO said.

## CZECHS UP TO NO. 23 IN EUROPE IN BUYING POWER – 20. 11.

According to the Purchasing Power Europe 2018 study, the CR moved 3 positions up in the ranking of 42 European countries according to disposable income per capita to the 23<sup>rd</sup> position in 2018. CR is 33.6% below the European average. Slovakia lost 1 position and placed 26<sup>th</sup> the purchasing power index of 61.2. The chart is led by Liechtenstein (purchasing power index of 457.9), followed by Switzerland (283.1) and Iceland (230.6).

## CZK CONTINUED DOWNWARD PRESSURE – 21. 11.

Downward pressure on the CZK will likely continue for years to come due to gradual sell-offs by foreign investors who bought a large volume of the currency during the 3-year period of intervention by the CNB<sup>9</sup> say.

The CZK weakened to below CZK26/€ in mid-November, its lowest level been since June, when the CNB started a series of interest rate hikes, of which there have been five in 2018.

Pressure on the CZK is unlikely to ease for the rest of the year as Czech economic growth lagged behind its regional peers in the third quarter. It is also under pressure from seasonal euro buying by banks that cut crown deposits at the end of the year to reduce payments into the state-run "Resolution Fund". However, while the CZK's expected weakness in the coming weeks would, technically, open room for a December rate increase some analysts say it now seems more likely policy makers will wait for the year-end effect to fizzle out before they act again.

## CNB BOARD APPOINTMENTS – 21. 11.

President Zeman will appoint on November 21, 2018, at the Prague Castle Aleš Michl and Tomáš Holub members of CNB's board for the next 6-year term. The President will also appoint CNB board members Marek Mora and Tomáš Nidetzky CNB's vice-governors.

## AGRICULTURE &amp; ENVIRONMENT

## 40% OF CZECHS PREFER QUALITY WHEN BUYING FOOD – 20. 11.

The percentage of Czechs who prefer quality over price when buying food and drugstore products has grown from 35 to 40% over the past 5 years, representatives of the SOCR<sup>10</sup> and the GfK polling agency have said.

<sup>1</sup> H<sub>1</sub>: Half of year

<sup>2</sup> SAO: Supreme Audit Office

<sup>3</sup> CZK: Czech Crown, the currency of the CR since 8 February 1993

<sup>4</sup> bn: billion

<sup>5</sup> 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.

<sup>6</sup> MF: Ministry of Finance

<sup>7</sup> 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.

<sup>8</sup> 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 km<sup>2</sup>, 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.

<sup>9</sup> 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.

<sup>10</sup> SOCR: Czech Confederation of Commerce and Tourism, an independent and voluntary association of associations, alliances, cooperatives and companies doing business in retail, wholesale, gastronomy, accommodation and other services. It represents over 6,000 entrepreneurs creating up to 500,000 jobs. It is the second largest employers' union in the Czech Republic.

The share of those preferring price over quality, on the other hand, has dropped to 60% in 2013-2018. Prices of both food and non-food goods are growing faster than inflation. Over the past 12 months until June 2018, the sale of fast-moving consumer goods increased by 5.1% in value.

"Thanks to consumer confidence and growing living standards, demand for food of higher quality is growing. Retail chains are reacting to this trend by extending their offer, including the offer of organic products and products from local suppliers," SOCR head Tomáš Prouza said.

Buyers have been willing to pay higher prices than those indicated by inflation in the past 12 months. While the average price in the segment of food and non-alcoholic drinks rose by 4.7%, inflation reached 4.3%.

According to SOCR, there are several factors behind the price growth, including lower harvest due to drought and growing wages in agriculture and the food industry.

"On the other hand, it is necessary to point out that according to the Eurostat<sup>11</sup>, we have the 6<sup>th</sup> cheapest food products within the EU. According to the latest data available, food prices in the CR reached 84.5% of the EU average, which is a comparison not taking into account special deals and discounts. In reality, our food products are even cheaper if we take deals into account," Prouza said.

The size of an average shopping is also growing, while the shopping frequency is falling slightly. "Fresh and cooled products account for the biggest part of household expenditures. 2<sup>nd</sup> come drinks, followed by sweets and snacks," said GfK.

As many as 51% of expenditures spent by households on packaged food are comprised of goods sold in special deals. In Slovakia this share reaches 38% and in Germany 17%. Sale of goods under private brands of retailers is on the rise, growing even faster than brand goods. The share of private brands in the total sales of fast-moving consumer goods has grown to 23%.

#### SZIF RECOMMENDS 2339 APPLICATIONS – 20. 11.

The SZIF<sup>12</sup> recommended in the 7<sup>th</sup> round of the EAFRD a total of 2,339 applications. The authority has received totally

<sup>11</sup> **Eurostat:** Eurostat is a Directorate-General of the European Commission. Its main responsibilities are to provide statistical information to the institutions of the EU and to promote the harmonisation of statistical methods across its member states and candidates for accession as well as EFTA countries.

<sup>12</sup> **SZIF:** State Agricultural Intervention Fund, is an accredited paying agency that acts as an intermediary responsible for the administration of financial subsidies allocated from EU funds and Czech national resources. Under the EU's Common Agricultural Policy, EU subsidies are provided from the European Agricultural Guarantee Fund (EAGF) and, in the 2007–2013 and 2014–2020 programming periods, from the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF). The Horizontal Rural Development Plan (HRDP) and Operational Programme Rural Development and Multifunctional Agriculture have been replaced by the EAFRD-funded Rural Development Programme (RDP).

<sup>13</sup> **MA:** Ministry of Agriculture

<sup>14</sup> **ASF:** African swine fever, a haemorrhagic fever with high mortality rates in pigs, but persistently infects its natural hosts, warthogs, bushpigs, and soft ticks of the *Ornithodoros* genus, with no disease signs. The virus causes a lethal haemorrhagic disease in domestic pigs.

<sup>15</sup> **UK:** Charles University in Prague is the oldest and largest university in the CR. Founded in 1348, it was the first university in Central Europe, east of France and north of the Alps. It is one of the oldest universities in Europe in continuous operation and ranks in the upper 1.5% of the world's best universities. Today, Charles University consists of 17 faculties (Catholic Theological Faculty, Evangelical Theological Faculty, Hussite Theological Faculty, Faculty of Law, First Faculty of Medicine, Second Faculty of Medicine, Third Faculty of Medicine, Faculty of Medicine in Plzeň, Faculty of Medicine in Hradec Králové, Faculty of Pharmacy in Hradec Králové, Faculty of Arts, Faculty of Science, Faculty of Mathematics and Physics, Faculty of Education, Faculty of Social Sciences, Faculty of Physical Education and Sport, Faculty of Humanities) about 50,000 students across its bachelor, masters and doctoral programmes.

almost 4,000 applications requesting CZK7bn. SZIF has allocated almost CZK3.8bn for the 7<sup>th</sup> round. Most demanded were investments into agricultural companies (2,703 applications). The fund has so far paid CZK38.1bn in EAFRD in the 2014-2020 program period.

#### MA TRIPLES SUBSIDIES FOR SCIENCE AND RESEARCH – 20. 11.

The MA<sup>13</sup> has tripled the amount earmarked for science and research within the programme Earth to CZK1.4bn this year in comparison with the amount of CZK445mn provided for these projects last year, MA said. In 2016, CZK226mn were provided.

The MA will support 99 projects this year, including a project of fight against ASF<sup>14</sup>. Next year, the MA is going to earmark CZK324mn for these projects.

"Researchers will receive subsidies to solve current problems in agriculture. The support will go, for instance, for research of ASF in the CR, for farming without glyphosates, for innovations of farming technologies in areas endangered by drought or for production of thermophilic fruit," MA Minister Toman said.

Some issues will be solved in cooperation with food-processing companies.

Last year, a total of 328 applications were submitted, out of which about 10% were successful. The subsidies for the next 5 years were provided, for example, to UK<sup>15</sup>, the IMG<sup>16</sup> of the CAS<sup>17</sup> and MENDELU<sup>18</sup>.

In 2016, the government approved the MA's programme of applied research for 2017-2025, under which a total of CZK3.67bn are to be distributed within the Earth programme until 2025.

#### BUDVAR HAS INCREASED BEER SUPPLIES TO CUBA – 21. 11.

Budvar<sup>19</sup> increased beer supplies to Cuba 15 times y-o-y<sup>20</sup> in 2018. In terms of volume, it can thus compare with some traditional European export territories, for example with Ireland. The Cuba represents a very interesting business opportunity. The company currently exports the light lager Budweiser Budvar to Cuba in bottles and cans of 0.33l<sup>21</sup>. The company registered the 1<sup>st</sup> export to this country in the year 2016.

<sup>16</sup> **IMG:** Institute of Molecular Genetics of the Czech Academy of Sciences

<sup>17</sup> **CAS:** Czech Academy of Sciences, established by Act No. 283/1992 Coll. is set up as a complex of 54 public research institutions. The Academy employs over 8,000 employees more than a half of whom are researchers with university degrees. The primary mission of the CAS and its institutes is to conduct basic research in a broad spectrum of the natural, technical and social sciences and the humanities.

<sup>18</sup> **MENDELU:** Mendel University in Brno, was founded in 1919 and is the oldest university of its focus in the Czech Republic. The University consists of five faculties and one University institute; the entire University is based in Brno, with the only exception being the Faculty of Horticulture located in Lednice.

<sup>19</sup> **Budějovický Budvar:** a Czech brewery, headquartered in České Budějovice, CR. Budweiser Budvar Brewery is a state-owned company in charge of Ministry of Agriculture, known for brewing a beer known as Budweiser Budvar, brewed in accordance with the 1516 Reinheitsgebot law, using water, barley and hops. The original Budweiser Beer was founded in 1871. A dispute has been ongoing since 1907 with American brewer Anheuser-Busch InBev over the name "Budweiser". In the United States, Canada, Mexico, Panama, Brazil and Peru, the Budvar beer is marketed as Czechvar. In other countries, it is sold as Budweiser Budvar. American Budweiser is labelled as Bud in all European Union markets, except for the United Kingdom, Ireland and Sweden, where both beers are sold as Budweiser. On 29 July 2010, Anheuser-Busch lost its last-instance appeal, which means that Anheuser-Busch may not register the name Budweiser as an EU-wide trademark for beer. Budweiser Budvar is one of the highest selling beers in the Czech Republic in 2014, it was exported into approximately 66 countries. It is the bestselling imported beer in Germany and the bestselling Czech beer in Austria and Great Britain.

<sup>20</sup> **Y-o-y:** year on year, compared, compared with the corresponding month of preceding year

<sup>21</sup> **l:** litre, is an SI accepted metric system unit of volume equal to 1 cubic decimetre (dm<sup>3</sup>), 1,000 cubic centimetres (cm<sup>3</sup>) or 1/1,000 cubic metre.

**BARK BEETLE INFESTATION SET TO DOUBLE IN 2019 – 21. 11.**

A bark beetle infestation that has affected spruce forests throughout the CR – said to be the worst in the past 200 years – is likely to double in 2019, according to a forest management expert at the MA.

Due to the infestation, the CR's largely coniferous forests are facing extensive felling of trees, which could negatively impact many animal species, including hawks and white-tailed eagles. The MA is calling for amending the Forestry Act and implementing a crisis plan.

**ENERGY & INDUSTRY & TRANSPORT****brain GEOPOLITICS A FACTOR IN NUCLEAR – 15. 11.**

PM Babiš said that geopolitics should be a factor when the NATO<sup>22</sup> and EU member country decides future nuclear power investments as the CR mulls whether to build new reactors.

Babiš' comments came after a meeting with U.S. Energy Secretary Rick Perry who urged nations in central Europe to have a diverse set of energy supplies and suppliers.

"We have to keep in mind our geopolitical orientation while investing into nuclear power," Babiš said.

The world's main 6 nuclear power builders from countries including Russia, China and the United States are all vying for the expansion deal, long under discussion in the CR.

**CTK VW TO MOVE PASSAT PRODUCTION TO ŠKODA AUTO – 16. 11.**

VW<sup>23</sup> will by 2023 move the production of its Passat models from Emdem to the Škoda Auto's<sup>24</sup> plant in Kvasiny, where they will be made alongside Škoda Superb and Kodiaq models, VW head Diess said.

Škoda Karoq and Seat Ateca are now being produced in Kvasiny, central Bohemia, but their production is to be moved to VW's new plant in EE<sup>25</sup>, the location of which has not been determined yet. The transfer of production is part of a new 5-year plan the VW supervisory board talked about. The new plan focuses mostly on the production of electrical cars which are to be manufactured in German plants in Emdem, Hannover and Zwickau. In the next 5 years, VW plans to invest nearly €44bn into electrical cars, self-driving cars, new transportation services and digitisation of cars and plants, VW said. The amount corresponds to about a 1/3 of the overall costs planned for 2019-2023, VW added.

Škoda Auto welcomes VW's decision to keep Škoda Superb production in the CR as there were speculations about moving the production to VW's plant in Germany for more than a year, Škoda Auto board chairman Maier said.

The decision of the group's supervisory board to shift the Passat production to Kvasiny will guarantee long-term competitiveness of both Czech production plants (the other

being in Mlada Boleslav, central Bohemia) and will ensure the best use of the production capacities across VW's models after 2022, Maier added.

He said they were glad to keep producing their flagship model, Škoda Superb, in the CR, the Škoda brand's homeland. Maier added that the production of the 1<sup>st</sup> plug-in-hybrid Škoda Superb will kick-start in Kvasiny next year.

Škoda Auto worldwide deliveries totalled 1.2mn cars last year. Škoda Auto runs 3 factories in the CR, producing cars in China, Russia, Slovakia, Algeria and India, mostly via partnerships, and in Ukraine and Kazakhstan in cooperation with local partners. The company employs over 35,000 people and is active on more than 100 markets.

Škoda Auto no longer has sufficient capacities in the CR and some of its cars are being produced in VW's other plants.

In 2014, Škoda Auto manufactured 1mn cars, currently producing about 1.23mn units and the number is to increase notably in the following years.

**CIA PASSENGER CAR REGISTRATIONS DOWN – 16. 11.**

According to the ACEA<sup>26</sup>, in October 2018 the number of new passenger car registrations in the CR reached 19,704. This represents a y-o-y drop of 15.0%. From January to October 2018 registrations fell 0.5% to 227,488 vehicles.

**CTK RES OUTPUT IN 2017 GROWS FIVEFOLD FROM 2003 – 19. 11.**

A total of 9,618GWh<sup>27</sup> of electricity from RES<sup>28</sup> were produced in the CR last year, which is 5 times more compared to 2003 and a y-o-y increase of 2.4%, according to a 2017 environmental report.

Biogas had a share of 27%, and biomass and photovoltaic systems each had a 23% share in the total volume. Hydroelectric power plants reported 19% and wind power plants 6% of overall electricity produced from renewables but their potential is limited by natural conditions in the CR.

Power produced from biodegradable municipal solid waste had the lowest share of about 1%.

Production grew in almost all types of RES y-o-y last year, except for hydroelectric power plants, where the drop was caused by drought and hence low water levels in rivers.

The CR meets the state environmental policy target based on the 2009 EU renewable energy directive on subsidies. The share of these resources in the final energy consumption was targeted at 13% by 2020 and it was met in 2013. In 2016, the Czech target was 14.9%. The updated state energy policy puts the target for the share of electricity from renewable resources between 18 and 25% until 2040.

Same as in the previous years, more electricity was exported than imported last year. Exports totalled 28.1TWh<sup>29</sup>, imports 15.1TWh, the difference of 13TWh being an equivalent of 15%

<sup>22</sup> **NATO**: the North Atlantic Treaty Organization, also called the North Atlantic Alliance, is an intergovernmental military alliance based on the North Atlantic Treaty which was signed on 4 April 1949. The organization constitutes a system of collective defence whereby its member states agree to mutual defence in response to an attack by any external party.

<sup>23</sup> **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

<sup>24</sup> **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. Škoda Auto supplied 1.2mn cars to clients in the whole world in 2017. It has 3 production plants in the CR and produces cars also in China, Russia, Slovakia, Algeria, India, Ukraine and

Kazakhstan. The company employs more than 35,000 people and is active on over 100 markets.

<sup>25</sup> **EE**: Eastern Europe, views on which countries belong to EE are vastly varied, the region includes Belarus, Bulgaria, Czech Republic, Hungary, Moldova, Poland, Romania, Russia, Slovakia, and Ukraine. Depending on context, EE countries are sometimes grouped as Southern/Southeastern Europe, Central Europe and North-Eastern countries, collectively or individually.

<sup>26</sup> **ACEA**: European Automobile Manufacturers' Association, ACEA represents Europe's car, van, truck and bus manufacturers, and works with a variety of institutional, non-governmental, research and civil society partners - as well as with a number of industry associations.

<sup>27</sup> **GWh**: gigawatt-hour, 1 GWh is equal to 1 billion (10<sup>9</sup>) watts per hour.

<sup>28</sup> **RES**: renewable sources

<sup>29</sup> **TWh**: terawatt-hour, a measure of electrical energy, 10<sup>12</sup> watt-hours

**DNES CZECH STATE MAY MINE 236 TONNES OF GOLD – 21. 11.**

of total power production. It was 18.8% higher compared to 2016.

"The CR is an important electricity exporter in Europe given the availability of energy resources. Only Germany, France and Sweden had higher exports in 2016," the report said.

**GIA €750MN MUST BE INVESTED INTO ARCELORMITTAL – 19. 11.**

PM Babiš led talks with the EC<sup>30</sup> about the sale of the ArcelorMittal Ostrava smelting plant. The PM has asked the EC for a review whether the new investor would be able to ensure the company's competitiveness. He also wants the EC to review the owner's investment plans. According to PM Babiš, €750mn must be invested into the plant in the next 10 years.

The smelting plant will be taken over by British firm Liberty, member of Sanjeev Gupta's global group GFG Alliance. The acquisition contract is subject to approval EC and other local procedures.

**CTK BUILDERS LATE WITH 13% OF CONTRACTS – 20. 11.**

Construction companies fail to complete 13% of contracts on time because of the lack of workers, according to the analytical company CEEC Research.

Firms active in building construction are facing a bigger problem. If the firms had enough people, they would be able to carry out up to a quarter more projects. % of companies solve the situation by hiring foreign workers. Directors of construction firms said their personnel capacities were utilised at 98% on average, which concerns all firms in the sector regardless of the size and specification.

"The lack of labour force is a problem for the entire segment, which is reflected in the capacities of our subcontractors and specialised suppliers as well as in the lack of construction material. It is not pleasant to admit, but we fail to carry out up to 30% of our contracts on time," Pozemni stavitelství Zlin company. The situation could be solved by hiring foreign workers, the polled directors said. The survey showed that about ¾ of Czech construction companies would hire foreigners with a visa.

% of companies employ foreigners (the data does not include Slovaks). The application for hiring a foreign worker with a visa lasts 6 months on average, directors said. "We have experience with hiring foreign workers and I can say that it is one of the possible solutions. I also must admit that it is a difficult administrative process," Saint-Gobain Construction Products CZ said.

The polled directors said key factors when hiring foreigners were their labour habits and ethic, besides the length of time for which a foreign employee can be hired and the speed of processing the required documents.

"We put emphasis on expertise, experience and overall attitude, and whether the foreigner fits into our team. Deciding whether to hire a local or a foreigner is secondary," Trigema Building company said.

<sup>30</sup> 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.

<sup>31</sup> t: tonne, metric ton is a non-SI metric unit of mass equal to 1000 kilograms

<sup>32</sup> NPP: Nuclear Power Plant

<sup>33</sup> Temelín NPP: Temelín NPP is owned by ČEZ Group, which employs 1000 workers at this site. It is, with 2,000 MW of installed capacity and 4 units, largest power resource in the Czech Republic.

Roughly 236t<sup>31</sup> of gold worth CZK212bn, lithium worth CZK260bn and uranium can be mined in the CR, according to a report that the state-run company Diamo worked out for the government.

The report says there are 9 mapped gold deposits and 6 sites where the gold deposits are only estimated. The biggest deposits are Mokrsko and Vacikov, both near Pribram, central Bohemia, and Kasperske Hory, west Bohemia. There may be over 200t of gold in these 3 deposits.

Diamo says the mining of 6 metals and minerals would have good prospects in the CR: lithium, gold, uranium, tungsten, graphite and fluorite.

The government asked Diamo to assess the resources and deposits of superstrategic raw materials in the CR and assess their need and importance for the economy. Apart from the superstrategic materials, which were determined by the EU, the report deals with minerals important specifically for the Czech economy, such as lithium, tantalum and titanium.

By 2020, more detailed reports focusing on the profitability and environmental impact of possible mining are to be worked out.

Diamo mined uranium until recently, however, now it mainly deals with the elimination of the consequences of uranium, ore and coal mining. By mid-2019, the government is to receive a report on lithium. "The state wants to know the situation with lithium. We will also present a report on other raw materials critical for the Czech economy - this concerns tin, tungsten and cobalt," Diamo said.

Among the 6 above-mentioned metal and mineral deposits, uranium and gold mining seem the most promising.

If uranium mining was reopened, this would provide the CR with 25% of uranium that the 2 Czech NPP<sup>32</sup> need for their operation for the next 16 years. The CR needs 70t of uranium a year for the fuel for the Temelín<sup>33</sup> and Dukovany NPP<sup>34</sup>.

At present, Diamo still gains some uranium when it cleans minerals and mining water. This uranium provides about 5% of the fuel used in the power plants.

Diamo recommends that the state quickly decide on the possible launch of mining activities in Brzkov, in the same region in South Moravia, where there is a uranium deposit, by 2025. The annual uranium production is estimated at 180 tonnes there.

The report also proposes to reopen the Rozna deposit, also in the Vysocina Region, where Diamo workers were mining uranium until the end of 2016.

The problem with gold mining is that cyanidation, which is a technique for extracting gold from ore, has been banned in the CR. Diamo said this problem could be solved. "The processed resource of gold may be transported to the CR in which cyanidation is not banned, for example Belgium," he said.

According to Diamo, apart from gold and uranium, 4 out of 12 critical raw materials may be mined now or in near future:

<sup>34</sup> Dukovany NPP: Dukovany NPP annually supplies approximately 14 TWhr of electric energy to the national power network. NPP is owned and operated by ČEZ Group. Dukovany covers a 1/5 of the total electricity consumption in the CR with its installed output of 2,040MW. The NPP has 4 units. ČEZ has submitted request for new licences for further operation of units 3 and 4 to the SONS. Current 10-year licences for the units will expire at the end of this year. SONS has granted new operation licences for units 1 and 2.

tungsten, graphite, fluorite and especially lithium, the deposits of which are under Krusne hory (the Ore Mountains), which form a part of the Czech-German border.

From the technological point of view, lithium mining would be the easiest in a sludge lagoon in Cinovec, Usti Region, and north Bohemia. But the mining rights in the lagoon are owned by the Cinovecka deponie<sup>35</sup>. Diamo has been in the media limelight due to the "lithium case" that began in late 2017. The former government of PM Sobotka signed a memorandum on the lithium project at Cinovec with EMH<sup>36</sup> just before the elections last year. The step was mainly criticised by ANO<sup>37</sup> and the KSČM<sup>38</sup>.

In March this year, the CR revoked the document. PM Babiš said repeatedly it was an absurd and invalid document. EMH has pre-emption right to mine at Cinovec, however, and the project preparation continues.

## INVESTMENTS & TRADE & SERVICES



### CR'S EXPORTS TO RISE TO NEW RECORD – 15. 11.

Czech exports will likely rise by 2% to a new record of CZK4,300bn this year after CZK4,200bn last year, with surplus to go down to CZK375bn from 2017's CZK443bn, the CAE<sup>39</sup> said. Export growth will not continue next year, it said.

It originally envisaged no record figures for this year. The crown is weaker than expected, which is the main reason behind the growth this year. On November 14, the CZK fell beyond CZK26/€ which was its lowest level since July this year. It also depreciated versus the US currency to CZK23.01/\$. The weak CZK is raising exporters' revenues.

The Czech economy is slowing down, approaching its equilibrium, the CNB vice-governor Hampl said. Weaker exchange rate of the crown is spontaneously accelerating the economy, however, producers cannot use it for bigger output because the labour market is exhausted, Hampl said. Czech producers envisage the record figure for this year although there is a big shortage of workers, CAE said. "For more than 2 years, we've been experiencing the lack of workforce," it said. According to its estimate, firms now need up to 400,000 workers. Competitiveness of Czech products abroad is also lowered by fast-rising wages, outpacing productivity growth. "Some exporters are starting to have problems with product profitability," CAE said. Czech export has been rising since 2009, their volume rising nearly twofold during the period and annual hikes reaching an average 12%. This year's 2% growth rate testifies to a marked slowdown to stagnation in demand for Czech products abroad.

The automotive industry, on which the Czech economy is dependent to a great extent, provides a major sign of export stagnation next year, it said. "Passenger car sales are falling by 4.7% annually, sales of spare parts by 3.6% and lorry sales by 15.5%. The economic cycle is at its peak or over."

<sup>35</sup> firm connected with billionaire Karel Janecek and the RSJ investment group

<sup>36</sup> EMH: European Metals Holdings Limited explores and develops mineral properties. It holds 100% interest in the Cinovec lithium-tin project in the Czech Republic. The company was formerly known as Equamineral Holdings Limited and changed its name to European Metals Holdings Limited in February 2014. European Metals Holdings Limited is based in West Perth, Australia.

<sup>37</sup> ANO: ANO 2011, centre-right party

<sup>38</sup> KSČM: Communist Party of Bohemia and Moravia, far-left party

<sup>39</sup> CAE: Czech Association of Exporters, a voluntary association that represents its members in the promotion of common interests, a transparent, non-discriminatory and free business environment in order to maintain and increase the competitiveness of domestic companies and companies, especially export companies. AE acts with state

It pointed out that the country's major customers, Germany and Slovakia, stagnate. "Of the 5 largest export markets, only Poland and France report a growth," he said.

Brexit, US President Donald Trump's tariff measures, EU-Russia sanctions, Chinese economic slowdown and a non-transparent situation in Turkey are the factors that will have a negative impact on exporters in the coming period, according to the CAE. Exporters also expect the CZK to appreciate next year. The planned re-introducing sick pay during the first 3 days of illness for employees will also affect exporters next year as it will further raise the shortage of workers, the CAE said.



### SHARE OF HOUSEHOLDS WITH INTERNET ACCESS UP – 19. 11.

A total of 80% of Czech households have Internet access, which is 13 pps<sup>40</sup> more than 5 years ago; however, the rate is still below the European average which was 7 pps higher in 2017, according to the CSO<sup>41</sup>.

Nearly 45% of connected households use Wi-Fi, 25% have cable Internet access, and 15% have xDSL connection using telephone lines. Czechia lags behind Europe and the USA in the quality of Internet access but it can be expected to catch up quickly in the coming years.

A total of 7.1mn Czechs over 16 have Internet access, which is 400,000 more than in 2016. The share of mobile broadband users is 58%, 8 pps more than a year ago. The share of users of social networks exceeded 50% this year. Their current number is 4.5mn (51%), which is 1.5mn more than in 2013. Pre-retirement and retirement age Czechs are not interested in social networks. Every 2<sup>nd</sup> Czech watches videos on the Internet, with 44% watching YouTube and 26% streaming television. The share of online banking users rose by 20 pps to 58% compared to 2013, with the category of people over 65 increasing 3-fold.

A total of 54% of people older than 16 shop online, mostly for clothes and footwear. In e-shops, men buy clothes and shoes (19%), electronics (15%), sports equipment (14%) and house equipment (13%), CSO said. A total of 37% of women buy clothes and shoes online, 24% buy cosmetic products, 11% toys and 9% food, it said. As much as 78% of households own a computer, which is 10 pps more than 5 years ago, with nearly 50% of them using portable computers. A total of 96% of Czechs over 16 use mobile phones, and 63% have a smartphone. A total of 65% of Czechs use information technology at work, and 56% need a personal computer.



### V4 VIEW NUCLEAR POWER POSITIVELY – 19. 11.

The V4's<sup>42</sup> ministers and deputy ministers responsible for the economy and energy agreed in Bratislava that they view nuclear power positively, MIT<sup>43</sup> Minister Nováková said.

Slovak Economy Minister Ziga announced the Slovak plan to end subsidies for brown coal mining for energy purposes in 2023.

administration bodies, promotes its goals in the media, organizes educational, social and promotional actions aimed at achieving the goals.

<sup>40</sup> Pps: percentage points

<sup>41</sup> 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.

<sup>42</sup> 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.

<sup>43</sup> MIT: Ministry of Industry and Trade

"All (four) countries have interest in nuclear energy. The CR has a strategic energy plan in which nuclear power plays a significant role, even more important than," Nováková said. Nováková hopes that nuclear energy will be, in relation to the EU's climate protection targets, viewed more favourably and considered as one of the instruments in the "decarbonisation" of the economy. In connection with measures regarding climate and energy targets, the EU should keep in mind that it must be able to compete with the USA and China, added Nováková. PM Babiš had said earlier that the CR would continue to develop nuclear energy and build new units in the Temelin and Dukovany NPPs.



#### EXPORT PRICES INCREASED BY – 19. 11.

In September 2018 export prices increased by 1.4% y-o-y while import prices increased by 2.4%. Exchange relations reached 99.0%. In month-on-month terms import and export prices fell 0.1%, according to the CSO. The development of the overall y-o-y export index was primarily driven by an increase in prices in group mineral fuel, by 24.1%. Import prices were also most influenced by the mineral fuel segment (+32.9%).



#### MAFRA OBTAINS PERMISSION TO BUY BAUER – 19. 11.

The OPC<sup>44</sup> has permitted in the simplified administrative proceeding the merger of competitors Agrofert<sup>45</sup> and the business units of Bauer Media, Bauer Media Praha And Bauer Media Sk. Agrofert, through Mafra group, will obtain exclusive indirect control over the units. The merger takes place primarily in publishing and online news service. According to the authority, the merger will not affect economic competition. The decision has already become final.



#### CABINET APPROVES INCENTIVE FOR BMW – 20. 11.

The Cabinet<sup>46</sup> approved an investment incentive worth up to CZK528.75mn<sup>47</sup> for BMW<sup>48</sup> to build a test centre near Sokolov, western Bohemia, ME<sup>49</sup> Minister Brabec said.

Within 7 years, BMW plans to invest CZK2.55bn in building a technology centre for the development of vehicles and driver assistance systems. Investment in machinery will amount to CZK1.3bn.

In April, the Cabinet approved a memorandum of cooperation with BMW. Most of the investment incentive will be formed by income tax relief (CZK201.8mn) and asset purchase subsidy (CZK255mn), with the rest going in employee training and retraining programmes (CZK46.9mn) and jobs creation (CZK25mn).

The investment incentive recipient will be a newly established subsidiary which will build the technology centre in Sokolov.

BMW group is developing methods of highly automated driving in Munich, Germany, and Miramas, France. The

investment is supposed to create at least 250 jobs in the Sokolov district. BMW said in June it wanted to have a building permit by the end of 2019 at the latest. The new testing facility will cover an area of some 500 hectares, and it is due to launch operation by the end of 2022.

The site north of Sokolov used to be a brown-coal mining area and Sokolovska uhelna company started its reclamation. The Karlovy Vary Region promised to build connector roads and the centre's auxiliary facilities that are estimated to cost CZK40mn.

### LABOUR & HEALTH & SOCIAL



#### MAINTAIN GOOD TRADE RELATIONS WITH UK – 19. 11.

The CR considers it crucial that mutual trade with Britain is not harmed after 2020 in connection with the Brexit Withdrawal Agreement and the related political declaration on the future EU-UK relationship, Czech State Secretary for the EU Chmelař, said.

"We want the closest possible relations provided that there is a balance of obligations between the rights and obligations for the British. For the CR specifically it is important that we do not have a disruption of our mutual trade relations after 2020," Chmelař told journalists about the political declaration before meeting of the EU General Affairs Council (GAC), comprising the foreign ministers of the EU member states and dealing with the special EU summit on Brexit to be held on Sunday. "I don't think there is anything that would lead us to cancel the summit," he said.

EU chief Brexit negotiator, Michel Barnier, released the nearly 600-page draft Withdrawal Agreement last Wednesday after the British government agreed with it following a lengthy discussion. However, the British parliament, which has been sceptical so far, is yet to vote on it.

Chmelař said he believes that the political situation in Britain will consolidate. On Sunday, the heads of EU member states will deal with the Withdrawal Agreement. If they approve it, the European Parliament will take a vote on the agreement and a majority of the member states need to support it afterwards.

"We hope that the text will be acceptable for the EU27," Chmelař said about the Withdrawal Agreement.

The EU27 has more discussions about the political declaration. Chmelař said some EU member states have their own proposals to be added to the declaration, concerning fisheries or some other sensitive areas. He said the CR has no such proposals. He recalled that the declaration is not a legally binding text but that Prague is determined to meet it on the political level. The diplomats of EU countries would like to agree on its text on Thursday.

<sup>44</sup> OPC: Office for the Protection of Competition (Úřad pro ochranu hospodářské soutěže), the central authority of state administration responsible for creating conditions that favour and protect competition, supervision over public procurement and consultation and monitoring in relation to the provision of state aid.

<sup>45</sup> 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 4<sup>th</sup> 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.

<sup>46</sup> Cabinet: The Government of the Czech Republic exercises executive power in the Czech Republic. The members of the government are the Prime Minister of the Czech Republic (Chairman of the Government), the deputy ministers and other ministers. It

has its legal basis in the Constitution of the Czech Republic. The government is led by the Prime Minister, who selects all the remaining ministers. Government of the Czech Republic is responsible to the Chamber of Deputies of the Czech Republic. The Prime Minister is appointed by the President of the Czech Republic. The current Prime Minister is Andrej Babiš.

<sup>47</sup> mn: million

<sup>48</sup> BMW: Bayerische Motoren Werke, a German multinational company which currently produces automobiles and motorcycles, and also produced aircraft engines until 1945. The company was founded in 1916 and has its headquarters in Munich, Bavaria. BMW produces motor vehicles in Germany, Brazil, China, India, South Africa, the United Kingdom and the United States. In 2015, BMW was the world's twelfth largest producer of motor vehicles

<sup>49</sup> ME: Ministry of the Environment

**GOVERNMENT TO RAISE MINIMUM WAGE – 20. 11.**

The government will increase the Czech minimum wage by CZK1,150 to CZK13,350 a month from January, the MLSA<sup>50</sup> Minister Maláčová said. She said she would push to ensure that figure is close to CZK16,000 by 2021, when the government's term ends.

The MF Minister Schillerová, said she abstained from a vote held during Cabinet meeting. She argued that the change would increase companies' costs. The average monthly salary in the CR in the middle of this year was CZK31,851. Some 4% of the CR's workforce is on the minimum wage.

**HIGHER MINIMUM WAGE WILL FEED WAGE INFLATION – 21. 11.**

Minimum wage should be raised further, but it is also necessary to focus on other aspects, such as the shortening of working hours and raising of wages in the business sector, the chairman of the ČMKOS<sup>51</sup> Strědula, has commented on the government's decision to raise the minimum wage to CZK13,350 from January 1, 2019. Raiffeisen's<sup>52</sup> chief economist has stated that the economic peak is already behind in CR and the raising of minimum remuneration for work will only feed the wage inflation.

**MISCELLANEOUS****BABIŠ SHOULD RESIGN UNTIL INVESTIGATION IS OVER – 15. 11.**

The Senate<sup>53</sup> considers the participation of PM Babiš in the Government of the CR to be unacceptable until the end of the investigation into suspicion of subsidy fraud in the case of Tork hnízdo. This opinion was approved by the senators across political clubs including ČSSD<sup>54</sup>.

**CHD'S SESSION ON NO-CONFIDENCE VOTE CONVOKED – 19. 11.**

An intense week in Czech politics has got underway ahead of a vote of no-confidence in PM Babiš's government planned for November 23. The opposition-tabled vote follows a scandal involving Mr. Babiš's son, who says he was forcibly taken to Crimea to get him out of the way of an investigation over charges of corruption against the PM.

Mr. Babiš is due to discuss the situation during talks with President Zeman on November 19. The head of state says he expects the ANO leader to survive the no-confidence vote. However, if he does not Mr. Zeman will task him with forming a new government. The opposition have 92 seats in the 200-

<sup>50</sup> **MLSA:** Ministry of Labour and Social Affairs

<sup>51</sup> **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.

<sup>52</sup> **Raiffeisenbank:** is a member of Austrian Raiffeisen Group that also offers products and services in the Czech Republic in the area of building savings (Raiffeisen stavební spořitelna), insurance (UNIQA pojišťovna) and leasing (Raiffeisen-Leasing, Raiffeisen-Leasing Real Estate). Raiffeisenbank has merged with eBanka, a.s., in 2008.

<sup>53</sup> **Senate:** the Senate of the Parliament of the CR, usually referred to as the Senate, is the upper chamber of the Parliament of the Czech Republic. The seat of the Senate is Wallenstein Palace in Prague.

<sup>54</sup> **ČSSD:** Czech Social Democratic Party, centre-left party

<sup>55</sup> **CCC:** Czech China Chamber of Commerce

<sup>56</sup> **CEFC:** China CEFC Energy Company Limited, through its subsidiaries, engages in trading of oil, petrochemical products, and oil storage. The company is based in Shanghai, China. CEFC China has picked the CR as the main seat for its European activities. Since September 2015, it has bought into Czech beer maker Pivovary Lobkowicz Group (PLG), J&T Finance Group, engineering company Zdas, air carrier Travel Service, online seller of trips Invia.cz, media group Medea Group, publishing house Empresa Media and television group Barrandov. CEFC also owns two five-star Prague hotels - Mandarin Oriental Prague and Le Palais Art Hotel Prague and a historic building of former Zivnobanka in Prague centre, and Martinický palác at Hradčany. It is also the majority owner of soccer club Slavia Praha. In 2017, CEFC bought a 14.16 % stake

mandate lower house, meaning their vote can only succeed if they win support from coalition partners ANO or the ČSSD. Leaders of the parties advocating the show of hands are due to meet on November 20.

The ČSSD are due to discuss how to proceed at a meeting on Wednesday. The party's leader Hamáček has already said he wants the present coalition to continue. The KSČM, who back the minority coalition on key votes, are also expected to discuss what course to take.

**ZEMAN RECEIVES CHINESE DEPUTY VICE PREMIER – 19. 11.**

President Zeman received Chinese Deputy Vice Premier Sun Chunlan in the presence of ice hockey and football stars Jaromir Jagr and Pavel Nedved and they mainly discussed development of Czech-Chinese relations. Last week, the Chinese media wrote that Sun Chunlan would go to the CR and Croatia at the invitation of their governments between November 18 and 25. Zeman is an advocate of cooperation with China, which he has visited four times, most recently in early November. He is planning another journey there for April 2019. Photos from the event also capture Jaroslav Tvrdík, the president of the CCC<sup>55</sup>, who also in the boards of the Chinese companies CEFC<sup>56</sup> and CITIC<sup>57</sup> Europe, as well as Zeman's chief assistant Martin Nejedlý. Nedved has become a patron of the Chinese Super League. In September 2015, he opened a football school for Chinese children when accompanying Zeman on his trip.

Czech ice hockey also seeks cooperation in China. Last May, the general secretary of the Czech Ice hockey Association, Martin Urban, signed a memorandum with his Chinese counterparts. It reckons with the organisation of preparatory camps for young ice hockey players, exchange of coaches and methodology. Jagr has become a face of the marketing campaign of Chinese manufacturer of smart phones Huawei.

**OPPOSITION NOT TO REAPPOINT BABIŠ – 20. 11.**

Five Czech opposition parties' heads called on President Zeman to name someone else than Babiš (ANO) as the new PM if his government fell, Pirates<sup>58</sup> chairman Bartoš said after the leaders' coordination meeting.

Apart from Bartoš, the leaders appealing to Zeman were ODS<sup>59</sup> chairman Fiala, KDU-ČSL<sup>60</sup> chairman Bělobrádek, TOP09<sup>61</sup> chairman Pospíšil and STAN<sup>62</sup> chairman Gazdík.

in Russia's largest oil producer Rosneft for about \$9 billion. In 2018, after its chairman Ye was detained for questioning on the order of the Chinese president Xi Jinping, South China Morning Post reported that "Shanghai Guosheng Group, a portfolio and investment agency controlled by Shanghai's municipal government, had taken control of CEFC China Energy

<sup>57</sup> **CITIC:** CITIC Group Corporation Ltd., formerly the China International Trust Investment Corporation, is a state-owned investment company of the People's Republic of China, established in 1979. Its headquarters are in Chaoyang District, Beijing. As of 2017, it is one of China's biggest conglomerates, with one of the largest foreign assets in the world.

<sup>58</sup> **Pirates:** The Czech Pirate Party is a political party in the Czech Republic, founded in 2009. It is a member of the European Pirate Party. The main topic of the Pirate Party is information and its fundamental meaning in modern society. The Pirates are focused mainly on civil liberties, sharing of information, effective use of technologies and privacy protection.

<sup>59</sup> **ODS:** Civic Democratic Party, Liberal conservative, centre-right party, soft Eurosceptic party

<sup>60</sup> **KDU-ČSL:** Christian and Democratic Union – Czechoslovak People's Party, centre party

<sup>61</sup> **TOP09:** conservative, centre-right party, it has been noted for its support of fiscal conservatism and is considered pro-EU.

<sup>62</sup> **STAN:** The Mayors and Independents (Czech: Starostové a nezávislí), abbreviated to STAN, is a political party in the CR. The Mayors and Independents focus on localism and promoting powers for municipalities. The party grew out of the Independent Mayors

The 5 parties have provoked the no-confidence vote together with another opposition party SPD<sup>63</sup>. They also called on PM Babiš to trustworthily explain his son Babiš Jr's trip to Crimea last year, which caused an uproar on the Czech scene last week when reported on by media.

Furthermore, the leaders called on ČSSD chairman Hamáček to reassess his support for the cabinet that is led by Babiš, who faces not only prosecution over a suspected subsidy fraud but also a conflict of interest. Bartoš said SPD chairman Okamura did not attend the opposition's coordination meeting but sent in a message confirming that the SPD lawmakers will unanimously vote no-confidence in the cabinet on November 23.

Fiala said the opposition is trying to resolve the current problem of the PM's office being excessively burdened with the personal and family problems of Babiš. The opposition parties believe that their no-confidence proposal has a chance of succeeding in the ChD. Bartoš said the ČSSD is split on how to vote, and will hold internal negotiations until the last moment. TOP09 chairman Pospíšil said he believed that even some MPs from Babiš's ANO movement may vote against the government. "They swore to defend the interests of the CR. The fall of Babiš's cabinet is clearly in the interest of the CR," Pospíšil said.

A new government of ANO and the ČSSD may arise, but with another PM at its helm, he added.

#### ☰ ČSSD TO DECIDE ON NO-CONFIDENCE VOTE – 21. 11.

ČSSD are to decide on November 21 whether to support the ANO-led government of Babiš in a no-confidence vote at the end of the week. ČSSD's chairman Hamáček is in favour of remaining in government with ANO but has suggested Mr. Babiš could go as PM; he has been embroiled in scandal since his son said Mr. Babiš had wanted him to "disappear" during a criminal investigation.

The Prague branch of the ČSSD on November 20 called on the national party to push for the PM's removal. ANO's leadership has given its backing to Mr. Babiš ahead of the opposition-tabled no-confidence vote. The KSČM say they will continue to support the minority cabinet on key votes.

ČSSD will not take part in no-confidence vote and will leave meeting at the time of the final vote. The opposition politicians criticized the ČSSD's decisions as alibistic and pusillanimous. The ČSSD has announced that the party is ready to support the dissolution of the ChD, but 120 votes are needed.

#### ☰ HQS OF CZECHTOURISM, MRD RAIDED – 21. 11.

Anti-corruption police officers staged raids on November 21 morning at the headquarters of both the MRD<sup>64</sup> and the CzechTourism<sup>65</sup>.

The Prague Public Prosecutor's Office said the officers were collecting evidence related to CzechTourism contracts but declined to elaborate.

for Region, which allied itself to the liberal conservative SNK European Democrats, but now cooperates with the similarly liberal conservative TOP 09.

<sup>63</sup> **SPD:** Freedom and Direct Democracy, an eurosceptic, and pro-direct democracy political party in the CR. The party was founded in May 2015 by Tomio Okamura and Radim Fiala after a split of a few MPs from the Dawn of Direct Democracy, now Dawn - National Coalition

<sup>64</sup> **MRD:** Ministry of Regional Development

<sup>65</sup> **CzechTourism:** a state-funded organization established by the Ministry for Regional Development. The main objective of CzechTourism is to promote the Czech Republic as a tourist destination abroad and in the Czech Republic.

2 years ago, police investigated the agency after the SAO filed a criminal complaint over spending discrepancies. MRD Minister Dostálová is being investigated.

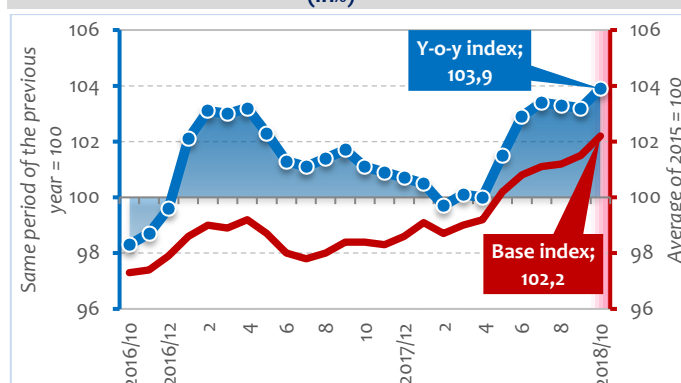
### STATISTICS



#### PRODUCER PRICE INDICES – 16. 11.

In October 2018 compared with the previous month, agricultural producer prices (+0.2%), industrial producer prices (+0.7%), construction work prices (+0.4%) and prices of market services for businesses (+0.5%) all went up. In comparison to October 2017, agricultural producer prices (+0.9%), industrial producer prices (+3.9%), construction work prices (+4.0%) and prices of market services for businesses (+2.0%) were all higher.

Graph 1: Industrial producer price indices, 2016-2018, Y-o-y (in%)<sup>66,67</sup>



#### M-o-m comparison:

Prices of **industrial producers** were higher by 0.7% m-o-m<sup>68</sup>. Prices increased particularly in 'coke, refined petroleum products'. Prices rose in 'food products, beverages, tobacco' (+0.6%), thereof 'beverages' (+1.4%), 'dairy products' (+1.0%) and 'grain mill products, starches and starch products' (+3.5%). On the increase were also prices in 'transport equipment' (+0.5%), thereof 'motor vehicles' (+1.0%). Prices went up in 'chemicals and chemical products' (+1.6%). Lower were prices only in 'basic pharmaceutical products' (▲0.2%).

#### Y-o-y comparison:

Prices of **industrial producers** rose by 3.9% (+3.2% in September) y-o-y. This is the highest increase since January 2012. Higher were prices primarily in 'coke, refined petroleum products'. On the increase were prices in 'basic metals, fabricated metal products' (+3.7%), 'electricity, gas, steam and air conditioning' (+2.8%), 'chemicals and chemical products' (+8.1%) and 'mining and quarrying' (+9.0%). Prices decreased only in 'food products, beverages, tobacco' (▲0.4%), thereof 'preserved meat and meat products' (▲3.5%), 'dairy products' (▲4.2%) and 'other food products' (▲3.9%).

Among the main industrial groupings, prices of 'energy' (+10.4%) increased the most.

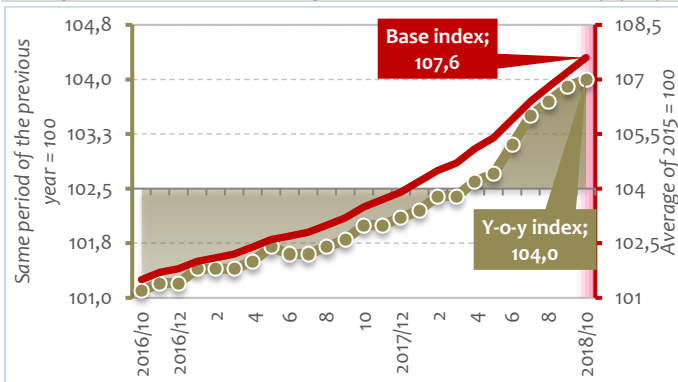
<sup>66</sup> **Base index:** In the base index the price of the calculation period is always compared with the base period. In the base index weights are usually changed less often than yearly, for example, at intervals of five years.

<sup>67</sup> **Base year:** Base year refers to the base point in time of a time series. Normally, years divisible evenly by five are used as base years. In releases base year is noted, for example, as 2000 = 100 or 2015 = 100. The mean of the index point figures of a base year is 100. For example, in monthly indices the index point figures of the months of the base year disclose the distribution of an examined variable between different months.

<sup>68</sup> **M-o-m:** month on month, compared with preceding month



Graph 2: Construction work price indices, 2016-2018, Y-o-y (in%)



**M-o-m comparison:**

According to an estimate, construction work prices increased by 0.4% and construction material input prices grew by 0.5%.

**Y-o-y comparison:**

According to an estimate, **construction work** prices rose by 4.0% (+3.9% in September after specification) and construction material input prices grew by 4.6% (+4.2% in September).

(+14.0%), potatoes (+7.3%) and oil plants (+3.4%). Lower were prices of fruit by ▲47.7%. Prices of animal products went down by 5.6%. Lower were prices of eggs (▲14.6%), pigs for slaughter (▲13.7%), milk (▲4.7%) and cattle for slaughter (▲3.0%). On the increase were prices of poultry by 5.6%.

**M-o-m comparison:**

Prices of **market services for businesses** were higher by 0.5%. On the increase were prices of ‘advertising and market research services’ (+4.3%), ‘management consulting services’ (+1.7%), ‘architectural and engineering services’ (+1.2%), ‘employment services’ and ‘rental and leasing services’ (+0.5% both). Decreasing were prices of ‘financial services, except insurance and pension funding’ by ▲0.4%. Prices of market services for businesses excluding advertising services rose by 0.1%.

**Y-o-y comparison:**

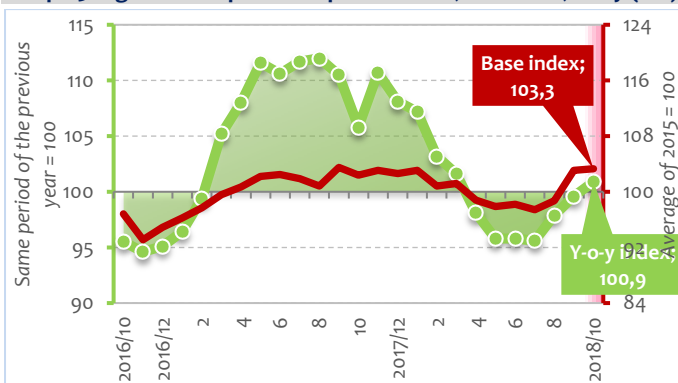
Prices of **market services for businesses** were higher by 2.0% (+1.6% in September). Increasing were prices in ‘security and investigation services’ (+9.3%), ‘employment services’ (+6.5%) and ‘advertising and market research services’ (+5.6%). On the increase were also prices of ‘real estate services’ (+3.3%), ‘architectural and engineering services’ (+2.9%) and ‘land transport services’ (+1.4%). Lower were prices of ‘warehousing and support services for transportation’ by ▲1.9%. Prices of market services for businesses excluding advertising services increased by 1.9% (+1.8% in September).

**Industrial producer prices in the EU**

According to the Eurostat, **industrial producer prices** increased in September by 0.6% (+0.4% in August) in EU28<sup>69</sup>, m-o-m. The highest increases in prices were recorded in Belgium, Lithuania and the United Kingdom (+0.9% all). Prices went up in Germany (+0.6%), Austria, Poland and Slovakia (+0.5% all) and the CR (+0.3%). Prices decreased the most in Estonia (▲1.3%).

Industrial producer prices were higher in September by 4.9% (+4.8% in August) in EU28, y-o-y. The highest increase was observed in Belgium (+9.0%). Prices were higher in Slovakia (+6.4%), Austria (+4.2%), Poland (+3.6%), Germany (+3.4%) and the CR (+3.2%). The only decrease was recorded in Ireland (▲2.8%).

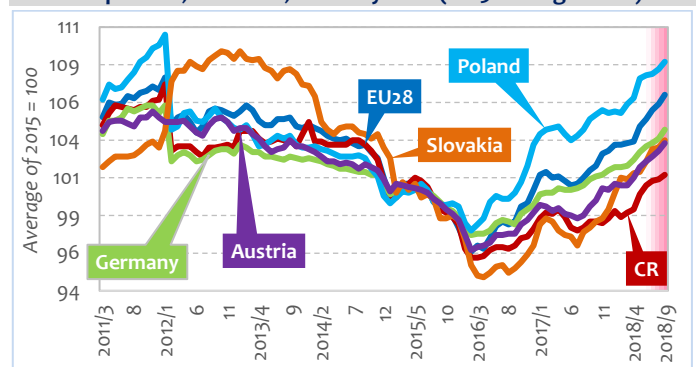
Graph 3: Agricultural producer price indices, 2016-2018, Y-o-y (in%)



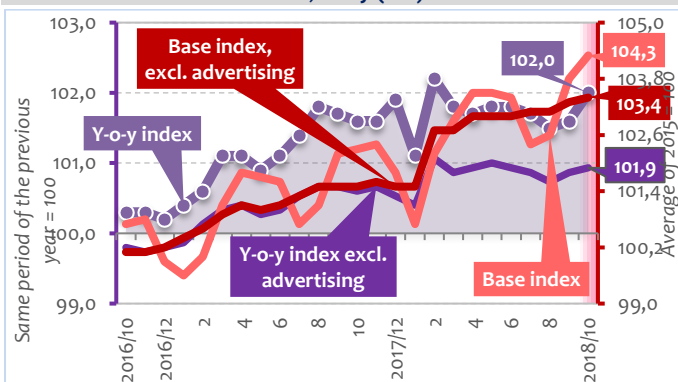
**M-o-m comparison:**

**Agricultural producer** prices increased by 0.2%. Prices of poultry (+7.3%), fresh vegetables (+4.8%), cereals (+3.5%), oil plants (+2.9%) and milk (+2.2%) went up. On the decrease were prices of fruit (▲9.7%), eggs (▲0.4%), cattle for slaughter and pigs for slaughter (▲1.0% both).

Graph 5: Industrial producer price indices, International comparison, 2011-2018, monthly data (2015 average = 100)



Graph 4: Market services price indices in business sphere, 2016-2018, Y-o-y (in%)



**Y-o-y comparison:**

**Agricultural producer** prices were higher by 0.9% (▲.4% in September). Prices of crop products grew by 4.1% due to increasing prices of fresh vegetables (+42.8%), cereals

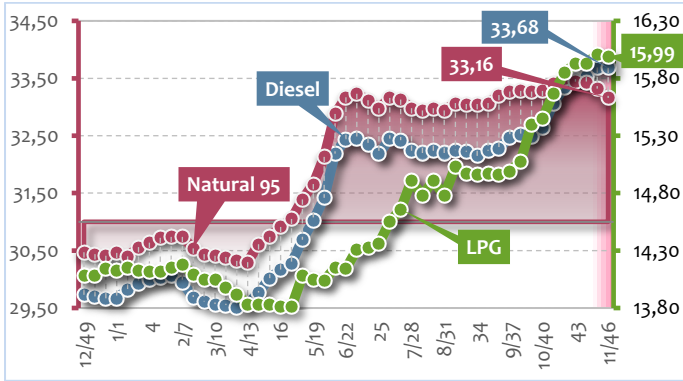
**FUEL PRICES – 18. 11.**

Natural 95 decreased by ▲16h<sup>70</sup> to CZK33.16/l over the past week, Diesel oil decreased by ▲1h to CZK33.68/l.

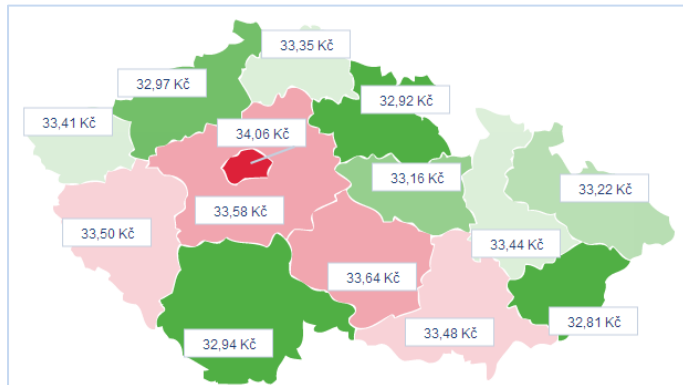
<sup>69</sup> EU28: 28 member states of the EU, which are party to the founding treaties of the union and thereby subject to the privileges and obligations of membership

<sup>70</sup> 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.

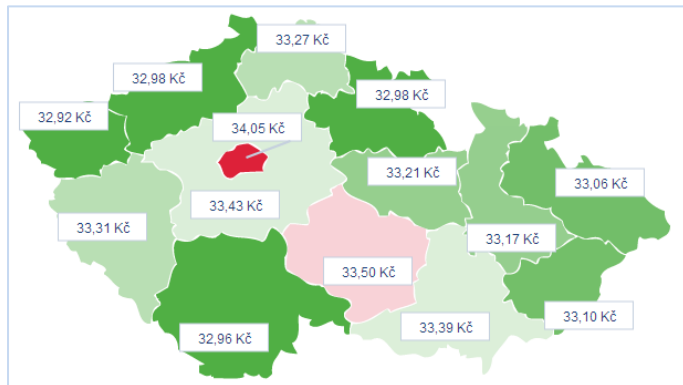
Graph 6: Average fuel prices<sup>71</sup>, 2017 – 2018, Month/Week (in CZK/l)



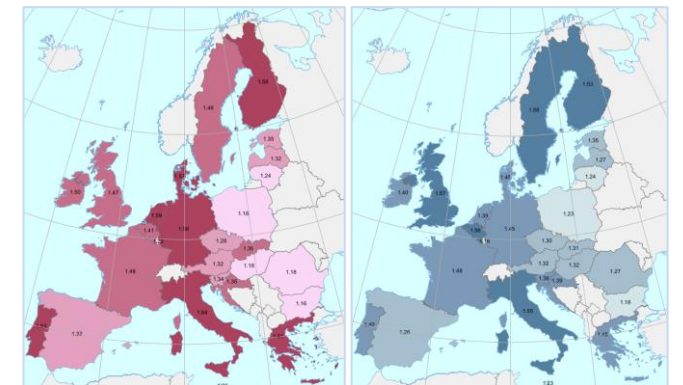
Map 1: Regions, fuel prices, Natural 95, 18. 11. (in CZK/l)<sup>72</sup>



Map 2: Regions, fuel prices, Diesel, 18. 11. (in CZK/l)



Map 3: EU, Average fuel prices, Natural 95, Diesel, 12. 11. (in €/l)<sup>73</sup>

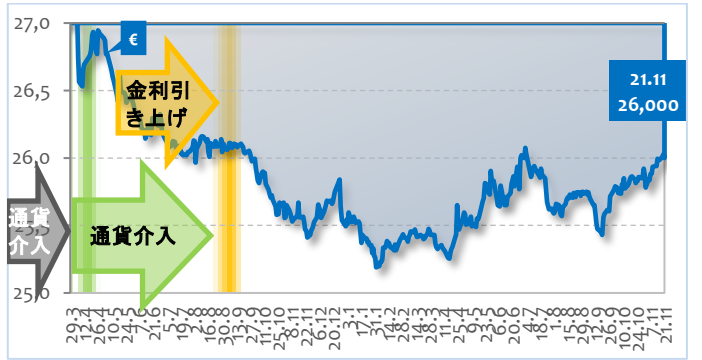


<sup>71</sup> Consumer price indices calculated from the weekly price survey are not qualitatively adjusted and thus do not express the net price development applied at inflation measurement, data issued by the CSO

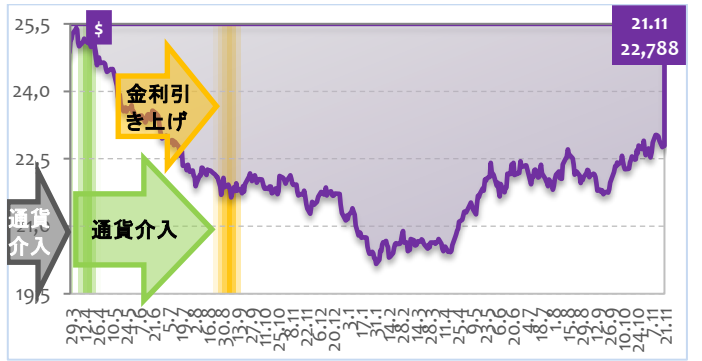
<sup>72</sup> data issued by the mBenzin.cz; <https://www.penize.cz/ceny-benzinu-a-ceny-nafty>  
<sup>73</sup> data issued by the European Commission; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

CNB vs €, \$, ¥ – 21. 11.

Graph 7: Exchange rates, CZK/€, 29. 3. 2017 – 21. 11. 2018



Graph 8: Exchange rates, CZK/\$, 29. 3. 2017 – 21. 11. 2018



Graph 9: Exchange rates, CZK/100¥, 29. 3. 2017 – 21. 11. 2018



ČIA (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 CTK 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.



M-Brain, News monitoring; is a global information, technology and consulting services company offering market and media monitoring, intelligence and analysis services and solutions.



MF Dnes Daily; Mladá fronta Dnes (Young Front Today), also known Dnes (Today), is a daily newspaper. As of 2016, it is the second largest Czech newspaper, after tabloid Blesk. The



paper is owned by Mafra a.s., a subsidiary of the Agrofert group, a company owned by Andrej Babiš from 2013. Right-wing conservative, neoliberal view.

Office of the President of the Republic (Kancelář prezidenta republiky)

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.