

ECONOMIC NEWS SUMMARY NOVEMBER 29 – DECEMBER 5

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ECONOMY & FINANCE

FINANCIAL ADMINISTRATION CARRIED EET CHECKS – 29. 11.

FA's¹ officials have carried out over 160,000 checks since the introduction of EET², a measure introduced by former MF³ Minister Babiš to counter the grey economy and tax fraud. The authorities have issued nearly 13,000 fines to the tune of CZK⁴128mn⁵. 28 businesses were forced to close down for failing to follow the rules.



BANK LICENCE TO CBC – 3. 12.

BoCom⁶ obtained in November 2018 from CNB⁷ a licence to run a foreign bank branch in CR⁸. The Chinese banking group's mid-year report indicates that its assets totalled \$1.34bn. The branch in CR is part of the bank's expansion.



EXPANDING SAO'S POWERS – 4. 12.

The Cabinet⁹ has approved a draft amendment to the act on the SAO¹⁰ whose goal is to expand the current range of SAO's inspection powers. The SAO can investigate the financial management of other entities than the state, i.e. other entities including municipalities and regions, only if they manage a property of the state. The amendment counts on expanding the SAO's powers to local government units. The draft should help maintain healthy public finances, and with its help the government wants to fulfil its programme declaration and start a reform focused on using public finances efficiently.



BUDGET DEFICIT INCREASES – 4. 12.

According to the MF, as at November 30, 2018, total revenues of the state budget amounted to CZK1.25tn¹¹, while total expenditures were CZK1.27tn.

¹ FA: Financial Administration of the Czech Republic

² EET: electronic cash registers system, a method of online registration of sales, when the data on each transaction of merchant are sent online to the financial administration. EET system was launched in the CR on December 1, 2016, it has been introduced already in other countries: in Croatia (2013), in Hungary (2015), where it is operated via a hybrid system of cash registers and online registration, in Slovenia (early 2016); in Slovakia, where online registration of sales is optional. Offline registration of sales using cash registers was introduced also in other 15 EU countries by 2016.

³ MF: Ministry of Finance

⁴ CZK: Czech Crown, the currency of the CR since 8 February 1993

⁵ mn: million

⁶ BoCom: the Bank of Communications is amongst the top 5 leading commercial banks in China and has an extensive network of over 2,800 branches covering over 80 major cities. Apart from Hong Kong, the Bank has also established overseas branches in New York, Tokyo, Singapore and representative offices in London and Frankfurt. Bank of Communications had 21 foreign subsidiaries, branches and representations in 16 countries and regions. Simultaneously with CR, the group is expanding also to Canada and South Africa. It has its Czech seat in Prague-Karlín and the Czech unit is led by Yang Zhengyi.

⁷ 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.

⁸ 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.

⁹ 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

The budget deficit increased y-o-y¹² from CZK11.6bn¹³ to CZK21.6bn. The joint programmes of the EU¹⁴/MF and the CR affected the financial result, having increased by CZK38.6bn. Of this, CZK27.3bn was in the form of capital expenditures. Investments from the state budget totalled CZK102.2bn and were CZK34.7bn higher. The growth was also aided by investments funded solely from national resources, which were CZK7.5bn higher.



BREXIT COULD REDUCE CZECH GDP BY 1.1% – 5. 12.

Brexit could lead to a drop in the Czech GDP¹⁵ by up to CZK55bn, or 1.1pps, according to the ČS¹⁶.

The UK's departure from the EU could also trigger the laying off of up to 40,000 workers, according to the survey. Hardest hit will be the Czech automotive, electronics and machinery production sectors, it says.

Direct Czech exports to the UK total about CZK210bn per year, about 5% of total Czech exports and 4% of GDP, respectively. Indirect exports account for another CZK120bn.

AGRICULTURE & ENVIRONMENT



STRICTER RULES FOR AGRICULTURAL FARMING – 3. 12.

Agricultural farming standards will get stricter as of 2020 under a decree the cabinet approved at its meeting today.

If the soil is threatened by erosion farmers will be allowed to grow single crops on a maximum of 30ha¹⁷ in summer otherwise they will lose some subsidies.

"Our aim is to improve condition of agricultural land and thus of the environment," said MA¹⁸ Minister Toman.

Soil retention can be boosted by farmers giving up monoculture farming, which is very important during the current dry years and also given an unfavourable climate outlook, he added.

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.

¹⁰ SAO: Supreme Audit Office

¹¹ tn: trillion

¹² Y-o-y: year on year, compared with the corresponding month of preceding year

¹³ bn: billion

¹⁴ 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.

¹⁵ GDP: Gross domestic product, an aggregate measure of production equal to the sum of all resident and institutional units engaged in production in a period (plus any taxes, and minus any subsidies, on products not included in the value of their outputs).

GDP can be determined in three ways, all of which should, in principle, give the same result. They are the **production approach**, the **income approach**, or the **expenditure approach**.

The production approach sums the outputs of every class of enterprise to arrive at the total. The expenditure approach assumes the value of the total product must be equal to people's total expenditures in buying things. The income approach determines GDP by finding the sum of all producers' incomes.

GDP = GVA + Taxes on products - Subsidies on products

¹⁶ ČS: Česká spořitelna, is the biggest Czech bank measured by the number of clients (4.7 million) with headquarters in Prague. It is a part of the Erste Group, Austria.

¹⁷ ha: hectare is a non-SI metric system unit of area equal to 10,000 m²

¹⁸ MA: Ministry of Agriculture

The MA said the measure would apply to about a ¼ of arable land of about 600,000ha in area and to 2,300 firms or natural persons farming the land.

It is not a bad idea but timing is not good, said the CAA¹⁹. The CAA said that it would postpone the measure, leaving it as one of the options for talks with the EC²⁰ on CAP²¹ after 2020. In this case, the EC may require further steps to be taken.

Agricultural experts backs the measure but, the maximum area could be smaller than 30ha. "At any rate, it's a step in the right direction," they said.

The APF²² has been in favour of the proposal in the long run.

ME TO RELEASE CZK56BN TO IMPROVE ENVIRONMENT – 5. 12.

The ME²³ plans to release CZK56bn until 2030 in support for environment. The sources allocated in funds and subsidy programs will support projects for improving the condition of the environment, protection of biodiversity, improvement of the quality of air and water and adaptation to climate change and softening of its effect.

An estimated total of CZK27bn+ will be spent on the New Green for Savings and CZK14,3bn on the National Environment Program in 2014-2030.

ENERGY & INDUSTRY & TRANSPORT

CAR PRODUCTION VOLUME HITS RECORD – 30. 11.

Passenger cars production in the CR increased by 1.9% to record-breaking 1.196mn units in January-October, with October being the most successful month of the year with 137,000 produced vehicles, the AIA²⁴ said.

Škoda Auto²⁵ raised its output by 3.7% to 736,436 cars. TPCA's²⁶ production went up by 9.5% to 176,873 units. On the other hand, Hyundai²⁷ decreased its production volume by 6.2% to 282,350 cars.

While the domestic sales decreased by 1.5% to 93,275 cars, exports increased by 2.3% to 1.106mn units.

¹⁹ CAA: Czech Agriculture Association

²⁰ 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.

²¹ 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

²² APF: Association of Private Farming

²³ ME: Ministry of the Environment

²⁴ AIA: Automotive Industry Association (AutoSAP), an interest industrial grouping of the manufacturing, commercial and other companies which make up the Czech automotive and allied industries. AIA represents companies making up nearly 90% of the Czech automotive industry. Their share in total industrial production posted an annual rise of 1% to 22%.

²⁵ 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.

²⁶ TPCA: Toyota Peugeot Citroën Automobile Czech (TPCA) is an automobile manufacturing company in Kolín, Czech Republic. It is a joint venture between Toyota Motor Corporation of Japan and PSA Peugeot Citroën of France.

²⁷ Hyundai CZ: Hyundai Motor Manufacturing Czech based in the Industrial Zone of Nošovice was founded in 2006.

²⁸ Iveco: an Italian industrial vehicle manufacturing company, controlled by CNH Industrial Group. It designs and builds light, medium and heavy commercial vehicles, quarry/construction site vehicles, city and intercity buses and special vehicles for applications such as firefighting, off-road missions, the military and civil defence. Its production plants are in Europe, Brazil, Russia, Australia, Africa, Argentina and China, and the worldwide output of the company amounts to around 150,000 commercial

The production of buses rose by 5.6% to 3,842 units, with Iveco²⁸ making 3,461 units, SOR²⁹ 352 and KHMC³⁰ 29 buses. Motorbikes production, represented solely by Jawa³¹, grew by 12% to 1,292 units, with 1,121 being exported.

ŠKODA AUTO'S COOPERATION IN ISRAEL – 30. 11.

Škoda Auto has agreed on further cooperation with local startups in Israel.

The current projects include 360-degree scanners from UVeye, which check whether vehicles do not have damage, anomalies or defects. The technology will soon be deployed in the CR. Apart from this, charging technologies for electromobility from company Chakratec are in the testing phase.

3 projects based on artificial intelligence from company Anagog, in which the Škoda Auto has held a minority since July 2018, are just about to be implemented.

Škoda Auto also confirmed that the strategic significance of Israel for the company is also evidenced by the global premiere of the new Škoda Scala model in Tel Aviv scheduled for December 6, 2018.

CR NOT TO FOLLOW HUNGARY'S EXAMPLE – 30. 11.

The Cabinet is not considering building new nuclear units based on a similar intergovernmental agreement as the one concluded between Hungary and Russia for the completion of the Hungarian plant Paks, PM³² Babiš said after a meeting with Hungarian PM Viktor Orban.

According to Babiš, the investment in new nuclear sources should be made by the ČEZ³³.

Under the Hungarian-Russian deal, the Paks plant is to be built by Rosatom³⁴, while Hungary is going to fund the project from a loan of €10bn taken from Russia.

Babiš expressed regret over the fact that the tender for the completion of the Temelín NPP³⁵ in southern Bohemia had not been finished.

vehicles with a turnover of about €10,000,000,000. In 2007, the biggest manufacturer of buses in Czechoslovakia Karosa, changed to Iveco Czech Republic, and now the company produces buses under the name Iveco Bus around 3,100 buses annually and is the largest manufacturer of buses in Europe.

²⁹ SOR: SOR Libčavý (Sdružení Opravárenství a Rozvoje) is a Czech manufacturer of buses for urban, intercity and tourist traffic and trolleybuses. It was established in Libčavý in 1991.

³⁰ KHMC: KH motor Centrum, a company focused on the production of small buses by means of rebuilding of delivery vehicles.

³¹ JAWA: a motorcycle and moped manufacturer founded in Prague, Czechoslovakia in 1929. In the past, especially in the 1950s, JAWA was one of the top motorcycle manufacturers. After 1990, there was a significant loss of production. A successor company was formed in 1997, continuing the name as JAWA Moto

³² 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.

³³ ČEZ: ČEZ Group is a conglomerate of 96 companies (including the parent company ČEZ, a.s.), 72 of them in the CR. Its majority shareholder is the Czech government, owning 70% of shares. It is involved in the electricity generation, trade, distribution and heat, as well as coal mining. ČEZ is the biggest electricity supplier in the Czech Republic.

³⁴ Rosatom: Rosatom State Atomic Energy Corporation, a state corporation (non-profit organization) in Russia, established in 2007, the regulatory body of the Russian nuclear complex. It is headquartered in Moscow. Rosatom is the only vendor in the world able to offer the nuclear industry's entire range of products and services. It runs all nuclear assets of the Russian Federation, both civil and weapons. Along with commercial activities which move forward nuclear power and nuclear fuel cycle facilities, it acts as a governmental agent, primarily in the field of national security (nuclear deterrence), nuclear and radiation safety, basic and applied science.

³⁵ 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.

At the same time, Babiš called on ČEZ to invest in the construction of new blocks in the Dukovany NPP³⁶ in southern Moravia.

"I am convinced that the business plan will work," Babiš said. According to Babiš, ČEZ should single out its NPPs³⁷ into a subsidiary, which would subsequently announce a tender for the supply of technologies, or even for the funding of the construction.

Babiš has not ruled out a possible cooperation between ČEZ and another companies in the form of a joint venture.

ČEZ, the operator of Temelín, launched a tender for the plant's expansion in August 2009. In February 2011, the government approved steps needed for this project. ČEZ cancelled the tender in April 2014 after the cabinet refused to give it guarantees on the return of investment ČEZ had demanded. The Cabinet then said it wanted to continue the nuclear energy programme but without any state guarantees. In 2015, the Cabinet approved the national action plan of nuclear energy development, which reckons on building 1 unit at Dukovany and 1 unit at Temelín with a possible expansion to 2 units in both facilities.

CTK TOYOTA TO MAKE ALSO PSA CARS AFTER TAKEOVER – 30. 11.

Toyota³⁸ will produce vehicles for both companies of TPCA, a joint venture of Japanese Toyota and French PSA Group³⁹, once it takes over the TPCA Kolín plant in January 2021, TPCA said.

The car makers have thus put an end to speculations about the future of the TPCA. Toyota plans to continue producing and maintaining jobs at the Kolín plant.

TU⁴⁰ consider the news positive. Kolín mayor Rakušan said it is important that the production in Kolín will continue.

There have been speculations in French media about the end of Toyota and PSA cooperation in their Kolín plant.

The joint venture was created in 2002, including a review clause that allows each partner to reconsider their shareholding, a PSA spokesman then said.

³⁶ **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.

³⁷ **NPP:** Nuclear Power Plant

³⁸ **Toyota:** Toyota Motor Corporation (トヨタ自動車株式会社), multinational automotive manufacturer headquartered in Toyota, Aichi, Japan. In 2017, Toyota's corporate structure consisted of 364,445 employees worldwide and, as of October 2016, was the 5th-largest company in the world by revenue. As of 2016, Toyota is the world's largest automotive manufacturer. Toyota Motor Corporation produces vehicles under five brands, including the Toyota brand, Hino, Lexus, Ranz, and Daihatsu. It also holds a 16.66% stake in Subaru Corporation, a 5.9% stake in Isuzu, as well as joint-ventures in China (GAC Toyota and Sichuan FAW Toyota Motor), in India (Toyota Kirloskar), in the Czech Republic (TPCA), along with several "nonautomotive" companies. TMC is part of the Toyota Group, one of the largest conglomerates in Japan.

³⁹ **PSA Group:** is a French multinational manufacturer of automobiles and motorcycles sold under the Peugeot, Citroën, DS, Opel and Vauxhall brands.[7][8] Peugeot is the largest PSA brand worldwide, while Opel and Vauxhall are the largest PSA brands in Europe.

⁴⁰ **TU:** Trade union, around 1/6 of all employees are union members in the CR.

⁴¹ **EDF:** Électricité de France S.A., a French electric utility company, largely owned by the French government. Headquartered in Paris, France, with €65.2 billion in revenues in 2010, EDF operates a diverse portfolio of 120+ gigawatts of generation capacity in Europe, South America, North America, Asia, the Middle East and Africa.

⁴² **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

TPCA mentioned the clause, too. Once TPCA is acquired by Toyota, it will become part of Toyota Motor Europe, joining seven other plants the company runs in Europe, it said.

PSA and Toyota also agreed that PSA will expand the car fleet supplied by Toyota to European markets as of the end of 2019, adding C-Van. It will be manufactured in Spain. The companies have already been cooperating in supplies.

The company produces small cars of the Peugeot, Citroen and Toyota makes. The capacity of the Kolín plant is 330,000 vehicles a year, which it reached in 2009.

The company employs roughly 2,7000, being one of the biggest exporters in the CR, being the largest employer in the Kolín district.



EDF PRESENTS ITSELF – 4. 12.

EDF⁴¹, another potential candidate interested in the construction of new nuclear units at the Dukovany NPP, presented its activities to entrepreneurs and representatives of municipalities in Třebíč.

EDF was the 5th out of 6 companies presenting themselves at round-table discussions organised by Energetické Trebíčsko association in cooperation with the district CCC⁴².

A similar event was held in 2016 with representatives of Rosatom, and last year with KHNP⁴³, CGN⁴⁴, and Atmea⁴⁵.

According to Energetické Trebíčsko, it is not yet certain whether representatives of Westinghouse⁴⁶ will also arrive for the round-table discussion. Its date has not been set yet.

EDF representatives said they had been mapping the situation in the CR since 2009. EDF, which has experience with the construction of British NPP Hinkley Point C, can offer 2 reactor models, they said.

The candidates interested in the construction of new nuclear units at Dukovany have mostly talked about the possibilities of cooperation with local companies and potential contributions of their investments to the region.

Energetické Trebíčsko said it would not compare the presentations, adding that the final bids might be different.

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

⁴³ **KHNP:** Korea Hydro & Nuclear Power, a subsidiary of the Korea Electric Power Corporation (KEPCO). It operates large nuclear and hydroelectric plants in South Korea, which are responsible for about 40% of the country's electric power supply. It was formally established in 2001 as part of a general restructuring at KEPCO.

⁴⁴ **CGN:** China General Nuclear Power Group is a major clean energy corporation under the State-owned Assets Supervision and Administration Commission of the State Council of the State Council. CGN has operating nuclear plants at Daya Bay Nuclear Power Plant, Ling Ao Nuclear Power Plant, Hongyanhe Nuclear Power Plant and Ningde Nuclear Power Plant, with five new nuclear power stations under construction and another 2 planned. CGN operates in other emerging energy industries like wind energy and solar energy, as well as more traditional industries like hydroelectricity.

⁴⁵ **Atmea:** a joint venture between Mitsubishi Heavy Industries and Areva that develops, markets, licenses and sells the ATMEA1 reactor, a new generation III+, medium-power pressurized water reactor. The company is headquartered in Paris.

⁴⁶ **Westinghouse:** Westinghouse Electric Company LLC, a US based nuclear power company founded in 1999 offering nuclear products and services to utilities internationally, including nuclear fuel, service and maintenance, instrumentation, control and design of nuclear power plants. As of 2014 Westinghouse builds and operates approximately one-half of the world's operating nuclear plants. Toshiba Group is the majority owner of Westinghouse.

ČEZ plans to build 1 or 2 new units at Dukovany. Authorities are assessing the environmental impact of the intention at present.

"I believe we will obtain an approval from the ME in April next year," ČEZ Elektrarna Dukovany II said.

The selection of the supplier of a new unit of Dukovany cannot, however, be started without the government making the basic decision on the investor and financial model of the construction, it said.

PM Babiš has said recently the new unit of Dukovany should be built by a subsidiary of ČEZ, and the state is ready to support the investment as next in line guarantor.

Some of ČEZ's minority shareholders have raised objections against this model.

CTK CONDITIONS IN MANUFACTURING INDUSTRY WORSEN – 3. 12.

Conditions in the Czech manufacturing industry worsened in November, with the PMI⁴⁷ falling for the 5th month in a row to 51.8 points from 52.5 points in October, the IHS Markit company said.

Producers in the manufacturing industry registered the lowest level of confidence since December 2012 owing to weaker production expansion and a decrease in new orders. They fear the impact of the ongoing problems in the car industry on both domestic and foreign demand. The pace of production growth has not only slowed down since the beginning of the year but it has even fallen below the long-term trend monitored in our survey.

The production growth was the lowest in more than 2 years. Along with worsened demand, new orders decreased as well, which was for the 1st time since August 2016.

According to the survey, the decline in orders was influenced to a large extent by problems in the car industry stemming from new rules for emission testing.

This means that the notable deterioration of conditions in industry should be more or less temporary. The situation can be expected to stabilise gradually, and the conditions in industry should start improving again with the beginning of the new year, ING⁴⁸ said.

E ČEZ TO START TALKS WITH INDIA ON BULGARIA – 4. 12.

The contract on purchasing the ČEZ Group's Bulgarian assets concluded with Inercom remains valid, even though its suspensory conditions were not met by the deadline of November 30, 2018. ČEZ still planned to start parallel talks with the next bidder in line, India Power, which had already confirmed its lasting interest in the ČEZ above-mentioned assets.

⁴⁷ **PMI:** Purchasing Managers' Index - index is based on the state of new orders, stocks at factories, delivery deadlines, and the recruitment of new workers. Any score higher than 50 is still in positive territory.

⁴⁸ **ING:** the ING Group (International Netherlands Group), a Dutch multinational banking and financial services corporation headquartered in Amsterdam. Its primary businesses are retail banking, direct banking, commercial banking, investment banking, asset management, and insurance services.

⁴⁹ **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

⁵⁰ **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

CIA HYUNDAI MADE 4 MILLION GEARBOXES – 4. 12.

Hyundai manufactured totally 4mn transmission units since production launch in 2008. Almost 45% of the units were used for the production of Hyundai cars in Nošovice, others were exported mainly to sister plants in Slovakia (37.5%) and Russia (17.5%). The first model was the 5-gear M5CF1 transmission. At the moment, the facility manufactures only the 6-gear M6CF1 and M6CF3 units.

CTK SALES OF PASSENGER CARS DOWN – 5. 12.

Sales of passenger cars fell annually by 2% to 246,771 units in January-November, with November alone registering a 16% drop to 19,283 sold cars, the CIA⁴⁹ said.

Škoda Auto ranked 1st, increasing its sales by 1.5% to 79,748 vehicles. VW⁵⁰ was 2nd as it registered an 8% decrease to 23,091 units, and Hyundai was 3rd with a 3% drop to 19,288 sold cars. Other brands included Dacia⁵¹, Peugeot, Kia⁵², Renault⁵³, Toyota and Mercedes.

The bestselling model was Škoda Octavia again, beating Škoda Fabia and Škoda Rapid.

The share of petrol-fuelled vehicles was 67%, and the share of diesel engines reached 30.2%. Company cars accounted for 72% of the total sales.

LUV⁵⁴ registrations increased annually by 6.6% to 18,678 units, rising by 20.6% in November alone. Peugeot ranked 1st, VW 2nd and Renault 3rd.

Sales of lorries grew by 1% to 9,153 vehicles. Bus sales jumped by 49.3% to 939 units, with Iveco beating SOR and Mercedes. Motorbike sales added 6.5% to 16,505 units. Honda sold 3,197 motorbikes, Yamaha 1,275 units and CF Moto 1,075 units.

CIA PASSENGER CAR REGISTRATIONS IN CR DOWN – 5. 12.

According to the CIA, passenger car registrations in CR dropped 1.93% to 246,771 in November 2018. Registrations in November 2018 dropped 15.89% y-o-y. Škoda brand was the leader with 79,748 registered passenger cars and 32.32% market share. Škoda was followed by VW (23,091; 9.36%) and Hyundai (19,288; 7.82%).

CIA RIA APPROVES 6 TENDERS FOR PROJECTS – 5. 12.

The RIA⁵⁵ has approved the opening of 6 tenders for projects with investment costs exceeding CZK13bn. The approved projects include e.g. the modernisation of corridor sections from Prague-Smíchov to Černošice and from Soběslav to Doubí u Tábora. Each of the projects has costs exceeding CZK1bn.

⁵¹ **Dacia:** Automobile Dacia S.A. is a Romanian car manufacturer. The company was founded in 1966, and has been a subsidiary of the French car manufacturer Renault since 1999.

⁵² **Kia:** Kia Motor Corporation, headquartered in Seoul, is South Korea's second-largest automobile manufacturer, following the Hyundai Motor Company.

⁵³ **Renault:** Groupe Renault is a French multinational automobile manufacturer established in 1899. The company produces a range of cars and vans, and in the past has manufactured trucks, tractors, tanks, buses/coaches and auto rail vehicles.

⁵⁴ **LUV:** light utility vehicle

⁵⁵ **RIA:** Railway Infrastructure Administration (also SŽDC in Czech), is the national railway infrastructure manager in the Czech Republic. Its main customers include passenger train operator České dráhy and its cargo subsidiary ČD Cargo. It manages 9,478 km of tracks in the Czech Republic - all main lines and almost all regional lines.

INVESTMENTS & TRADE & SERVICES

GIA GAČR WILL SUPPORT HUNDREDS OF PROJECTS – 29. 11.

The GAČR⁵⁶ has completed the assessment of draft projects received in tenders opened in 2018. In a tender involving standard projects, some 29.95% of projects (585) were supported. Junior grants will support 39.62% (103 projects) and the programme Grant Projects of Excellence in Basic Research EXPRO will support 19.57% (36 projects). At the same time, GA ČR completed the assessment on the national level for projects adopted in the tender International Projects opened based on bilateral agreements with Germany, Taiwan and Korea.

CTK CZECH EXPORT GROWTH TO COME TO A HALT – 29. 11.

The growth of Czech export will come to a halt in H1⁵⁷ 2019, with the export performance getting weaker as contracts decrease, foreign demand fades away and the firms' production capacity is fully utilised, according to the CAE⁵⁸. In September, the Czech companies' export rose by 1% y-o-y. "European and Czech leading indicators are at their 5 - or more precisely - 4-year lows and the Export Index is also heading towards zero. Probably in Q1⁵⁹ it will keep just above zero but it is already quite clear now that it will most likely sink below zero in the course of H1 2019," CAE said.

According to the CAE, the economic cycle is starting to kick in mercilessly and major world political leaders "are throwing it a curve ball." If measures taken by CNB firm the CZK faster, the problems exporters have will only deepen, in fact speed up, CAE added. In the past few months, the weaker CZK has actually been helping Czech exporters.

"According to the estimate of the Export Index, the value of the Czech export will in 2018 surpass last year's record of CZK3,500bn (in national concept)," Raiffeisen⁶⁰ said.

This year, exports from the CR are expected to rise by 2% to a new record of CZK4,300bn after CZK4,200bn last year (in cross-border concept). Czech foreign trade will end in surplus again, going down to CZK375bn from last year's CZK443bn, the association had said earlier.

TAXIFY BANNED FROM OPERATING IN PRAGUE – 4. 12.

The Taxify⁶¹ has been banned from operating in Prague until it meets the conditions required from a regular taxi service.

⁵⁶ **GACR**: The Czech Science Foundation GA CR (Grant agency of the Czech Republic) was established in 1993 by the Czech government as an independent research funding organization. It promotes basic (frontier) research over the whole range of scientific fields. On the basis of Calls for Proposals, the Czech Science Foundation provides financial support for both experienced and young and early-stage researchers. Moreover, it funds bilateral projects as well as projects carried out within international research programs. The main source of the funds available is the state budget, but contributions from other sources are also possible. The structure of support is divided into five domains: technical sciences, physical sciences, medical and biological sciences, social sciences and humanities, agricultural and biological-environmental sciences.

⁵⁷ **H1**: Half of year

⁵⁸ **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 administration bodies, promotes its goals in the media, organizes educational, social and promotional actions aimed at achieving the goals.

⁵⁹ **Q1**: * quarter of the year

⁶⁰ **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.

⁶¹ **Taxify**: an international transportation network company founded and headquartered in Tallinn, Estonia. The company develops and operates the Taxify mobile application, which allows people to request a taxi or private driver from their smartphone, as well as electric scooters under the sub-brand Bolt. As of May 2018,

The Prague Municipal Court ruled that, like Uber⁶², the Taxify must agree to respect conditions which would put it on an equal footing with taxi drivers, by operating a licensed service, with drivers registering and taxing their earnings in the CR. Taxify may still appeal the verdict. The company started operating in the CR in 2015 and the number of active Taxify drivers is estimated at several hundred.

GIA EASY SOFTWARE PLANS OWN BRANCH IN TOKIO – 4. 12.

Czech software company Easy Software acquired more than 200 corporate clients and thousands of other users in Japan for its project management tool, Easy Redmine Japan. The company is considering opening own branch in Japan in the medium term. In the coming years, Easy Software plans to raise its revenues on the Japanese market. The firm wants to expand additional products onto the Japanese market: Easy Project and Calculoid.

GIA ENTREPRENEURS' SHARE ON R&D INVESTMENTS UP – 5. 12.

According to the ASMP⁶³ and the IPO⁶⁴, the share of entrepreneurs on total spending on RDI⁶⁵ in CR reached 60% in 2017, i.e. totally CZK54bn.

The business sector continues to raise its contribution to RDI spending. The entrepreneurs' expenditures currently total CZK53.8bn, i.e. 59.5% of the total spending. Corporate RDI spending grew by 11.6% y-o-y. Companies with foreign ownership interests account for 61% of corporate RDI spending. Entrepreneurs invest in 94% of cases into own projects, while 6% invest into the academic or government sector. Government subsidies for entrepreneurs in RDI total CZK6.4bn.

LABOUR & HEALTH & SOCIAL

CABINET TO ELIMINATE 860 POSITIONS – 29. 11.

The Cabinet has agreed on the biggest reduction in public administration positions since the CSA⁶⁶ was adopted in 2014. Within the framework of the ongoing so-called systematization of jobs, 860 positions will be cut as of January, Deputy MI⁶⁷ Minister Postránecký said.

About 1/3 of the 860 positions are currently filled. The biggest cuts are expected in the ME⁶⁸, MJ⁶⁹, MA⁷⁰ and MD⁷¹.

Taxify operates in 28 countries and 50 cities in Europe, Africa, West Asia, North America and Australia. The company has 15 million customers globally and more than 500,000 drivers use the platform to offer rides.

⁶² **Uber**: Uber Technologies Inc. is a peer-to-peer ridesharing, food delivery, and transportation network company headquartered in San Francisco, California, with operations in 633 cities worldwide. Its platforms can be accessed via its websites and mobile apps. Uber has been prominent in the sharing economy, so much so that the changes in industries as a result of it have been referred to as Uberisation. Uber has also been the subject of protests and legal actions and the subject of a criminal investigation for its use of Greyball - a software tool used by the ride-hailing service Uber to identify and deny service to certain riders, including riders who Uber suspects of violating its terms of service.

⁶³ **ASMP**: Association of Small and Medium-Sized Enterprises and Crafts in the CR (Asociace malých a středních podniků a živnostníků České republiky), provides an open, apolitical platform for small and medium-sized enterprises, self-employed persons and their organisations across the Czech Republic.

⁶⁴ **IPO**: the Industrial Property Office. is a central body of state administration of the Czech Republic

⁶⁵ **RDI**: Research, Development and Innovation

⁶⁶ **CSA**: Civil Service Act

⁶⁷ **MI**: Ministry of the Interior

⁶⁸ **ME**: Ministry of the Environment

⁶⁹ **MJ**: Ministry of Justice

⁷⁰ **MA**: Ministry of Agriculture

⁷¹ **MD**: Ministry of Defence

Meanwhile, due to the approaching census, the CSO⁷² will take on new staff.

The CSA was meant to stabilise the public administration and open it up to experts while preventing political purges at ministries following each general election.

However, the ruling ANO⁷³-ČSSD⁷⁴ coalition, with support from the KSČM⁷⁵, in October pushed through an amendment to the act that would allow ministers to recall state secretaries.

☰ CR HAD THE LOWEST UNEMPLOYMENT RATE – 29. 11.

The CR had the lowest unemployment rate⁷⁶ in the EU in 2017, according to the Statistical Yearbook, released by the CSO.

In 2017, the CR had an average 2.9% unemployment rate, compared with EU average of 7.6%. The CR was followed by Germany with 3.8%, while Greece was placed at the other end of the scale with 21.5%.

CTK IT INDUSTRY WORKFORCE 2.5 TIMES HIGHER – 2. 12.

The number of workers in the domestic ICT⁷⁷ industry increased 2.5 times to 185,600 between 2000 and 2017, growing by 12,000 over the past 3 years, according to the CSO. The average salary rose by CZK5,000 to CZK50,212 during the past three years, the CSU said.

Technicians, repair technicians and mechanical engineers constitute more than 1/2 of the ICT sector's workforce.

There are more than 88,000 managers, computer engineers and specialists, 48,000 of whom are analysts and software and application designers.

Men earned CZK51,308 on average last year, CZK8,600 more than women. Analysts and designers had CZK59,139 on average, technicians nearly CZK20,000 less a month.

☰ FIFTH WEEK OF HOLIDAY LIQUIDATING FOR FIRMS – 4. 12.

The implementation of mandatory 5th week of paid holiday could be as much as liquidating, especially for smaller companies. The information was provided by CCC⁷⁸ in response to the MP⁷⁹ draft heading for discussion to the ChD⁸⁰.

CCC views the proposal as an additional interference into the business environment. Wage costs will grow due to higher holiday entitlement. SMEs⁸¹ would probably cancel some of the benefits that are more advantageous for employees than paid holidays, such as sick days, the CCC argues.

⁷² 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.

⁷³ ANO: ANO 2011, centre-right party

⁷⁴ ČSSD: Czech Social Democratic Party, centre-left party

⁷⁵ KSČM: Communist Party of Bohemia and Moravia, far-left party

⁷⁶ General unemployment rate: the share of the unemployed in the labour force in the age group 15 – 64 years, that is in the total number of the employed and the unemployed, as%age, seasonally adjusted, **data are issued by the CSO based** on the results of the Labour Force Survey (LFS).

⁷⁷ ICT: Information and Communication Technology

⁷⁸ 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.

CTK FIRMS REFUSE CONTRACTS OVER LACK OF EMPLOYEES – 4. 12.

Engineering companies have to turn down 20% of contracts because of a lack of employees, and have problems carrying out 14% of projects on time for the same reason, according to a survey of CEEC Research company.

Shortage of experts hampers companies from introducing new technology; and automation and robotisation will only impact the structure of jobs, not their numbers, the poll showed.

A total of 97% of engineering companies currently deal with a shortage of employees, with 80% lacking qualified workforce in terms of the current production, and more than 50% of company heads lacking also unqualified people.

About 60% of engineering companies are introducing production automation and robotisation, and 20% plan to do so.

Automation and robotisation will decrease the need for employees by 13% on average, however, companies will need qualified people able to handle the new technology.

MISCELLANEOUS

CTK ŠKODA AUTO WINS CZECH 100 BEST – 30. 11.

Škoda Auto has won the Czech 100 Best⁸² contest for the 9th time this year, with energy firm ČEZ ending up 2nd and Agrofert⁸³ 3rd.

Last year, ČEZ ranked 8th, Agrofert 6th. Companies and institutions will also be awarded in 8 professional categories which bear a direct impact on the Czech living standards.

☰ MORE EFFORT NEEDED TO FIGHT HYBRID ATTACKS – 30. 11.

The former chairman of the NATO⁸⁴ Military Committee, General Petr Pavel has stressed that more needs to be done to fight hybrid attacks from Russia and China.

Addressing a conference on information warfare and hybrid threats held in Prague, General Pavel noted that while Europe's security forces cooperated well in detecting and minimizing the danger of terrorist attacks Europe still underestimated the threat of hybrid attacks by Russia and China.

He said that in fighting the hybrid threat it was essential to explain the concept to the public, how disinformation campaigns work and how big a threat they present.

The Czech Chamber of Commerce has over 13,000 members organised in 65 regional and 83 industry subdivisions. Membership of the Czech Chamber of Commerce is voluntary.

⁷⁹ MP: Member of Parliament

⁸⁰ 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.

⁸¹ SME: Small and medium enterprises

⁸² Czech 100 Best: The only criterion for the final placing of the firm in the contest is the frequency of nominations from selected experts. Nominations must satisfy 3 requirements: the firms must be registered in the CR and pay taxes here, they must have at least 20 staff members and their turnover for the past 12 months must be at least CZK30mn.

⁸³ 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.

⁸⁴ 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.

☰ CZECH PM FACES CONFLICT OF INTEREST – 1. 12.

According to a confidential EC legal opinion cited by The Guardian, PM Babiš faces a conflict of interest over EU funds⁸⁵ paid to his company.

The leaked report, seen by The Guardian, concludes that Babiš is in a situation that “qualifies as a conflict of interest”, because public officials and politicians should not benefit from EU funds they ultimately control. The taxpayers of the CR thus face being asked to repay at least some of the €82mn paid to the Agrofert in 2018, legal experts say.

The EC was asked to investigate the matter after TI CR⁸⁶ said it had evidence that although Babiš put Agrofert in a trust fund, he remains the beneficial owner, in breach of Czech and EU law.

PM Babiš dismissed the report as yet another slander campaign against him. He said that according to his lawyers he had not breached any laws.

☰ ANO PARTY HAS HIGH PUBLIC TRUST – 2. 12.

The ANO has gained public support, despite the most recent scandal surrounding the PM, according to the Kantar agency. ANO received a 32.5% support rating, ahead of the Pirates⁸⁷ with 19% and the ODS⁸⁸ who got 16%.

The ČSSD, the STAN⁸⁹, the SPD⁹⁰ and the KSČM would only just cross the 5% margin needed to win seats in the lower house.

☰ HEIGHTENED ACTIVITY OF RUSSIAN AND CHINESE – 3. 12.

In its 2017 report the BIS⁹¹ warns of heightened activity of Russian and Chinese agents on Czech territory.

The report says that both Russia and China have stepped up their activity in the sphere of hybrid warfare and disinformation campaigns, often using Czechs who serve as a smoke screen.

The report says that Russia is benefitting from an exceptionally large diplomatic corps in the CR and the often irresponsible attitude of local politicians and public service employees to confidential information. The number of Chinese agents serving under the guise of diplomats has significantly increased, the report says.

The report also registers 11 fighters in terrorist organizations with links to the CR. 2 of them are reported to be Czech nationals.

The Cabinet is to debate the report in a special session.

⁸⁵ **EU Funds:** financial tools set up to implement the regional policy of the EU (CP – Cohesion Policy and CAP – Common Agricultural Policy), funds under CP consist of the Structural Funds (the ERDF – the European Regional Development Fund and the ESF – the European Social Fund), and the CF – the Cohesion Fund. Funds under the CAP, consist of the EAGF – the European Agricultural Guarantee Fund, the EAFRD – the European Agricultural Fund for Rural Development, and the EFF – the European Fisheries Fund.

⁸⁶ **TI:** Transparency International, is an international non-governmental organization which is based in Berlin, Germany, and was founded in 1993. Its nonprofit purpose is to take action to combat global corruption with civil societal anti-corruption measures and to prevent criminal activities arising from corruption. It publishes for example the Global Corruption Barometer and the Corruption Perceptions Index. Transparency International has the legal status of a German registered voluntary association (Eingetragener Verein) and serves as an umbrella organization. Its members have grown from a few individuals to more than 100 national chapters which engage in fighting corruption in their home countries.

⁸⁷ **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.

⁸⁸ **ODS:** Civic Democratic Party, Liberal conservative, centre-right party, soft Eurosceptic party

☰ PM ADHERED FULLY TO CZECH LAWS – 3. 12.

MJ Minister Kněžíek defended the PM in connection with the leaked EC report, saying that that a general analysis of EU legislation concerning subsidies suggested that a trust fund was a sufficient guarantee of a politician’s impartiality and PM Babiš had acted fully in accordance with Czech laws. He said Czech lawyers asked to assess the case had not found any breach of legislation.

The PM met with the MJ Minister, the MRD⁹² Minister and the MF Minister early on December 3 to consult the case from a legal perspective.

☰ CHD’S SPEAKER TO ATTEND BUSH’S FUNERAL – 4. 12.

The Speaker of the ChD Vondráček will represent the CR at the funeral of former US president George Bush in Washington National Cathedral.

Czech political leaders paid tribute to Mr. Bush on the news of his death, highlighting his service to his country and the fact that he helped usher in a new post-Cold War era and assisted the states of the former Eastern block in joining the democratic community of nations.

STATISTICS

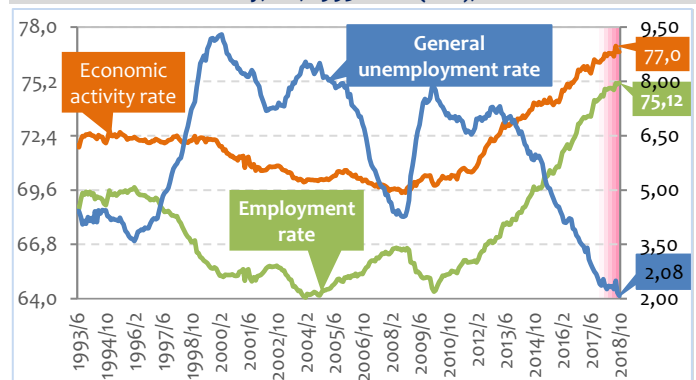
☰ ECONOMIC ACTIVITY RATE – 30. 11.

The **employment rate**⁹³ SA, reached 75.1% in October 2018 and increased by 1.0pps, y-o-y.

The **general unemployment rate**⁹⁴ SA, reached 2.1% in October 2018 and decreased by ▲0.5pps, y-o-y.

The **economic activity rate**⁹⁵ SA, reached 76.7% and rose by 0.5pps compared to that in May 2017.

Graph 1: Rates of employment, unemployment and economic activity, SA, 1993- 2018 (in %), LFS



⁸⁹ **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 for Region, which allied itself to the liberal conservative SNK European Democrats, but now cooperates with the similarly liberal conservative TOP 09.

⁹⁰ **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

⁹¹ **BIS:** Security Information Service

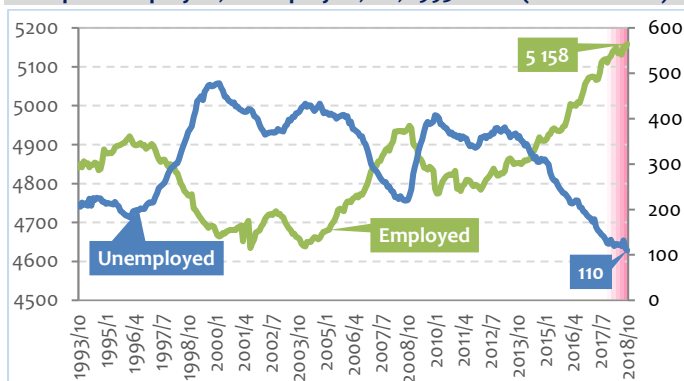
⁹² **MRD:** Ministry of Regional Development

⁹³ **Employment rate:** the share of the employed persons in the age group 15 – 64 years, as%age, seasonally adjusted, **data are issued by the CSO based on the results of the Labour Force Survey (LFS).**

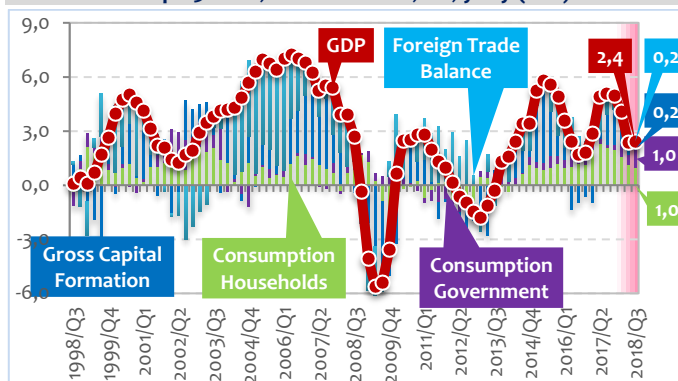
⁹⁴ **General unemployment rate:** the share of the unemployed in the labour force in the age group 15 – 64 years, that is in the total number of the employed and the unemployed, as%age, seasonally adjusted, **data are issued by the CSO based on the results of the Labour Force Survey (LFS).**

⁹⁵ **Economic activity rate:** the share of the number of the economically active in the total number of persons in the age group 15 – 64 years, as%age, seasonally adjusted, **data are issued by the CSO based on the results of the Labour Force Survey (LFS).**

Graph 2: Employed, unemployed, SA, 1993 - 2018 (in thousands)

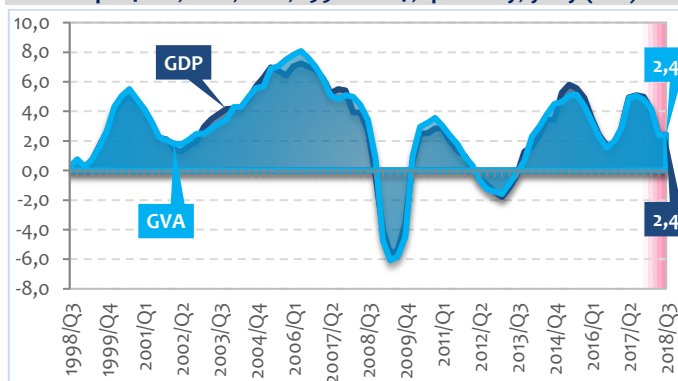


Graph 3: GDP, Contributions, SA, y-o-y (in %)



SECTOR ACCOUNTS QUARTERLY – 30. 11.

Graph 4: SA, GDP, GVA, 1998 – 2017, quarterly, y-o-y (in %)



According to the refined estimate, the SA⁹⁶ GDP⁹⁷ was by **0.6% higher** in the Q₃ 2018 compared to the previous quarter; in the y-o-y comparison it **increased by 2.4%**. Gross fixed capital formation and final consumption expenditure of households and of the general government were the main growth factors of the Czech economy.

The GVA⁹⁸ **increased by 0.6%, q-o-q⁹⁹**, and **by 2.4%, y-o-y**. The y-o-y GVA growth was the most contributed to by a group of economic activities of trade, transportation and storage, accommodation and food service activities (0.6pps¹⁰⁰), in which the GVA remained unchanged, q-o-q, and in the y-o-y comparison it increased by 3.3%. Economic activities of industry contributed 0.5pps to the GVA growth; manufacturing alone contributed 0.3pps. The GVA growth in this economic activity was 0.3%, q-o-q, and 1.0% y-o-y; especially production of the following was increasing: manufacture of computer, electronic and optical products, electrical equipment, basic metals, and fabricated metal products. The GVA decreased in manufacture of transport equipment. Economic activity of electricity and gas supply was also successful. High growth of the GVA was recorded also by construction (0.8%, q-o-q, and 6.3%, y-o-y).

On the demand side, the y-o-y GDP growth in the Q₃ 2018 was supported mainly by the domestic demand. It was contributed to mainly by growing investment expenditure. The y-o-y growth of GDP was primarily contributed to by investment expenditure (1.7pps), household consumption (1.0pps), and final consumption expenditure of general government (1.0pps).

Final consumption expenditure of households increased by 0.8%, q-o-q, and **by 3.1%, y-o-y**. The highest growth dynamics was in the category of consumption of durables. Final consumption expenditure of general government increased by 2.3%, q-o-q, and by 5.3%, y-o-y.

In the Q₃ 2018, high growth of investment activity continued. It was mainly owing to increased investments of the general government as well as investments of enterprises that continued to grow. The growth was supported mainly by investments in buildings and structures, in machinery and equipment including transport equipment, and in intellectual property products. The **gross fixed capital formation was by 1.8% higher, q-o-q**; in the **y-o-y** comparison it was **9.3% up**.

The **CuP¹⁰¹ external trade balance decreased by CZK 22.5bn¹⁰²**, y-o-y, in the Q₃ 2018. **Exports increased in real terms by 4.5%, y-o-y**, and **imports by 6.2%**. The following contributed the most to exports growth: electronic and optical products, electrical equipment, and basic metals. On the contrary, a smaller amount of transport equipment and non-metallic mineral products was exported. Growth of imports was driven mainly by electronic and optical products and by machinery.

As for the price development in the Q₃ 2018, the total GDP deflator reached 2.2%, y-o-y.

The volume of labour cost increased by 9.4%, y-o-y, in the Q₃ 2018. In the CR, in the Q₃ 2018, 5,432,000 persons were employed in average. In the Q₃ 2018, the employment remained unchanged, q-o-q; in the y-o-y comparison it increased by 1.2%.

⁹⁶ 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.

⁹⁷ GDP: Gross domestic product, an aggregate measure of production equal to the sum of all resident and institutional units engaged in production in a period (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). GDP can be determined in three ways, all of which should, in principle, give the same result. They are the **production approach**, the **income approach**, or the **expenditure approach**.

The production approach sums the outputs of every class of enterprise to arrive at the total. The expenditure approach assumes the value of the total product must be equal to people's total expenditures in buying things. The income approach determines GDP by finding the sum of all producers' incomes.

GDP = GVA + Taxes on products - Subsidies on products

⁹⁸ GVA: Gross Value Added, is a measure in economics of the value of goods and services produced in an area, industry or sector of an economy. In national accounts GVA is output minus intermediate consumption; it is a balancing item of the national accounts' production account.

GVA = GDP - Taxes on products + Subsidies on products =

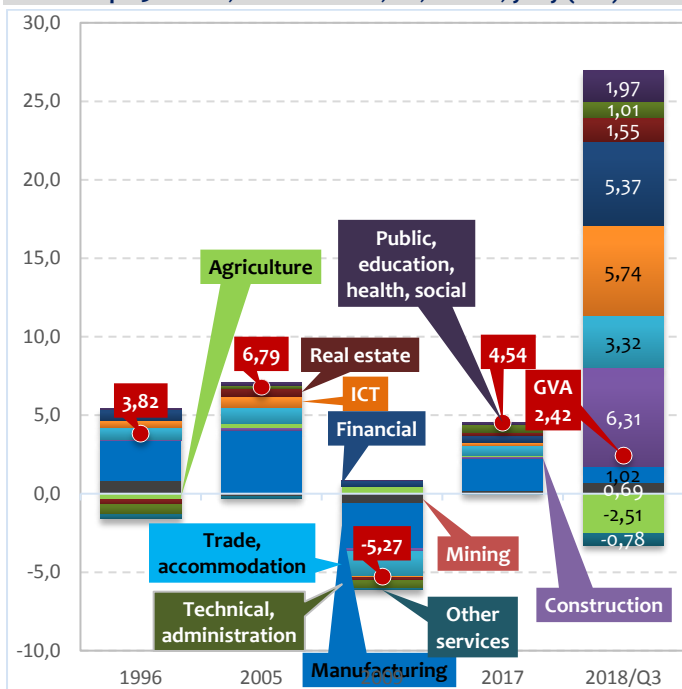
⁹⁹ Q-o-q: quarter on quarter

¹⁰⁰ Pps: percentage points

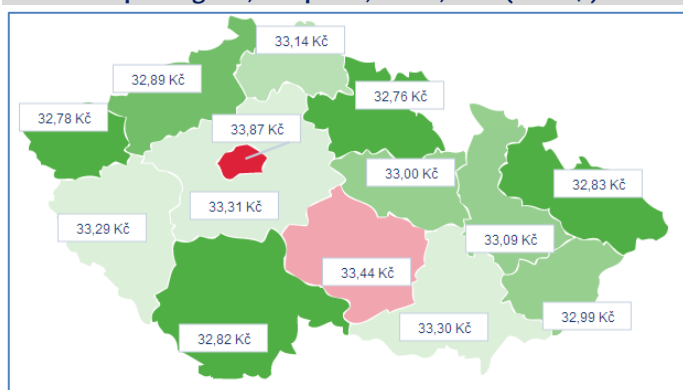
¹⁰¹ CuP: current (or "nominal") prices for each year are in the value of the currency for that particular year, are influenced by the effect of price inflation.

¹⁰² bn: billion

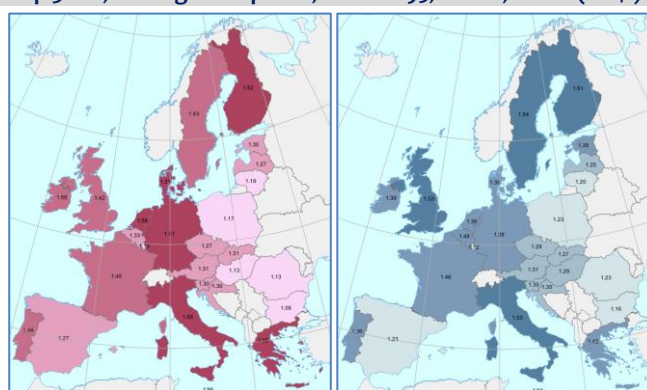
Graph 5: GVA¹⁰³, Contributions, SA, annual, y-o-y (in %)



Map 2: Regions, fuel prices, Diesel, 2. 12. (in CZK/l)



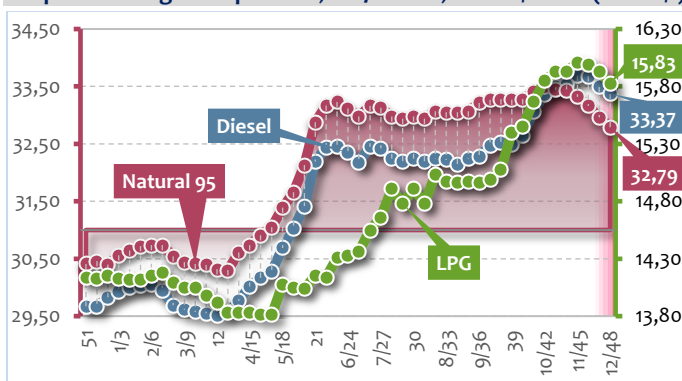
Map 3: EU, Average fuel prices, Natural 95, Diesel, 26. 11. (in €/l)¹⁰⁷



FUEL PRICES – 30. 11.

Natural 95 decreased by ▲17h¹⁰⁴ to CZK32.79/l over the past week, Diesel oil decreased by ▲12h to CZK33.37/l.

Graph 6: Average fuel prices¹⁰⁵, 2017 – 2018, Month/Week (in CZK/l)



POULTRY CONSUMPTION HIGHEST SINCE 1948 – 4. 12.

Meat consumption in the CR stayed at 80.3kg per capita in 2017, with poultry consumption adding 0.5kg or 1.8% annually to 27.3kg and being at its highest since records started in 1948, CSO said.

Pork and beef consumption decreased, the former by ▲1.2% or ▲0.5kg per person, and the latter by ▲0.5% or ▲0.1kg. Vegetable fat and oil consumption reached 17.6kg per capita, while it was 7kg in 1948.

Animal fat consumption went down because of butter consumption falling by ▲0.4kg (▲7.4%) and lard consumption down ▲0.1kg (▲3.3%). Per capita food consumption totalled 783.3kg last year, an annual drop of ▲2.3kg. Pork makes up about 1/5 of meat dishes, poultry more than a 1/5 of the amount.

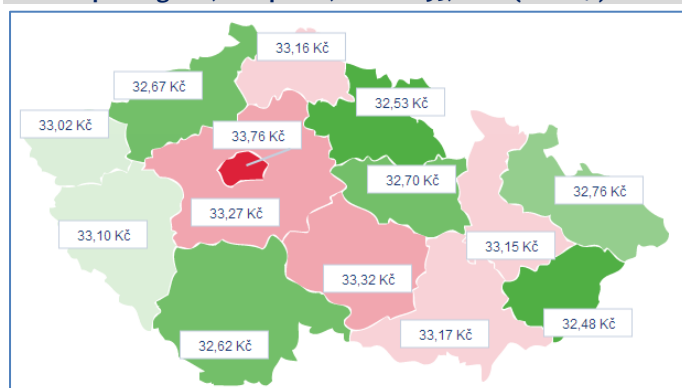
The upward trend continues, showing an annual rise of 0.5kg per capita (in consumption) and of 1kg in production. The self-sufficiency rate is some 65%, CSO said.

Conversely, the rate for pork has been kept at 50% since the 1950s, and beef consumption has been falling.

Poultry constituted about 5% of meat consumption in the 1950s. CSO attributed the increased poultry consumption to a hectic life as it does not take so long to prepare it compared to beef, for example.

Temperate fruit consumption fell by ▲2.1kg because of spring frosts and drought which hit all European countries and resulted in a below-average harvest of apples, pears and plums.

Map 1: Regions, fuel prices, Natural 95, 2. 12. (in CZK/l)¹⁰⁶



¹⁰³ GVA: Gross Value Added, is a measure in economics of the value of goods and services produced in an area, industry or sector of an economy. In national accounts GVA is output minus intermediate consumption; it is a balancing item of the national accounts' production account.

GVA = GDP - Taxes on products + Subsidies on products =

¹⁰⁴ 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.

¹⁰⁵ 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

¹⁰⁶ data issued by the mBenzin.cz; <https://www.penzize.cz/ceny-benzinu-a-ceny-nafty>

¹⁰⁷ data issued by the European Commission; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

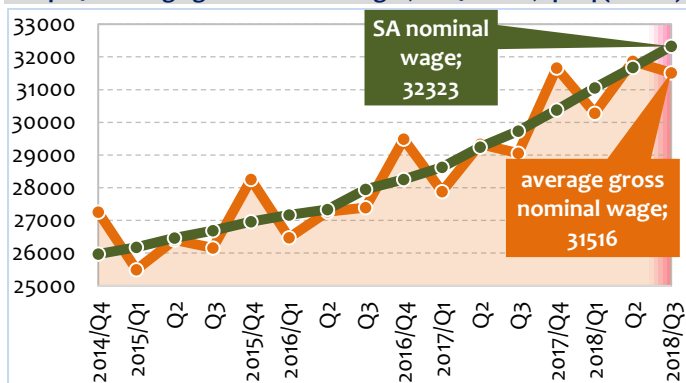
Vegetable consumption increased by 1% to 88.2kg because of rising consumption of cauliflower, kohlrabi, and carrots. The total food consumption figure of over 780kg also includes food loss and food waste, said Vodickova. Eurostat data show that food waste is around 149kg per capita, CSO added.

CZK25,206. 80% of employees earned wages within the interval from CZK14,221 to CZK49,376. In Q1 - Q3 2018 the average wage reached CZK31,225 and its increment was CZK2,463 (8.6%), compared y-o-y. In Q1 - Q3 2018 consumer prices grew by 2.2% and thus wages increased by 6.3% in real terms.

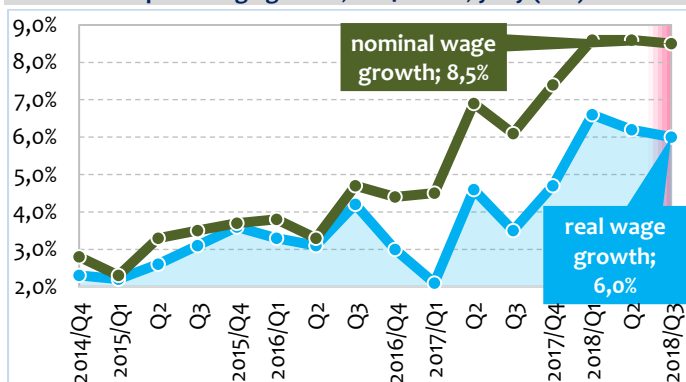
WAGES – 4. 12.

In Q3 2018 the GMN average wage¹⁰⁸ increased by 8.5% compared to the same period of the previous year. In real terms it grew by 6.0%. The median wage was CZK27,719. In Q3 2018 the GMN average wage was CZK31,516, which was by CZK2,458 (8.5%) more than in the same period of 2017. In Q3 2018 consumer prices grew by 2.4% and thus wages increased by 6.0% in real terms. The wage volume grew by 9.7% and the number of employees increased by 1.2%. Compared to the previous quarter, the SA average wage in Q3 2018 increased by 2.0%.

Graph 7: Average gross nominal wages, 2014 – 2018, q-o-q (in CZK)



Graph 8: Wage growth, 2014 – 2018, y-o-y (in %)



The median wage¹⁰⁹ was CZK27,719 and increased by 9.8% compared to the same period of the previous year. The male median wage reached CZK29,842 and the female one was

¹⁰⁸ GMN average wage: average gross monthly nominal wage per FTE employee in the national economy; The average gross monthly nominal wage is a share of wage funds (including extra pay for overtime work, bonuses, compensation of wages, etc.) for one employee per month. Therefore this does not indicate what wage one concrete employee has. The earnings structure statistics, in which data on earnings of respective employees are available, show that roughly two thirds of employees have the average wage below the national average.

¹⁰⁹ Median wage: The median wage represents a value of an employee wage in the middle of the wage distribution. That means one half of the wages is lower and the second half of the wages is higher than the median wage. Conversely to the average wage, which is calculated on the basis of background data from enterprise reports, the median must be derived from a statistical-mathematical model based on a sample survey, because enterprise questionnaires contain just aggregated data for the whole enterprise or organization.

News outside the time span of this News summary

HKČR, Czech Chamber of Commerce (Hospodářská komora ČR); an organisation which represents the business community

CZK vs €, \$, ¥ – 5. 12.

Graph 9: Exchange rates, CZK/€, 29. 3. 2017 – 5. 12. 2018



Graph 10: Exchange rates, CZK/\$, 29. 3. 2017 – 5. 12. 2018



Graph 11: Exchange rates, CZK/100¥, 29. 3. 2017 – 5. 12. 2018



in the Czech Republic, its competencies are defined by Act No. 301/1992 Coll.

ČEZ Group; ČEZ Group is a conglomerate of 96 companies. Its majority shareholder is the Czech government

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.

MF, Ministry of Finance of the Czech Republic (Ministerstvo financí České 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.

