

ECONOMIC NEWS SUMMARY DECEMBER 29 – JANUARY 9

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ECONOMY & FINANCE

CR KEEPS HIGH CREDIT RATING THIS YEAR, IS BEST IN CEE

REGION – 30.12.

The CR has kept a high credit rating this year, having the highest total rating of all the countries in Central and Eastern Europe (CEE) and a higher rating than the euro area member countries average for several years, according to Finance Ministry data and analysts.

The state of public finances and economic growth is behind the good rating.

A solid rating is based on long-term sustainability of public finances, said Deloitte chief economist David Marek.

Given the current setting of monetary policy, the government debt-to-GDP ratio should be falling modestly. Macroeconomic and financial stability are also significant factors. To achieve a better rating, however, it will be necessary to advance further towards more developed countries in terms of economic efficiency, Marek said.

France, Belgium and Great Britain have the same rating as the CR.

"The CR has this year the best rating in its history dating back to 1993," said Czech Fund chief economist Lukas Kovanda.

The credit rating is important for investors as it shows a country's ability to repay loans. The higher the rating, the better the debtor's position vis-a-vis creditors and the bigger the probability that he will be able to get a lower interest.

As regards the CR, the agencies appreciate a low public debt level, strong institutional setup and fast economic growth.

From a global point of view, Czechia is a second-rate debtor nation as its rating is worse compared to countries such as Germany, the Netherlands, Switzerland, or Australia, said Kovanda.

"However, Czech public finances are in better condition than public finances of a majority of countries with a better rating," said Kovanda. The reason is that rating agencies also consider other than purely economic factors, for instance, the quality and stability of institutions or a geo-political position, he added.

This year, Fitch Ratings, JCR and R&I agencies upgraded the foreign currency liabilities rating to AA- from A+, with stable outlook. Moody's affirmed the A1 rating, improving outlook to positive from stable, the Finance Ministry said.

The Finance Ministry envisages a public finance surplus at 1.6% of GDP this year, the figure to go down to 0.8% of GDP in 2020. Last year, public finances ran a surplus of 1.5% of GDP, which was one of the best figures in the EU. The EU requires that the public finance deficit stay below 3% of GDP.

Conversely, the government debt is estimated by the Finance Ministry to improve annually from last year's 34.7% of GDP to 33% this year and to 30% in 2021. The debt level should be below 60% of GDP, according to the EU requirements.

The CR's credit rating in 2018¹

Rating agency	Local currency liabilities	Outlook	Foreign currency liabilities	Outlook	Affirmed
Moody's	A1	positive	A1	positive	April 20, 2018
Standard & Poor's	AA	stable	AA-	stable	July 20, 2018
Fitch Ratings	AA-	stable	AA-	stable	Aug 3, 2018
JCR	AA	stable	AA-	stable	July 25, 2018
R&I	AA-	stable	AA-	stable	Nov 5, 2018
Scope Ratings	AA	stable	AA	stable	Jan 26, 2018
Dagong Global Credit Rating	A+	stable	A+	stable	Oct 16, 2018

CZECH HOUSEHOLD DEBT GROWS BY CZK11.6BN TO

CZK1,646BN IN NOV – 31.12.

Czech household debt to banks and credit unions rose by CZK11.6bn to CZK1,646bn in November, growing by CZK119bn in annual terms, according to data published by the Czech National Bank (CNB) today.

Corporate debt fell by CZK12.5bn on the month to CZK1,120bn and increased by CZK75.5bn annually, the CNB said.

Debts of Czech households have been growing since February 2016.

Debts of companies have fluctuated over the past few years. In monthly comparison, the volume was dropping from September 2017 until January 2018, and also in March 2018, growing from April until October.

The central bank publishes the statistics every month. The data are based on balances of monetary financial institutions, including the central bank, commercial banks, branches of foreign banks, money-market funds and credit unions.

CZECH STATE BUDGET RUNS CZK2.9BN SURPLUS IN 2018 –

3.3.

Czech state budget ended in a CZK2.9bn surplus in 2018, Finance Minister Alena Schillerova said at a press conference today.

State budget ran a CZK6.2bn deficit in 2017 and a CZK61.8bn surplus in 2016. The 2018 figure is the second best result since 1996, the Finance Ministry said.

The 2018 budget was approved with a CZK50bn gap.

The better outcome was caused mainly by exceeding the plan for tax revenues, including social insurance payments, by roughly CZK20bn, and other revenues being also roughly CZK20bn higher, the ministry said.

Debt servicing saved CZK4.5bn in expenditures compared to the plan, the ministry said.

The better-than-planned performance was caused mainly by strong growth in employment and wages, resulting in higher social payments and consumption causing an increase in

¹ The CR Funding and Debt Management Strategy for 2019 (December 2018)

value added tax (VAT) collection, UniCredit Bank chief economist Pavel Sobisek said.

State budget revenues increased annually by CZK130.3bn to CZK1,403.9bn, and expenditures grew by CZK121.2bn to CZK1,401bn. Revenues from the European Union exceeded the plan by CZK49.2bn, and expenditures concerning joint projects of the EU and Czechia were CZK44.1bn higher, the ministry said.

When coming up with a draft state budget, the ministry's decision is based on macroeconomic forecasts, Schillerova said.

Tax revenues including social insurance payments added CZK83.3bn to CZK1,239bn, exceeding the ministry's plans by CZK19.7bn.

Tax revenues alone rose by CZK36.5bn to CZK725.8bn, being CZK3.5bn higher than planned.

VAT revenues grew by about 5% to CZK279bn, which is about CZK2bn less than planned. The difference was caused by postponing the third and fourth phase of electronic registration of sales (EET), the ministry said.

Excise duties collection increased by 3% to CZK159.3bn and corporate income tax collection added 2% to CZK117.5bn.

Social benefits make up the largest share of budget expenditures. Last year, the amount increased by CZK26.6bn to CZK556.6bn, with spending on pensions growing by CZK19.4bn.

Investment expenditures grew by CZK37.9bn to CZK119.6bn, with CZK64.7bn being in financing joint programmes of the CR and the European Union.

Increased investment activity of the country is confirmed by the fact that investment spending totalled CZK71.2bn in the past four months of 2018, the ministry said.

For this year, the ministry plans a CZK40bn state budget deficit.

State budget data (surplus/deficit) in 1993-2018 (CZKbn)

Year	Plan	Actual budget
2010	-162.70	-156.29
2011	-135.00	-142.77
2012	-105.00	-101.00
2013	-100.00	-81.26
2014	-112.00	-77.78
2015	-100.00	-62.80
2016	-70.00	61.77
2017	-60.00	-6.15
2018	-50.00	2.9

CZECH STATE DEBT DOWN BY CZK2.7BN TO CZK1,622BN IN 2018 - 3.1.

Czech state debt decreased by CZK2.7bn to CZK1,622bn in 2018, Finance Minister Alena Schillerova said at a press conference today.

Per capita debt is some CZK152,000.

The state debt is the debt of the central government and is formed mainly by the accumulation of state budget deficits. It is financed by treasury bills, government bonds, direct loans and loans from the European Investment Bank (EIB).

CZECH CROWN FIRMS TO STRONGEST LEVEL TO EURO SINCE

SEPT - 4.1.

The Czech crown strengthened by 8 hellers against the euro to CZK25.57/EUR today, closing at the strongest level since the end of September 2018, according to data from the Patria Online server.

Visa-vis the US dollar, the crown firmed by 10 hellers to CZK22.41/USD.

The domestic currency started strengthening towards the euro in the morning, after the Czech National Bank (CNB) released minutes from its last policy meeting, according to analyst Viktor Zeisel of Komerční banka.

"While the statements made by (governor) Jiri Rusnok at a press conference immediately after the policy meeting lowered the market's hopes that rates will be raised further this year, the minutes released today kept the door open for a rate hike in February," Zeisel said.

During the afternoon session, the crown was losing the morning gains. It returned back below CZK25.60/EUR shortly before 17:00.

NO. OF PERSONAL BANKRUPTCIES 4 PCT LOWER AT 13,103 IN 2018 - 7.1.

The number of personal bankruptcies declared in Czechia last year fell by 476 or 4% annually to 13,103, with personal bankruptcy petitions recording an annual drop of 5% or 748 to 13,891 motions, according to data of CRIF - Czech Credit Bureau company.

Prepared changes in the relevant legislation aimed at making personal bankruptcy available to more people will affect this year's figures, said CRIF analyst Vera Kamenickova.

December alone saw 843 personal bankruptcies, 265 fewer on the month and the lowest number since February 2011, and 1,016 personal bankruptcy petitions, a mth/mth decrease of 227 motions.

The amended insolvency law took effect in July 2017. The Justice Ministry said it aimed to improve protection of debtors seeking bankruptcy.

Number of personal bankruptcies and personal bankruptcy petitions in Jan 2017 to Dec 2018

Month	No. of bankruptcies	No. of petitions
Jan 2017	1,286	1,233
Feb 2017	1,176	1,408
March 2017	1,559	1,738
April 2017	1,121	1,334
May 2017	1,181	1,494
June 2017	901	2,192
July 2017	1,382	368
Aug 2017	1,194	730
Sept 2017	881	851
Oct 2017	998	1,090
Nov 2017	1,018	1,153
Dec 2017	882	1,048
Jan 2018	1,006	1,016
Feb 2018	1,040	1,209
March 2018	1,263	1,232
April 2018	1,123	1,230
May 2018	1,070	1,268
June 2018	1,285	1,219

July 2018	962	1,001
Aug 2018	1,027	1,150
Sept 2018	1,090	997
Oct 2018	1,186	1,310
Nov 2018	1,108	1,243
Dec 2018	843	1,016

CTK NO. OF FIRMS WITH OWNERS IN TAX HAVENS DOWN AT 12,805 IN 2018 – 8.1.

The number of Czech companies controlled from a tax haven dropped by 226, or 2%, to 12,805 by the end of 2018, reaching the lowest figure in the past five years, according to statistics of the Bisnode consulting company.

"The number of Czech firms controlled from tax havens fell for the third year in a row. The gloss of traditional destinations regarded as tax havens is gradually fading away as the business environment is changing, from the lifting of bank secrecy to the introduction of a register of final owners," Bisnode analyst Petra Stepanova said.

The share of Czech firms controlled from tax havens dropped to 2.59% from 2.74% at the end of 2017.

The volume of share capital of Czech companies invested by owners in tax havens sank annually by more than 20% to CZK326.6bn.

The overall amount of foreign capital in Czech companies decreased by nearly CZK28bn in the same period.

Last year, entrepreneurs focused on new non-traditional destinations. The biggest number of new Czech firms was attracted by Hong Kong (31) and the United Arab Emirates (19).

On the contrary, a departure of firms was seen mainly by the Netherlands (-118), Cyprus (-49), Luxembourg (-42) and the Seychelles (-38).

Tax haven is a country with low or no taxation of foreign companies with the goal of gaining foreign capital and making the country an important financial centre.

The CR loses up to tens of billions of crowns a year due to tax havens, according to analysts. Even larger damage is nevertheless caused by money laundering and crime concealment.

No. of Czech companies with owners in tax havens

Country	2018	2017	2016	2015	2014
Bahamas	39	37	39	41	42
Belize	192	196	203	194	161
Bermudas	4	4	5	5	5
British Virgin Is.	355	384	414	433	452
Gibraltar	65	69	72	72	75
Guernsey (UK)	16	23	25	31	28
Hong Kong	222	191	137	97	102
Jersey (UK)	32	38	39	43	43
Cayman Islands	11	14	18	20	30
Cyprus	2,156	2,205	2,175	2,151	2,097
Lichtenstein	212	210	216	225	226
Luxembourg	887	929	968	1,068	1,120
Malta	306	302	259	223	177
Monaco	62	67	63	61	72
Marshall Islands	155	150	133	90	55
Dutch Antilles	9	9	13	17	15
Netherlands	3,637	3,755	3,912	4,194	4,208
Panama	234	224	239	247	243
Isle of Man	36	32	34	39	40

Republic of Seychelles	765	803	873	886	827
United Arab Emirates	361	342	313	292	270
USA	3,049	3,047	3,035	2,990	2,959
Total	12,805	13,031	13,185	13,419	13,247

AGRICULTURE & ENVIRONMENT

CTK PRAGUE SENDING DOCUMENTS TO EC FOR CHECKING

AGROFERT SUBSIDIES – 3.1.

The Czech Agriculture Ministry will send documents for checking the EU subsidies for the Agrofert firm to the EC today, it has told CTK, adding that EC auditors will come to Czechia in mid-January to check the suspected conflict of interest of PM Andrej Babis, who is Agrofert's former owner. The background documents sent to the EC include the method of setting the rules and launching the subsidy offers within the Rural Development Programme, a list of subsidies provided for firms from Agrofert, a giant chemical, agricultural, food and media holding, and data about the checks of these subsidies.

The requested documents will be delivered to the EC later today, the ministry's spokesman Vojtech Bily said.

Since August 2, 2018, when a tougher EU conflict of interest directive took effect, the ministry-controlled State Agricultural Intervention Fund (SZIF) has reimbursed no new project costs to Agrofert within the Rural Development Programme.

Nevertheless, the SZIF continues providing subsidies for Agrofert's older projects and for its direct payments. A total of 430.6 million crowns has gone to Agrofert since August, including 42.7 million for investments.

The SZIF is preparing for the EC audit due on January 14-18, which is to check the Rural Development projects subsidised since 2012 and the SZIF's expenditures since 2017, with main focus on a possible conflict of interest.

According to EC lawyers' report that leaked to the media in November, Babis is in a conflict of interest in his capacity as the prime minister, who simultaneously remains the beneficiary of Agrofert, though he transferred it to trust funds in early 2017 in compliance with a new Czech conflict of interest law.

Agrofert insists that it has always acted in harmony with Czech as well as EU law and can see no legal reason for it to stop drawing subsidies or even return some.

Babis, too, has repeatedly dismissed being in a conflict of interest. He has no influence on Agrofert since its transfer to trust funds in February 2017, when he was finance minister.

The EU budget commissioner, Gunther Oettinger, recommended to Babis in December three ways to remove his conflict of interest. He should either interrupt his and his family's ties with Agrofert or make Agrofert stop accepting EU subsidies or withdraw from certain decision-making procedures.

In reaction to Oettinger, Babis stepped down as chairman of the government Council for European Structural and Investment Funds.

In December, the European Parliament passed a resolution calling on the EC to take steps against Babis's suspected conflict of interest. It demanded, among others, that the EC suspend the subsidies going to Agrofert.

Still before, Oettinger said the EC would not be meeting Czech applications for subsidies designated for Agrofert. The Czech Finance Ministry announced it will not address any such applications to the EC.

According to the EC lawyers' report, the CR might become forced to return at least a part of the subsidies that went to Agrofert in 2018.

Last July, daily Hospodarske noviny (HN) wrote that Agrofert drew a record 2.1 billion crowns worth of subsidies in 2017, while paying a corporate tax worth 739 million crowns.

CTK VIRUS DECIMATING ONCE STRONG BLACKBIRD POPULATION /

3.1.

The common blackbird has disappeared from almost a half of Czech gardens since last summer, when the Usutu virus started decimating its once strong population, the Czech Union for Nature Conservation (CSOP) said in a press release today.

The blackbird has almost died out in Prague and Central Bohemia, though it was the most common bird species in Czech gardens until 2018, according to long-term ornithological data.

During the Christmas 2017 bird watching in gardens, an annual event organised by the CSOP, the blackbird was registered in 98% of gardens, but this Christmas it was spotted in 58% of gardens only.

Nature conservation experts blame the blackbird population decline on Usutu, a virus of African origin, which blackbirds are more prone to catch than other bird species.

The virus, transferred by mosquitos, causes a disease of not only birds but also people.

The most frequent bird species registered by the bird watchers this Christmas was the great tit, spotted at 91% of gardens.

BIA LESY ČR ESTIMATE 2018 PROFIT AT CZK 800M – 4.1.

Lesy České republiky's business result for 2018 will reach CZK 800 before taxation and reserves. This is estimated by general manager Josef Vojáček adding that the company recorded lower revenues even despite a growth in the timber extraction. According to his words, the company is in a difficult financial situation primarily due to the surplus of less quality wood on the market, a decrease in its price and the necessity to extract wood affected by bark beetle. The company is reducing its expenses and investments and seeks forms of operational funding. Cost cuts will likely not affect the renovation and protection of forests. In 2019, the company plans to adjust its business model and organisational structure, introduce new software tools and maintain the open communication.

CTK CZECH WINEMAKERS BRING 909 MEDALS FROM ABROAD IN

2018 – 4.1.

Czech winemakers were awarded 909 medals at international competitions last year, which was a new record and a rise of 181 awards compared to 2017, Jaroslav Machovec, head of the Wine Fund, has said.

The fund provides financial aid for the participation of Bohemian and Moravian winemakers in those events.

An expanding portfolio of competitions and growing interest on the part of winemakers is behind their success, Machovec told CTK on Thursday.

Apart from gold, silver and bronze medals, the winemakers won 16 grand gold medals and one platinum medal, plus five champion wine awards.

Czech firms were most successful in Vienna, bringing home 347 medals from the AWC Vienna contest.

The fund mainly appreciates the platinum medal presented to Vinarstvi Gotberg at the Decanter World Wine Awards event in London for Ryzlink rynsky, pozdni sber 2016 (Rhine Riesling, 2016 late harvest wine).

Each victory at an international competition increases public awareness of Czech wines, said Machovec.

Czech winemakers' medals in 2014-2018

Year	Number of medals
2014	555
2015	500
2016	645
2017	728
2018	909

CTK MINISTRY SPENDS CZK29BN ON FIGHT AGAINST DROUGHT SO

FAR – 7.1.

The Czech Agriculture Ministry has spent CZK29.4bn on measures against drought and lack of water in the past four years, using CZK7.4bn from the national budget and CZK21.6bn from EU funds, and it plans to reinforce these programmes, according to a document discussed at the government meeting today.

The projects focus on water retention and water sources, Agriculture Minister Miroslav Toman said.

The ministry plans to provide up to CZK1.1bn in subsidies for modernisation of irrigation systems until 2022. So far, it has spent CZK61m on them.

According to the ministry, irrigations are installed on 60,000 hectares of land at present. In 1993, the irrigated area was 100,000 hectares bigger.

According to data from Prague's Klementinum station, 2018 was the hottest year since 1775, its average temperature reaching 12.8 degrees, which was 3.2 degrees more than the average for 1775-2014.

The Agriculture Ministry has estimated the damage caused by last year's drought at CZK11bn. Farmers and tree growers will be able to receive compensation of up to CZK2bn in total.

ENERGY & INDUSTRY & TRANSPORT

CTK CZECH MILITARY PLANNING LARGE PURCHASES, NEW

RECRUITMENT FOR 2019 – 29.12. (EXCERPT)

Contracts for purchases of military equipment for tens of billion crowns, air policing in the Baltics and continuing recruitment of new troops are the plans of the Czech Defence Ministry for next year, its spokesman Jan Pejsek has told journalists.

The ministry also wants to present an amendment to the military intelligence law which is to deal with the CR's cyber defence, Pejsek said.

The ministry wants to acquire 210 armoured personnel carriers for roughly 53 billion crowns, which will be the most expensive bid in national history.

The Defence Ministry wants to address four European manufacturers. The ministry wants to sign the contract in August 2019. It is likely to be choosing from the APCs

manufactured by the Ascod, Puma, Lynx and CV90 companies.

In 2019, the Defence Ministry also wants to finish the deal for the purchase of 12 multipurpose helicopters, whose price may range at around ten billion crowns.

In April, the office wants to conclude a contract for the delivery of 62 Titus APCs worth 5.5 billion crowns, with the firm Eldis Pardubice and by mid-year a tender for four radar systems for 2.9 billion crowns with the Israeli government.

Defence Minister Lubomir Metnar (ANO) said modernisation of the military was his top priority.

He said that the presented orders all significantly involve the domestic defence industry.

The ministry will have more money for the purchases than this year. The defence budget will reach 66.7 billion crowns, while it was only 39 billion in 2014.

Next year, the recruitment of new soldiers will continue. There is the objective of hiring 2000 new career soldiers.

"The objective is clear. To observe allied obligations, which means not to lower the participation in foreign missions or to increase it," Metnar said.

RESEARCH SPENDING MUST REACH 2% OF GDP – 29.12.

The proportion of research and science spending must reach 2% of GDP at the moment the current government will finish, Karel Havlicek, a deputy chairman of the Czech Research, Development and Innovations Council (RVVI), has said in an interview with CTK.

Each year, the CR must be increasing the proportion by 0.1% and the RVVI has set the target of 2.5% by 2025 and 3% by 2030, Havlicek said.

Last year, the share of expenditures on research and science was 1.79%, while the total spending reached the record 90.4 billion crowns.

Havlicek said for the government, science was a priority.

In November, Open Access Envoy of the European Commission Robert-Jan Smits said at the international conference Next100 Symposium in Prague that if there were the 3% of expenditures on research and development, 2% should go from the private and 1% from the public sectors.

Havlicek said such a strategy was realistic, but the state had to create the conditions for the business segment which motivates it to increase its expenditures.

Tax deductions should be one of the forms of indirect support. A working group headed by Havlicek is preparing their change.

The reform of tax deductions is a part of the tax package and it may take effect in the first half of next year. It will be valid on the first day of the next month.

"In parallel, we have set in motion a sort of roadshow. We will inform the businesspeople about changes and motivate them," Havlicek said.

"We have to tell them that this is an interesting instrument. At present, this means about 2.4 billion crowns of indirect support, relating to about 1200-1300 organisations," Havlicek said.

The RVVI has the objective of saving ten billion crowns by 2030, which would mean 50 billion of the business expenditures on research and development.

"We are speaking about 8,000-10,000 companies, those which certainly do research," Havlicek said.

They do not use tax deductions for fear that after a time they may be imposed additional taxes.

There is also the problem of excessive red-tape. Not only the national, but also European support must be clear to everyone, Havlicek said.

"It is not good for us that we just play the role of a watching country in the (EU programmes in support of science and research) Horizon 2020 and Horizon Europe," he added.

Foreign cooperation is one of the spheres considerably boosted last year.

When it comes to the innovative environment, the CR can be inspired by Israel, Finland or Switzerland, Havlicek said.

The RVVI is drafting an innovation strategy for the enhancing of the CR's position in research and development.

The council wants to unveil the report with a vision until 2030 in January. It includes inspiration by foreign examples, due to which the RVVI continually enhances its International Council.

In November, it was joined by Orna Berry, the first woman to have held the position of leading scientist in the Israeli government and the director of the industrial research and development between 1996 and 2000.

"This is not only Orna Berry. Along with the president of India, we had preliminary talks on a major personality in the sphere of science. Now we are discussing a leading figure from the sphere of science and applied research from Switzerland," Havlicek said.

The RVVI wants to select each member for a specific sphere in science.

"Concretely Berry is one of the most outstanding global personalities in the sphere of creation of infrastructure of start-ups and spin-off. She will start giving us advice on how to motivate the startups and the schools for spin-off," he added.

In September, the RVVI said it was conducting talks on European countries joining the ELI Beamlines laser centre in Dolni Brezany, central Bohemia.

"Germany is one of the first candidates to enter. The discussion was opened at our joint meeting (of Prime Minister Andrej Babis and Havlicek) with (German Chancellor Angela) Merkel. We are working on it very intensively," Havlicek said.

If Germany enters the ELI Beamlines as a partner, other countries may follow suit. At the moment, Italy is invited, too," Havlicek said.

Western European countries are able to work better with European funds. The CR will also have to start behaving in a natural way in the European environment, not only relying on national resources, Havlicek said.

Advanced European countries have adapted themselves more to the multinational environment. The CR should find inspiration with them, he added.

What matters is overall mentality and approach to the promotion of a country, Havlicek said.

"We must stop being a nation of beer, crystal, the Charles Bridge and the Cesky Krumlov tourist area in south Bohemia. We must prove that we are a leading nation in research and science," Havlicek said.

"Who knows that there are 500 scientists from the sphere of artificial intelligence in the CR?" he asked.

The gain of prestigious grants from the European Research Council (ERC) and the CR's position in the Nature Index were successes of science in 2018.

The CR has strengthened its position abroad as a country focusing on research and development, Havlicek said.

This year, seven ERC grants were sent to the CR. In July, the ERC Starting Grant were received by two researchers from Charles University as well as those from Masaryk University in Brno, the Biology Centre of the Czech Academy of Sciences (AV CR) and the Institute of Molecular Genetics of AV CR each. In October, the ERC Synergy Grant of ten million euros was given to mathematician Jaroslav Nesetril from the Faculty of Mathematics and Physics of Charles University, along with his Hungarian colleagues from the Lorand Eotvos University and the Central European University in Budapest.

In November, an ERC Consolidator Grant was obtained by historian Michal Frankl from the Masaryk Institute. Frankl's project deals with refugees in Central Europe in the 20th century.

In the Nature Index, watching the best publications in major journals, the CR occupied the 25th place.

ŠKODA AUTO TO OPEN PAINT ROOM FOR EUR 214.5M – 2.1.

ŠKODA AUTO will open a new paint room located in its Mladá Boleslav-based plant in June 2019. The automaker will invest EUR 214.5m in the new operation. The paint room will employ up to 650 new employees. The total capacity of painting will grow to 2,700 bodyworks a day.

FOUR KM OF NEW MOTORWAYS COMPLETED IN CR IN 2018 – 1.1.

A total of four kilometres of new motorways and 15 kilometres of first-class roads were completed in the CR last year, the Transport Ministry and the Road and Motorway Directorate (RSD) have said.

Construction firms reconstructed 26 kilometres of the D1 motorway (from Prague to Brno), the ministry and RSD told CTK on Monday.

The opposition criticises the slow pace of construction and Transport Minister Dan Tok, who has been in office for over 4 years, said his predecessors had halted the projects' preparation.

In its policy statement in 2017, the government declared that it wanted to make 210 kilometres of motorways operational until 2021, of which 110 would be new kilometres and 100 would be reconstructed kilometres of the D1 motorway.

In 2018, builders started constructing 54 kilometres of new motorways and 16 kilometres of first-class roads.

The government has been criticised for sluggish construction and repairs of roads and experts say the pace of construction is still slow.

According to Cyrrus company analyst Petr Pelc, the problem is mainly in the preparation phase which lasts normally over 10 years in the CR.

In 2018-2020, Pelc expects construction of about 50 kilometres of motorways.

Currently, 192 kilometres of motorways (including repairs on D1 motorway) and first-class roads are under construction.

According to Transport Ministry spokesman Zdenek Neusar, 172 kilometres of motorways and first-class roads are ready for construction in the current year.

ČEZ: NUCLEAR POWER PLANTS RAISE PRODUCTION BY OVER 6% - 3.1.

Czech nuclear power plants Dukovany (EDU) and Temelin (ETE) delivered to the transmission grid 29.91 billion TWh of electricity, i.e. 6% up y/y (+200 million kWh), in 2018. The growth was caused by a significantly higher production in EDU, which delivered 14.25 TWh (+20.22%). ETE delivered to the transmission grid 15.66 TWh electricity and exceeded thus its annual plan. Both nuclear power plants controlled by ČEZ produced roughly 55% of all electricity produced by the company.

HYUNDAI NOSOVICE PRODUCES 340,300 CARS IN 2018 – 3.1.

Hyundai Nosovice made 340,300 cars in 2018, which was 16,400 fewer (4.6%) than in 2017 but 300 (3.1%) more than planned, car maker spokesman Petr Vanek told CTK today.

The company lowered its plan by 20,000 vehicles compared to the previous year. It did so because of estimates of some large European markets, especially Britain where demand for imported cars has decreased because of Brexit.

Another reason for lowering the bar were economic problems of some non-European countries which are Hyundai's major clients, such as Turkey, Vanek said.

This year, the company wants to produce 318,000 cars. The plan was lowered because of stagnation or a weaker demand on some big European markets owing to Brexit or new taxes imposed on cars with combustion engines, which concerns orders from Britain, Italy, France and the Netherlands, said Vanek.

European sales accounted for 72.4% (over 246,000 units) of Nosovice's output. The biggest number of cars was sold in Germany (48,300), followed by Britain (38,600), Spain (28,200) and Italy (20,400), Vanek said.

Sales in the CR accounted for 4.8% (16,477 cars) of the total production, he added.

Other big customers included Russia (25,800 cars), Egypt (9,400), Mexico (8,400), Israel (8,200), Turkey (6,400) and Morocco (4,500).

The Hyundai Tucson model made up nearly 71% of the output, Vanek said.

Donghwan Yang, head of the Nosovice plant, described 2018 as a successful year in spite of a drop in the production volumes. The company has long prepared for new emission standards thanks to which it coped with the new methodology and certification of its new models will not cause it any problems, he said.

The car maker employs over 3,300 people, with roughly 8,700 people working for its subcontractors.

In 2017, Hyundai Nosovice made a CZK6.69bn net profit, CZK1.78bn less annually, and its sales decreased by CZK6bn to CZK136.67bn.

BABIS TO GO TO INDIA, SINGAPORE, THAILAND NEXT WEEK (MIT MINISTER NOVÁKOVÁ TO ACCOMPANY HIM) – 3.1.

Prime Minister Andrej Babis will go on a one-week trip to Singapore, Thailand and India along with a 57-member business mission next weekend, Babis told journalists after a lunch with President Milos Zeman today.

He is scheduled to meet Indian Prime Minister Narendra Modi. In the case of Singapore, Babis's trip will be the first contact on the level of prime ministers since 2001.

The visit is to enhance the development of bilateral relations on the political and economic level and to discuss global and regional affairs, the Foreign Ministry said.

The visit to Thailand is to follow up the bilateral meeting of the two countries' prime ministers at the ASEM (Asia-Europe Meeting) summit in Brussels last year.

Babis is due to meet the Prime Minister of Thailand, Prayut Chan-o-cha, and selected ministers in charge of economic affairs.

The direct air connection between Bangkok and Prague in 2019 is to be announced during the visit.

"The talks will focus on the evaluation of bilateral relations, their prospects and opportunities to intensify them, especially in the economic sphere," the Foreign Ministry said about the visit.

"The prime ministers of the two countries will also discuss international and global affairs," it added.

Babis will primarily travel to India for the investment Vibrant Gujarat Global Summit, he will attend at the invitation of Modi. The CR is one of the partnership countries of the event.

Babis's journey to India will follow up the September visit by Indian President Ram Nath Kovind to Prague.

Babis is due to be received by Modi and the talks may be used to pass a joint statement on strategic partnership.

While in India, Babis is to see the plants of some Czech companies.

"The business delegation is comprised of the firms from the spheres of energy, health, engineering, aviation and defence industries," Eva Velickova, the spokeswoman for the Confederation of the Industry of the CR (SPD), said.

The SPD is staging the tenth business mission since 1993.

"Although the entry to the Indian market is not easy, many Czech firms have branches there and joint ventures with their Indian partners," Velickova said.

CTK SMARTWINGS MAKES LOSS OF MORE THAN CZK500M IN 2017

- 7.1.

Smartwings, the largest Czech airline formerly known as Travel Service, sank into a loss of over CZK500m in 2017, making a profit of more than CZK193m in 2016, and its revenues from sales of products and services increased by CZK1.18bn to CZK16.6bn, according to the company's annual report.

The 2017 business results were impacted mainly by the Czech crown firming to the US dollar which is key in the company's Boeing purchases.

The company's operating profit exceeded CZK20m, being more than CZK250m below the plan. It was caused mainly by not achieving goals in charter flights whose number decreased annually by over 3,000 to 9,428.

Revenues from regular flights totalled CZK7.17bn, and charter flights brought CZK4.66bn. Other revenues were generated from leases, for example.

At the end of last year, Travel Service changed its name to Smartwings, which was the name of the brand Travel Service used for regular flights it operated, rebranding also its subsidiaries. It was part of newly-formed Smartwings Group's strategy and creating the Smartwings and CSA (Czech Airlines) brands network, company spokeswoman Vladimira Dufkova has said.

The Smartwings group includes subsidiaries in Poland, Slovakia and Hungary.

The company has been a majority owner of CSA since last year.

CTK GOVT APPOINTS MIL AS ITS NEW NUCLEAR ENERGY ENVOY -

7.1.

The government today appointed Jaroslav Mil, a former head of power utility CEZ, as a government commissioner for nuclear energy as from February, Prime Minister Andrej Babis said at a press conference after the cabinet meeting.

The post has been occupied by Jan Stuller so far.

According to Babis, the government has also charged Mil with changing the status of the standing committee for nuclear energy so that the committee could be chaired by the prime minister and deputy-chaired by the industry and trade minister.

"We also want to offer seats to the opposition, so that all parliamentary parties and movements are represented in it," Babis said.

Nuclear energy has become one of the main topics in recent months in connection with the potential construction of new nuclear units.

Babis and Industry and Trade Minister Marta Novakova said in October the government might postpone the decision on the possible construction of a new source. Another option is extending the lifespan of the Dukovany nuclear power plant, they said.

At the end of October, Babis said the current life of Dukovany could be extended by ten years. The costs would reach CZK20bn, while a new nuclear sources would cost about CZK200bn, he said.

In November Babis said the information on extending the operation of Dukovany and postponing the construction of a new source had been taken out of context.

The construction of a new unit of Dukovany should be secured by a subsidiary of CEZ, Babis said earlier. The government is ready to support the investment as a next in line guarantor, he said.

Mil headed CEZ in 2000-2003. In recent months he has been the prime minister's advisor for energy.

CTK REACTIONS: MIL IS EXPERT BUT BABIS SHOULD DECIDE ON

NEW NUKE UNIT - 8.1.

Jaroslav Mil, whom the government appointed as its new envoy for nuclear energy on Monday, is an expert in energy and industry, but the final decision on the method of funding and the construction of the planned new nuclear source will be up to Prime Minister Andrej Babis and his cabinet, according to experts polled by CTK today.

Mil, who had held the post of CEO of power utility CEZ in the past and has been Babis's advisor for energy recently, will take over the new post as of February.

The government also charged Mil with changing the status of the standing committee for nuclear energy so that Babis could become its chairman while Industry and Trade Minister Marta Novakova, who has been chairing it until now, would become its deputy chairperson.

Jan Stuller, the current government envoy for nuclear energy, told CTK today that personnel changes in the committee had already been discussed before Christmas, so the Monday decision was not a surprise for him.

According to Modern Energy Union programme director Martin Sedlak, the activity of the nuclear envoy has so far had the form of uncritical enthusiasm. If Mil hears also critical voices, it will be a welcome change, Sedlak said.

"New reactors will almost certainly not do without some form of subsidies. It is therefore necessary to make economic analyses available to critics from the public. Without a critical feedback the Czech energy sector would face a similar calamity as the calamitous snowfall on motorways," Sedlak said.

"Whether he (Mil) is the right person will show up when he starts preparing and fulfilling the tasks ensuing from the National Action Plan of Nuclear Energy Development," said Vitezslav Jonas, the chairman of the Energeticke Trebicko association and former mayor of Dukovany, who supports the construction of a new nuclear unit.

"The envoy for nuclear energy should be somebody who knows well the situation regarding the construction of nuclear power plants in the world and who is therefore able to decide what is good for the CR and what is not. Jaroslav Mil, however, raises considerable doubts by his link to the semi-state firm CEZ and his connection to several generations of politicians who have been pushing through the construction of nuclear reactors regardless of economic and security risks," Chamber of Renewable Sources of Energy chairman Stepan Chalupa said.

Confederation of Industry head Jaroslav Hanak noted that Mil had been chairing the confederation for several years. "He is an experienced entrepreneur who had been engaged in the management of CEZ and is acquainted with the issues of nuclear energy very well," Hanak said.

The confederation hopes that Babis in the new post of nuclear energy committee chairman will find the courage to make a political decision on the construction of new nuclear units, Hanak added.

Environmental movement Friends of the Earth (Hnuti Duha) spokesman Jan Pinas recalled that environmentalist organisations had published their negative stance to the development of nuclear energy in the CR in December. They demand that the government turn the committee and the envoy for nuclear energy into a committee and an envoy for energy future.

OVER 60 BUSINESSMEN TO ACCOMPANY BABIS TO INDIA – 8.1.

A business delegation comprising 61 representatives of Czech companies will accompany Prime Minister Andrej Babis and Industry and Trade Minister Marta Novakova on their official visit to India, Thailand and Singapore next week, the ministry and the Confederation of Industry said in a press release today.

The trip will take place on January 13-19.

The delegation will include representatives of firms engaged in energy, health care, engineering and aircraft and defence industries.

This is the 10th mission to India organised by the Confederation of Industry since 1993.

Czech exports to India show a growing trend. In January-October last year, Czech firms exported goods worth CZK12.8bn to the country, 2% more on the year.

The forthcoming talks with the Indian government are expected to boost not only the Czech automotive industry but also the entry of Czech firms to the Indian market.

Czech exports to Singapore reached CZK6.4bn in January-October 2018.

Political as well as business relations with Thailand have been dampened due to internal developments in the country in recent years. Czech exports to Thailand have amounted to around CZK4bn annually.

OSTRAVA AIRPORT PROCESSES 377,936 PASSENGERS IN 2018 – 8.1.

The Leos Janacek Ostrava Airport handled 377,936 passengers in 2018, which is 16.6% more annually and the largest number in the airport's history, said Stanislav Bujnovsky, sales director of Letiste Ostrava, the airport's operator.

The most popular destinations were Greece, Britain, Bulgaria, Egypt and Turkey.

Since 2016, the number of processed passengers has increased by nearly 120,000, which is a big success, Bujnovsky said.

In 2019, the airport will focus on cooperation with Irish low-cost airline Ryanair, a successful summer season, and launching a link to a hub connecting Ostrava with Western Europe, North America and Asia, he added.

The Ostrava airport provides regular flights to London and Bergamo, and seasonal charter flights.

This week, flights between Prague and Ostrava will be cancelled, Czech Airlines (CSA) said in December.

ZEMAN TO VISIT HUNGARIAN NUCLEAR POWER PLANT IN MAY – 9.1.

Czech President Milos Zeman will see the Paks nuclear power plant, in which the Russian Rosatom is to build two new units, during his visit to Hungary scheduled for May 14-16, daily Lidove noviny (LN) writes today.

Budapest placed the contract to Rosatom without a tender on the basis of an intergovernmental agreement. Moreover, it took a loan of ten billion euros from Moscow for the completion of the two units in the nuclear plant near Paks that will be paid off for 21 years after the launch of the first unit.

Zeman advocated "the Hungarian path" in the completion of nuclear blocks in the CR during his recent meeting with Hungarian PM Victor Orban.

The Hungarian approach has intrigued Zeman to such an extent that he intends to directly see the Paks plant at the end of his planned trip to Hungary in May.

This is a sensitive issue, and this may be why the Presidential Office refused to confirm Zeman's visit to the nuclear plant a couple of months ahead. "We are yet to draft the programme in detail," Zeman's spokesman Jiri Ovcacek told LN.

However, Zeman, a keen fan of nuclear energy, will certainly do his utmost to see the Hungarian nuclear plant and he is also likely to support Rosatom that will build the units there, LN writes.

On the contrary, Prime Minister Andrej Babis (ANO) said after a meeting with Orban in late November that Prague would not choose the same way of completing nuclear blocks as Budapest, its partner in the Visegrad Four (V4) group, comprised also of Slovakia and Poland. "We are not considering a similar intergovernmental agreement," Babis said then.

There are several serious bidders, including Rosatom, interested in the completion of nuclear units in the CR.

US Energy Secretary Rick Perry recently visited Czechia to lobby for the American company Westinghouse in this respect, while shortly afterwards Korean President Moon Jae-in praised another bidder, South Korea's KHNP.

Along with them, the China General Nuclear Power and a joint venture of Areva and Mitsubishi Atmeani are interested in the lucrative project. The minimum costs of one nuclear unit are put at some 100 billion crowns.

Consequently, a potential dispute between Babis and Zeman about the completion of nuclear units is on the horizon, though both statesmen are considered political allies.

Zeman has long stood close to Russia, for which he faces criticism, and his chief adviser in the energy sector, Martin Nejedly, was running business in Russia for years.

On the contrary, Babis said after meeting Perry that the CR must take its geo-political orientation into consideration as far as investments in nuclear plants were concerned.

In the polarised world, firm ties with Western allies, primarily the EU and the United States, are important to Czechia.

Brussels issued a warning after Budapest assigned the nuclear plant project to Rosatom. Some EU members expressed fears of Hungary's dependence on Russia.

Moreover, Orban told Zeman in Prague that cooperation with Russia was not trouble-free. The Hlidaci pes server cites Orban as saying during the talks of both countries' delegations that the nuclear project has been delayed for two years to push it through on the European level and that Russia is not used to being obliged to defend such projects before a third party, that is the EU.

Along with Hungary, Zeman is also to visit China, the Balkans and Africa this year, while his African tour has not been specified yet. He might also visit Czech soldiers serving in the capital of Mali, Bamako, during his trip. In Prague, he will host foreign delegations to attend the celebrations of the 20th anniversary of the CR' NATO entry in March.

INVESTMENTS & TRADE & SERVICES

CTK AUCTION OF FREQUENCIES MAIN EVENT ON CR'S TELECOMS MARKET IN 2019 – 31.12.

An auction of television frequencies freed in the 700 MHz band for fast mobile networks and another attempt to distribute subsidies for building high-speed Internet networks in backward areas are two major events to take place on the Czech telecoms market next year.

The Industry Ministry is supposed to make a second call to finance the Internet networks in less developed areas early next year, planning to allocate about CZK1bn for the purpose. The amount will be raised depending on the interest. Originally, the ministry was expected to distribute up to CZK14bn worth of funds.

The Czech Telecommunication Office (CTU) is considering a two-round auction. In the first round, it may offer a 10 MHz band to prospective buyers who have no frequencies in the 800 MHz and 900 MHz bands. It would be a new competitor of the existing mobile operators. Proceeds from the auction are estimated at CZK8bn.

The frequencies for 5G networks will be available after the country's transition to the new standard DVB-T2 (Digital Video Broadcasting - Second Generation Terrestrial).

The auction can possibly be launched in the second half of next year and end early in 2020.

The CR has 14.5 million active SIM cards. More than 93% of them use services provided by O2, T-Mobile and Vodafone operators, the rest is connected via virtual mobile operators. LTE is a preferred technology.

The operators acquired LTE frequencies for more than CZK11bn at auctions held in 2013 and 2016.

CTK E-SHOPS IN CZECHIA GENERATE CZK135BN SALES IN 2018 –

6.1.

Sales revenues of the CR's e-shops grew annually by 17% to CZK135bn in 2018, which was aided by a strong pre-Christmas period, according to data of Heureka.cz price comparison site and the Association of E-commerce (APEK).

People spent the largest amount on electronics brands Samsung, Apple and Xiaomi, Heureka.cz and APEK data said. The number of online shops on the Czech market increased by more than 3,000 to 43,500, APEK and Heureka.cz said.

The first half of last year reported a smaller rise because of the extraordinarily good weather, Heureka head Tomas Braverman said.

The year 2018 was, at the end, better than expected in terms of e-commerce. A similar rise is expected for 2019, APEK executive director Jan Vetyška said.

E-shop customers are purchasing goods that were selling way less in the past.

The largest amount of money was spent on mobile phones. Protein bars, contact lenses and nappies sold the biggest number of items.

The food segment registered the largest annual increase of 52%, followed by sex toys with a 33% rise, DIY products adding 27% and cosmetic and children's products each growing by 25%.

Czechs lead Europe in buying technical consumer goods online, as 39% of people buy major appliances in e-shops, while the European average is 23%, according to the GfK FutureBuy study.

As much as 57% of Czechs shop exclusively online when buying portable electronics, audio devices (43%) and computers (48%).

On the other hand, a mere 1% of consumers buy food in e-shops, and 91% only shop in bricks-and-mortar shops.

E-shops' turnover in 2011-2018

Year	Sales in CZK bn
2011	44
2012	51
2013	58
2014	67
2015	81
2016	98
2017	115
2018	135

CTK GOVT NODS TO BILL ON CZECH-BRITISH RELATIONS IN HARD BREXIT CASE – 7.1.

The Czech cabinet today approved a bill outlining Czech-British relations in case Britain left the EU without a deal in March, Deputy PM and Interior Minister Jan Hamacek (Social

Democrats, CSSD), whose ministry drafted the bill, told CTK after the cabinet meeting.

The bill outlines an interim period until December 31, 2020, for which Czechia would guarantee the same approach to British citizens in selected areas as if they still kept their status of EU citizens.

The cabinet is going to propose that the Chamber of Deputies pass the bill in a sped-up procedure in the first reading.

An absence of such a bill would afflict some 5,000 British nationals on the Czech labour market, the Interior Ministry said, adding that a total of about 8,000 British stay in the CR. Without the bill, they would end up with a status of non-EU foreigners. They would not be able to continuously work in Czechia or automatically join the local healthcare and welfare systems.

The bill ensures reciprocal approach to the British regarding London's guarantees addressed to the EU citizens staying in Britain in the moment of Brexit. The British cabinet has decided that they can automatically stay and work in Britain based on their ID card or passport until the end of 2020, the Interior Ministry said.

"Our failure to pass the given bill would also threaten some 40,000 Czech citizens living in Britain. We definitely do not want that," Hamacek said.

If the CR did not guarantee the rights to British citizens in Czechia, this might lead to Britain toughening the conditions for Czech citizens in the United Kingdom, he said, adding that all measures proposed by the Czech cabinet are conditional on reciprocity on the part of Britain, he said.

Apart from the Interior Ministry, the bill's individual provisions were proposed by the ministries of labour and social affairs, education, health, finance and justice.

On the other hand, the ministries of culture, industry, foreign affairs, agriculture, defence and the environment found nothing in their respective agendas that would need a special definition in case of hard Brexit.

The Czech Chamber of Commerce said in a press statement today that it wants the movement of goods between Britain and the EU without lengthy customs and border checks in the first days following possible hard Brexit.

"For the CR, Britain is an important export partner. However, not only direct exports are at stake...Many firms supply components to, for example, Germany, where they are further processed and Germany consequently exports its goods to Britain. Brexit may have a crucial influence on this re-export and affect even the [Czech] firms that have not been preparing for it at all so far," Chamber of Commerce President Vladimir Dlouhy said.

In a letter to the Interior Ministry, he formulated Czech businesses' immediate priorities in connection with Brexit.

Britain's departure from the EU is due on March 29, 2019. The key question now is whether the British parliament will support PM Theresa May's Brexit deal in a vote later this month. The deal has already been supported by the prime ministers of all remaining 27 EU countries.

Without a deal, Britain's departure threatens to be hard Brexit, which raises apprehensions of an uncertain future among British firms and people in the EU and vice versa.

GIA HK ČR: TRADE SHOULD REMAIN TOLL-FREE EVEN AFTER HARD BREXIT – 8.1.

Czech business' priority is to make sure that movement of goods between the UK and CR is ensured without tolls and lengthy border checks even in the first days after the potential hard Brexit. This was stated by the Czech Chamber of Commerce (HK ČR), which has called upon the government administration to ensure the communication of administrative and technical details in mass media. The association appreciates that the government is working on a special act defining relationships with regard to Brexit.

LABOUR & HEALTH & SOCIAL

CTK NUMBER OF CZECH CIVIL SERVANTS GROWING – 30.12.

The number of employees in the Czech civil service rose to 634,700 people this year, the biggest figure over the past seven years, according to the annual reports of the Labour and Social Affairs Ministry.

The growth resumed in 2014, when it was lower in the years after the recession.

In 2011, the public sector employed 625,500 people, but in the following years the number was diminishing.

In 2014, the civil service employed 612,100 people. The number was growing constantly, due to which another 22,600 new employees were added.

Compared with 2011, the staff in the health and social services decreased, while that in the civil service increased.

Opposition parties have criticised the growth in the number of civil servants, arguing that the civil service has not become more efficient. They also warn of the slow pace of digitation and electronisation.

The Czech civil sector also employed foreigners. There were 4200 people from Slovakia, 800 from Ukraine, around 200 from Russia and 100 from Bulgaria.

One half of the Czech civil servants earned over 29,826 crowns a month.

However, Slovaks were paid on average 34,840 crowns and Russians 30,054 crowns. These foreigners' higher earnings are due to their being experts performing specialised work.

By contrast, Bulgarian and Ukrainian employees of the civil service earn less since they perform less skilled work.

One half of Bulgarians earned under 25,862 crowns and one-half of Ukrainians under 23,779 crowns a month.

The biggest salaries were in Prague, where one-half was paid over 35,407 crowns, the smallest in the Zlin Region, where it was 27,846 crowns.

According to the annual report for this July to September, the civil service, defence and social security sectors employed 273,400 people.

In the educational sector, there were 210,700 persons and in the health and social care 140,100.

In culture and other spheres, there were 46,300 workers.

The median salary in the civil service reached 32,799 crowns, 13% more than a year ago.

According to the statistics, the salaries in the public sector have been growing faster in the business sphere in the past years.

The government says that if it were not so, the civil service could not compete with the business sphere at the time of the shortage of manpower.

Next year, the growth in the salaries is expected to continue. Most civil servants will get 5% more, while teachers will receive 10% and nurses and employees of the social services 7% more.

Doctors in state-run health facilities are to get 2% more.

The number of employees paid from public budget	
Year	Number of employees
2011	625,500
2012	618,100
2013	619,100
2014	612,100
2015	621,600
2016	626,000
2017	634,700

CZECH MINIMUM WAGE GROWS BY 9.4 PCT TO CZK13,350 -

1.1.

The minimum wage grows by CZK1,150 or 9.4% to CZK13,350 under a government resolution that takes effect today.

The guaranteed wage grows to CZK13,350-CZK26,700 depending on the type of work from the current CZK12,200-CZK24,400.

Some 150,000 people earn the minimum wage.

According to a Labour Ministry estimate, the average wage will increase by 6.5% in the coming year.

The minimum hourly wage should grow from the current price bracket of CZK73.20-CZK146.40 to CZK79.80-CZK159.60 as of January depending on the type of work.

The pay rises will cost employers CZK3.2bn this year. The state may collect CZK920m more in social insurance and CZK390m more in health insurance.

Employers did not agree with the minimum wage hike, while unions wanted more, a growth of CZK1,500.

Salaries in the public sector rise by 2 to 7%, with teachers to see a 10% hike as of January.

CZECH MANUFACTURING ABOVE WORLD AVERAGE IN USE OF ROBOTS, SAYS HSBC STUDY - 8.1.

For every 10,000 employees in the Czech Republic, there are 101 robots. This measurement, used in a recent HSBC study, places the Central European state above the world average, which lies at 74 robots. However, in the country's neighbour Slovakia the robot population average is higher by a third. The study also claims that due to its ageing population study the Czech Republic will need to continue increasing the share of robots in its economy.

While it may have been a Czech writer who came up with the word "robot", Czechs are not at the forefront of including these intelligent machines in their economy.

A recent study by HSBC titled The World in 2030 has placed them above average in a global comparison of robots to workers ratio. However with 101 robots for every 10,000 employees, the country is far behind world leader South Korea, which employees 631 robots in the manufacturing sector for the same number of workers.

The Czechs are also slightly above average in their immediate neighbourhood of the Visegrad Four. While trailing behind of the robot average of their closest neighbour Slovakia, they are ahead of Hungary and Poland.

According to the International Robotics Federation the number of newly installed robots in the Czech Republic grew by 40% between 2010 and 2015. However, the study warns that growth in robot numbers is not fast enough.

Aside from robotics, HSBC ranks the Czech Republic within a group of emerging markets that are expected to reach the strongest long-term economic growth. It expects the country's GDP to reach CZK 9 billion by 2030, nearly doubling the Czech Statistical Office's 2017 estimate of CZK 5 billion.

However, the amount of the Czech population in working age is expected to shrink by 1.5% within the next four years.

The study says that the Czechs can also look forward to above average social progress, receiving higher wages and having a better quality of life. However, this does not guarantee a rise in competitiveness.

Meanwhile, the countries expected to grow the fastest and become increasingly competitive include China, India, Bangladesh and Vietnam, say HSBC analysts.

DECEMBER UNEMPLOYMENT RISE JUST TEMPORARY, SAY ECONOMISTS - 9.1.

Compared to the previous month, unemployment in December rose by three tenths to 3.1%, with 231,500 people being out of work, the Czech Labour Office announced on Wednesday. However, unemployment numbers remained the lowest for any December since 1996 and the amount of job offers actually saw an increase.

The Czech Republic has enjoyed steady economic growth since 2015 and the country's unemployment numbers were the lowest EU-wide in November, according to Eurostat's statistics.

However, numbers now released by the Czech Labour Office show that the number of people without work rose from 2.8% in November to 3.1% in December 2018.

Prague replaced Pardubice as the region with the lowest unemployment levels at 1.9%, while the highest number, 4.7%, was registered in the Moravian-Silesian Region.

Labour Office director Kateřina Sadílková told the Czech News Agency that a rise in unemployment levels is to be expected in the last months of a year, as events such as seasonal workers in construction and agriculture seeing their contracts run out factor in.

While the number of vacancies rose by about a thousand to 324,400 compared to November, the year-on-year increase was much greater, growing by over 100,000 positions. Increases are also seen in jobs for those who normally find it difficult to find employment, including those over the age of 50 and the disabled.

Economists told the Czech News Agency that the rise in unemployment is just a seasonal phenomenon and that a decrease can be expected within the next few months.

Delloite analyst David Marek said that the slowdown in economic growth indicated that unemployment levels would more or less stagnate towards the end of the year and that this phenomenon can be expected to continue until April when the number of people without work will start going down again.

Marek's counterpart at Raiffeisen Bank, František Táborský, believes that unemployment in 2019 will remain low. He expects the average to lie at 3.3%, compared to last year's 3.2%.

MISCELLANEOUS

MUNICIPALITIES CAN APPLY FOR CZK 500M FOR DEMOLITIONS AND BROWNFIELDS – 7.1.

Source: Ministerstvo pro místní rozvoj ČR
Municipalities will be able to file applications as part of program Demolitions of buildings in socially excluded localities until February 28, 2019. The receipt of applications for support for regeneration of brownfields for non-commercial use ends on May 31, 2019. The Ministry for Regional Development of the CR stated that a total of CZK 500m is ready for applicants. In the areas in question municipalities can build municipal buildings, clubhouses for associations, fire stations, libraries and parks.

MOBILE OPERATORS WILL COVER 21 METRO STATIONS WITH RECEPTION – 7.1.

The consortium of mobile operators Česká telekomunikační infrastruktura (CETIN), O2 CR, T-Mobile CR and Vodafone CR plans to cover a further 21 Prague metro stations with mobile reception in 2019. By 2021 mobile reception should be available at all stations. This was reported by T-Mobile CR.

EP ELECTIONS TO BE HELD ON MAY 24-25 IN CR – 8.1.

President Milos Zeman has decided to call the elections to the European Parliament in the CR for Friday, May 24 and Saturday, May 25, Zeman's spokesman Jiri Ovcacek told journalists today.

The ninth elections to the EP will be held within the EU between May 23 and 26.

The last polling stations will be only closed in some EU countries on Sunday, due to which all the results will be released afterwards. They may be expected on the night between May 26 and 27.

After Britain's departure from the EU, the European Parliament will have 705 seats instead of the current 751.

The CR now has 21 seats in the EP.

There was a record low turnout of 18.2% of Czech voters in the previous EP elections held in 2014.

The vote was won by Prime Minister Andrej Babis's ANO with 16.1%, followed by TOP 09 with 16%, the Social Democrats with 14.2%, the Communists with 11%, the Christian Democrats (KDU-CSL) with 10% and the Civic Democratic Party (ODS) with 7.7%.

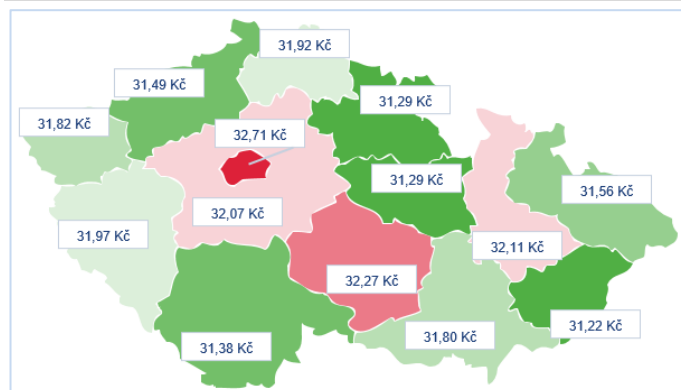
The Free Citizens Party (SSO), extra-parliamentary in the CR, gained 5.2% of the vote.

The victorious ANO, CSSD and TOP 09 received four seats each in the EP. The Communists and the Christian Democrats (KDU-CSL) were given three each, the ODS two and the SSO one mandate.

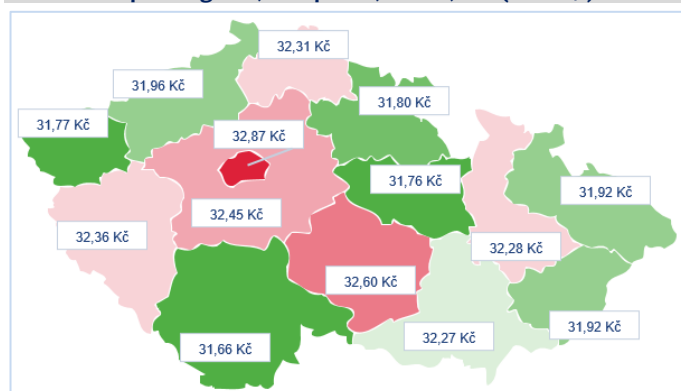
STATISTICS

peníze.cz FUEL PRICES IN THE CR – 6.1.

Map 1: Regions, fuel prices, Natural 95, 6.1. (in CZK/l) ²



Map 2: Regions, fuel prices, Diesel, 6.1. (in CZK/l)



INDUSTRY - NOVEMBER 2018: INDUSTRY CONTINUED TO GROW – 8.1.

In November 2018, working days adjusted industrial production increased at constant prices by 1.5%, year-on-year (y-o-y); non-adjusted industrial production increased by 4.8%. Seasonally adjusted industrial production increased by 0.9%, month-on-month (m-o-m). The value of new orders increased by 5.3%, y-o-y.


In November 2018, seasonally adjusted industrial production (including adjustment for working days) increased at constant prices by 0.9%, m-o-m. In the year-on-year comparison, working days adjusted industrial production increased by 1.5%; non-adjusted industrial production increased by 4.8%. November 2018 had one working day more compared to November 2017. The following economic activities contributed the most to the y-o-y growth of industrial production: manufacture of motor vehicles, trailers and semi-trailers (contribution +1.9 p. p., growth by 10.2%), manufacture of other transport equipment (contribution +0.8 p. p., growth +48.3%), and manufacture of computer, electronic and optical products (contribution +0.6 p. p., growth +17.8%). Industrial production decreased in the following economic activities: manufacture of rubber and plastic products (contribution -0.4 p. p., drop by 5.0%), manufacture of chemicals and chemical products (contribution -0.2 p. p., drop by 5.1%), and electricity, gas, steam and air conditioning supply (contribution -0.1 p. p., drop by 0.9%).

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

Sales from industrial activity at current prices increased by 9.1%, y-o-y, in November 2018. Direct export sales of industrial enterprises increased at current prices by 10.1%. Domestic sales, which include also indirect export via non-industrial enterprises increased at current prices by 7.8%.

The value of new orders in surveyed industrial CZ-NACE activities increased by 5.3%, y-o-y, in November 2018. Non-domestic new orders increased by 3.2%, while domestic new orders increased by 9.7%. The y-o-y increase of new orders in total was the most contributed to by the following CZ-NACE divisions: manufacture of computer, electronic and optical products (contribution +1.4 p. p., growth by 13.6%), manufacture of other transport equipment (contribution +1.1 p. p., growth by 63.1%), and manufacture of machinery and equipment (contribution +0.9 p. p., growth by 8.4%). New orders decreased only in manufacture of motor vehicles, trailers and semi-trailers (contribution -0.5 p. p., drop by 1.5%). The average registered number of employees in enterprises with 50+ employees in industry increased in November 2018 by 0.6%, y-o-y. Their average gross monthly nominal wage increased in November 2018 by 7.1%, y-o-y, and reached CZK 39 362.

According to the Eurostat news release, working days adjusted industrial production in the EU28 in October 2018 increased by 1.3%, y-o-y. According to a preliminary release calendar, Eurostat will release data for November 2018 on 14 January 2019.

 **CONSTRUCTION - NOVEMBER 2018: VOLUME OF CONSTRUCTION WORKS DID NOT OUTDO THAT IN NOVEMBER 2017 - 8.1.**

In November 2018 the working days adjusted construction output decreased by 1.3% year-on-year (y-o-y), in real terms. The unadjusted construction output remained at the same level as in November 2017. The planning and building control authorities granted by 2.4% less building permits, y-o-y, and the approximate value of permitted constructions grew by 1.7%, y-o-y. The number of started dwellings increased by 14.2%, y-o-y, and the number of completed dwellings fell by 2.5%, y-o-y.

In November 2018 the seasonally adjusted, including working days, construction output decreased by 3.6%, month-on-month, in real terms. The working days adjusted construction output in November 2018 was by 1.3% lower, y-o-y. The working days unadjusted one remained at the same level, y-o-y. November 2018 was by one working day longer than November 2017. The production in building construction decreased by 0.7% (contribution -0.5 percentage points (p.p.)), y-o-y. The production of civil engineering construction grew by 1.5% (contribution +0.5 p.p.), y-o-y.


The average registered number of employees, in construction enterprises with 50+ employees in November 2018 grew by 0.6%, y-o-y. Their average gross monthly nominal wage increased by 6.4%, compared year-on-year, and reached CZK 44 040.

In November 2018 the number of building permits granted decreased by 2.4%, y-o-y. The planning and building control authorities granted 6 828 building permits. The approximate value of the permitted constructions attained CZK 35.3 billion and grew by 1.7% compared to the same period of 2017.

The number of dwellings started in November 2018 increased by 14.2%, y-o-y, and attained 2 962 dwellings. The number of dwellings started in family houses decreased by 6.7% and that of dwellings started in multi-dwelling buildings was more than twice as high.

The number of completed dwellings fell by 2.5%, y-o-y, in November 2018 and was 2 627 dwellings. The number of completed dwellings in family houses grew by 5.2%. The number of completed dwellings in multi-dwelling buildings dropped by 33.6%.

According to Eurostat the WDA (working days adjusted) construction output in the EU28 increased by 3.0%, y-o-y, in October 2018. Buildings increased by 2.4% and civil engineering works grew by 5.3%. According to the preliminary schedule Eurostat shall release the data for November 2018 on 17 January 2019.

 **EXTERNAL TRADE - NOVEMBER 2018: A HIGHER EXPORTS OF MOTOR VEHICLES INFLUENCED THE TRADE BALANCE - 9.1.**

According to preliminary data in current prices, in November 2018 the external trade balance in goods ended in a surplus of CZK 20.2 bn, which was by CZK 8.9 bn higher, year-on-year (y-o-y).

The total balance in the national concept¹⁾, y-o-y, was favourably influenced mainly by a growth of a surplus in 'motor vehicles' by CZK 9.8 bn (exports up by CZK 11.8 bn) and a smaller deficit in 'computer, electronic and optical products' by CZK 3.6 bn.

The total balance was affected in an adverse manner mainly by a deeper deficit of trade in 'crude petroleum and natural gas' (by CZK 4.6 bn) and 'chemicals and chemical products' (by CZK 1.0 bn).

In November 2018 the trade balance with the EU28 Member States ended in a surplus of CZK 75.7 bn, and thus it was by CZK 17.1 bn higher, y-o-y. The trade deficit with the non-EU countries increased by CZK 8.5 bn to reach the amount of CZK 53.9 bn.

Compared to October 2018 the seasonally adjusted exports in the national concept increased by 1.7% while imports dropped by 1.9%. The development trend shows increasing exports (+0.9%) and decreasing imports (-0.2%).

Compared to the same month of 2017, exports and imports rose by 9.7% (to CZK 347.7 bn) and 7.1% (to CZK 327.5 bn) respectively. November 2018 had one working day more than November 2017.

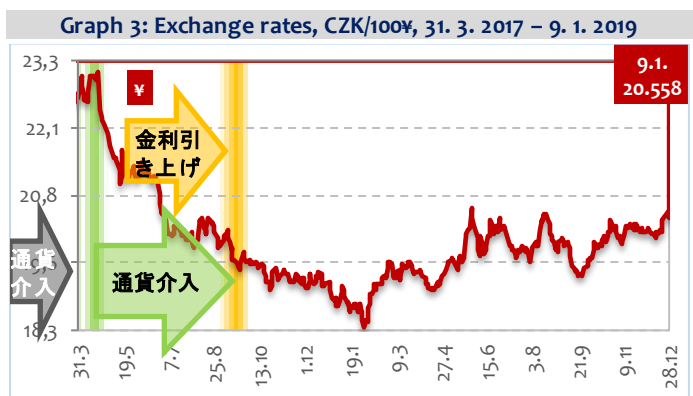
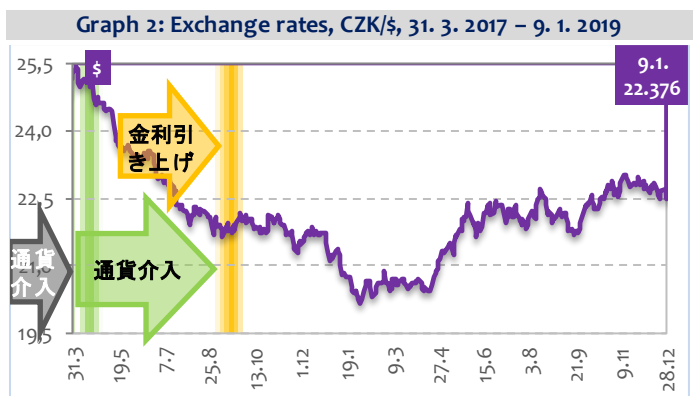
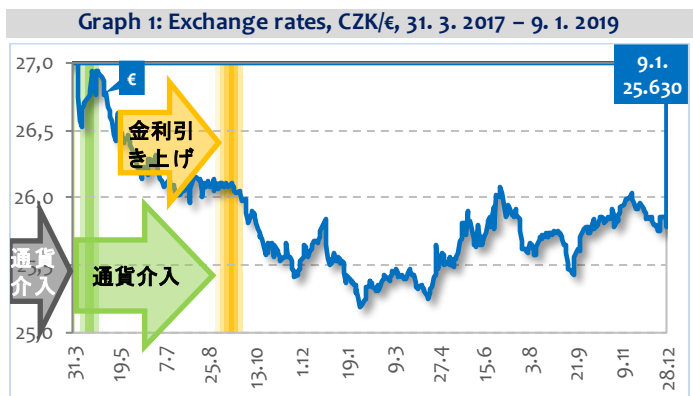
In the period from January to November 2018 the trade balance surplus in the national concept reached CZK 135.4 bn which represented a decrease by CZK 31.7 bn, y-o-y. From the beginning of the year exports and imports increased by 3.7% and 4.9% respectively, y-o-y.

Information on the cross-border movement of goods

According to preliminary data in current prices of the cross-border concept²⁾ in November 2018 exports and imports increased by 11.0% and 9.5% respectively. Total exports and imports of goods amounted to a value of CZK 429.9 bn and CZK 379.5 bn, respectively.

According to the Eurostat statistics, in October 2018 the CR shares in the total exports and imports of the European Union were 3.4% and 3.0%, respectively.

CNB
CZK VS. €, \$, ¥ - 9.1.



News outside the time span of this News summary

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

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.