

## ECONOMIC NEWS SUMMARY JANUARY 17 – JANUARY 23

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### ECONOMY & FINANCE

#### NUMBER OF CZECHS WITH OVERDUE DEBTS FALLS – 17. 1.

The number of Czechs with overdue liabilities decreased by 15,000 annually to 620,000 at the end of last year, and the number of personal bankruptcies was the lowest since 2012, Solus<sup>1</sup> said.

In its register of natural persons, Solus registered 7.14% of adult Czechs with overdue liabilities in 2018, against 7.32% a year ago. The amount due reached CZK<sup>2</sup>49.5bn<sup>3</sup>, a drop from 2017's CZK50.6bn.

About 2% of new clients get into financial trouble nowadays based on the Solus experience, which is the lowest figure in CR's history.

More than 252,000 people repaid their debts, registered by Solus, or parts of them in 2018, and the overall amount repaid reached over CZK5bn. Positive development was seen in all Czech regions, Solus said.

#### CNB'S RATE HIKES – 17. 1.

It isn't clear how many rate hikes the CNB<sup>4</sup> will carry out this summer, CNB governor Rusnok said. He said it was pointless to speculate whether the CNB would raise rates once, twice or three, but there would be a hike regardless. The only thing that Rusnok could say for sure that hikes would be fewer than in the summer of 2018, which is a generally less hawkish disposition that the CNB board has shown last year. As far as economic growth is concerned, Rusnok repeated expectations that the economy would increase at a slower pace than previously estimated, taking into account signals coming from abroad.

Earlier this month, Rusnok said that the GDP<sup>5</sup> growth forecast would most probably be downgraded in the next CNB forecast, currently at 3.3% in 2019. Despite lower growth expectations, Rusnok said that the potential GDP growth forecast was still at 2.5%.

<sup>1</sup> **Solus**: an interest association of legal persons, whose goal is to contribute to the prevention of overindebtedness of clients, to prevent growth in number of debtors in delay, to increase enforceability of existing debt overdue and also to reduce the potential of financial losses to creditors within so called responsible lending. Solus members can learn about the existence of their clients' debts or their possible repayment from the Solus register which stores the information for up to three years. Solus was established in the summer of 1999. Its members include 13 banks and building societies, 26 non-banking financial institutions, 11 telecommunication operators, four energy companies, two peer-to-peer loans providers, and two retail chains. New legislation on consumer protection allows Solus member companies to put information about unpaid debts in the register even without the client's approval. At the same time, it demands that financial institutions thoroughly check the ability of clients to pay a loan before signing of a loan contract.

<sup>2</sup> **CZK**: Czech Crown, the currency of the CR since 8 February 1993

<sup>3</sup> **bn**: billion

<sup>4</sup> **CNB**: Czech National Bank, is the central bank and financial market supervisor in the Czech Republic and a member of the European System of Central Banks. In accordance with its primary objective, the CNB sets monetary policy, issues banknotes and coins and manages the circulation of the Czech koruna, the payment system and settlement between banks. It also performs supervision of the banking sector, the capital market, the insurance industry, pension funds, credit unions and electronic money institutions, as well as foreign exchange supervision.

<sup>5</sup> **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**.

What it means is that the positive output gap will be considered closing faster than previously projected, which could be an argument for holding rates in February.

Rusnok's views are considered as valid for most of the CNB board, as most members who have commented are still hawkish on monetary policy in the medium term, but they are cautious about short-term prospects and see no need to rush with rate hikes. Such opinion came even from Benda, a hawk on the board, who said he was concerned with negative signals coming from Germany. All this reaffirms our expectation that the CNB will keep rates again on hold in February, but it will remain open to more rate hikes in the summer.

#### CUSTOMS OFFICERS COLLECT CZK170BN IN 2018 – 18. 1.

Czech customs authorities collected more than CZK170bn in excise duties, customs duties, value added tax on import, environmental taxes and administration fees last year, which was nearly CZK6bn more than in 2017, GDC<sup>6</sup> said.

Collection of domestic excise duties amounted to CZK165.2bn.

Excise duties on tobacco products generated CZK58.8bn and those on spirits CZK7.9bn.

Customs authorities carried out 11,080 inspections to check out the observation of the law on EET<sup>7</sup>. They discovered breaches in more than 17% of cases and imposed fines totalling CZK15.5mn<sup>8</sup>.

When checking the electronic motorway toll system, customs officers discovered 22,335 cases of breach and imposed fines worth nearly CZK21mn.

The value of forged goods detected by customs officers in 2018 amounted to more than CZK364mn. They found over 370,000 pieces of forged goods, GDC said.

#### TAX REFORM POSTPONED UNTIL 2021 – 20. 1.

PM<sup>9</sup> Babiš has confirmed that a government planned tax reform will have to be postponed until 2021 since the national

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

<sup>6</sup> **GDC**: General Directorate of Customs, the Customs Administration of the Czech Republic is a security force and its activities form a part of the customs supervision system in the framework of the single customs territory of the European Union. It implements this supervision on the basis of the uniform customs regulations of the European Union. It assigns goods to a customs-approved treatment, including release into a customs procedure, and assesses and collects customs duties incurred in respect to those goods. Among other activities it ensures control over foreign trade with military materials, implementation of the common agricultural policy of the EU, waste handling, trade in protected species of plants and animals and also the illegal employment of foreigners. The Customs Administration is the exclusive administrator of excise duty.

<sup>7</sup> **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.

<sup>8</sup> **mn**: million

<sup>9</sup> **PM**: Prime Minister, the Czech Republic is a parliamentary representative democracy, with the Prime Minister acting as head of government and the President acting as head of state. The first Prime Minister of the Czech Republic was Václav Klaus, who served as the second President from 7 March 2003 until 7 March 2013. The current and 12th Prime

budget could not afford the subsequent fall-out in revenues it would bring about. The opposition parties have criticized the delay.

The proposed tax reform envisages the abolition of the so-called "supergross" tax wage<sup>10</sup>. Instead, the draft amendment introduces a progressive tax rate of 19% for income of up to 1.5 million crowns and 24% for income above this amount. Entrepreneurs, including those claiming expenses as a percentage of income, will be allowed to deduct 75% of social security and health insurance contributions paid.

#### CTK CR DOES NOT BACK MAJORITY VOTING IN TAX AREA – 21. 1.

The CR<sup>11</sup> does not support the EC's<sup>12</sup> idea of gradual transition to majority voting in issues concerning tax policy, MF<sup>13</sup> Minister Schillerová said.

The CoE<sup>14</sup> currently requires unanimity among member states for tax areas, she said.

It is a "terribly sensitive" topic and it needs to be predictable, as taxes are a national issue, Schillerová said, adding that the last week's proposal does not have a concrete legislative form yet.

The idea was presented by Commissioner for Economic and Financial Affairs, Taxation and Customs Pierre Moscovici who said majority voting would provide for quicker accepting of changes and would not interfere with national sovereignty. The transition could be done in a few stages by 2025, he said. Schillerová said that when it comes to tax policy, all states must be heard and that there has to be a balanced compromise. "I will always support unanimity," she said.

#### CTK NUMBER OF UNRELIABLE VAT PAYERS 40% HIGHER – 22. 1.

The number of unreliable VAT<sup>15</sup> payers rose by 40% y-o-y<sup>16</sup> to 16,707 in the CR in 2018, Bisnode<sup>17</sup> said.

Most VAT defaulters were limited liability companies (12,990) and sole traders (1,949). More than a ½ were firms providing no information on sales, followed by businesses with sales between CZK1mn and CZK10mn (25.6%), firms with sales up to CZK1mn (19.2%) and firms whose sales range between CZK10mn and CZK100mn (14.9%).

A total of 8,972 or 54% of businesses, the highest figure, have their seat registered in Prague, followed by the South Moravia Region, with 2,327 firms or nearly 14% of the total.

A firm that is imposed a VAT of at least CZK500,000, is suspected of participating in fraud or repeatedly ignores tax return deadlines is seen as unreliable.

Minister is Andrej Babiš, leader of the ANO 2011, who was appointed by the President on 6 December 2017.

<sup>10</sup> **Supergross wage:** a total costs of labor. Gross employment income increased by the mandatory social security and health insurance contributions paid by the employer. The personal income tax rate has been set at a flat rate 15% from the supergross wage.

<sup>11</sup> **CR:** the Czech Republic, a nation state in Central Europe. The Czech Republic covers an area of 78,866 km<sup>2</sup> 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.

<sup>12</sup> **EC:** European Commission, is the executive body of the EU responsible for proposing legislation, implementing decisions, upholding the EU treaties and managing the day-to-day business of the EU.

<sup>13</sup> **MF:** Ministry of Finance

<sup>14</sup> **CoE:** Council of Europe. is an international organisation whose stated aim is to uphold human rights, democracy and the rule of law in Europe. Founded in 1949, it has 47 member states, covers approximately 820 million people and operates with an annual budget of approximately half a billion euros. The organisation is distinct from the 28-nation European Union (EU), although it is sometimes confused with it, partly because the EU has adopted the original European Flag which was created by the Council of Europe in 1955, as well as the European Anthem. No country has ever joined the EU without first belonging to the Council of Europe. The Council of Europe is an official United Nations Observer.

#### CNB STRICTER STANDARDS FOR CONSUMER LOANS – 22. 1.

In the Q<sub>1</sub><sup>18</sup> 2019, banks expect stricter loan standards for consumer loans and another decrease in the households' demand for loans, mainly for housing purposes. Within the framework of providing loans to the segment of non-financial companies, they expect neither a change in the loan standards nor in the demand for loans.

In Q<sub>4</sub> 2018, financial institutions made stricter standards for housing loans and consumer loans. The terms for loans to non-financial companies remained unchanged.

#### CTK FIRMS FAIL TO PROVIDE INFO ON 2017 RESULTS – 21. 1.

As much as 68% of companies did not publish financial statements for 2017, 60% failed to do so for 2016, and a total of 291,000 firms provided this information for neither of the years, according to data of company CRIF<sup>19</sup>.

If an amendment to the law on companies is approved these firms may be facing liquidation.

The financial statement of more than ¼ of firms did not comprise the profit and loss statement as the amended accounting law of 2016 cancelled this duty for most of the businesses, CRIF said. "From a point of view of transparent business, it is a very sad situation."

It harms the entire market if a company does not make public the information on its performance, it added.

73% of businesses in Prague did not file their financial statement for 2017 in the Register of Companies, which is the highest figure. The South Moravia Region comes next with 72% and the Liberec Region is third with 68% of businesses.

Honest firms are in the Hradec Kralove Region where 51% of businesses did not file their financial statement for 2017, followed by the Pardubice Region with 53% and the South Bohemia Region with 57% of firms.

If approved, the amendment to the law on companies will not improve sufficiently the business environment. It will only help erase non-active companies from the register faster, CRIF said.

#### HOSPODÁŘSKÉ NOVINY RATE INCREASES MAY SLOW DOWN – 23. 1.

According to CNB member Holub, inflation will continue being higher than interest rates. The break in rate growth could continue, however. At the beginning of February, the CNB will negotiate about rate increases. Last year the CNB increased rates 5 times.

<sup>15</sup> **VAT:** Value-added tax, a type of tax that is assessed incrementally, based on the increase in value of a product or service at each stage of production or distribution. VAT essentially compensates for the shared services and infrastructure provided in a certain locality by a state and funded by its taxpayers that were utilized in the elaboration of that product or service. Not all localities require VAT to be charged and goods and services for export may be exempted (duty free). VAT is usually implemented as a destination-based tax, where the tax rate is based on the location of the consumer and applied to the sales price.

<sup>16</sup> **Y-o-y:** year on year, compared with the corresponding month of preceding year

<sup>17</sup> **Bisnode:** a company that offers decision support in the form of digital business, marketing and credit information. Founded in 1989, Bisnode is present in 19 European countries and has its headquarters in Stockholm, Sweden

<sup>18</sup> **Q:** \* quarter of the year

<sup>19</sup> **CRIF:** CRIF - Czech Credit Bureau, is administrator of CBCB - Czech Banking Credit Bureau (register of bank clients), and CNCB - Czech Non-Banking Credit Bureau (register of debtors). It is subsidiary of CRIF, which is a global company specializing in credit bureau and business information, outsourcing and processing services, and credit solutions. Established in 1988 in Bologna (Italy), CRIF has an international presence, operating over four continents (Europe, America, Africa and Asia).

## AGRICULTURE &amp; ENVIRONMENT

## CIA SZIF TO DIVIDE CZK190MN AMONG YOUNG FARMERS – 22. 1.

The SZIF<sup>20</sup> has begun issuing decisions regarding the Payment for Young Farmers. In total, it will distribute CZK190mn. Within the framework of the 2018 Single Application, more than 5,304 farmers, up 1,000 y-o-y, applied for the subsidy. The tariff is CZK1,694.08/ha<sup>21</sup>, which is more than twice as much compared to the previous year (CZK844.43/ha). For the subsidy to be paid out, it is necessary for the decision to enter into effect. The subsidy should favour young farmers who are starting their business. The objective is to make the agricultural company and its development in the first years easier.

## ☰ DEPOSITS ON PET BOTTLES – 23. 1.

Campaigners are pushing the introduction of deposits on PET plastic bottles in the CR. The group Zálouhyme (Let's Use Deposits) say Czechs are presently recycling less than 60% of PET bottles. They want to increase that figure to 90%. Under the proposal, consumers would pay a deposit of CZK3 on every plastic bottle.

## ENERGY &amp; INDUSTRY &amp; TRANSPORT

## CTK TATRA TO SUPPLY VEHICLES TO JORDAN'S ARMY – 18. 1.

Tatra<sup>22</sup> has won a CZK200mn contract for the supply of 60 vehicles to Jordan's military.

According to a reliable source, Tatra is in talks with the Jordanian army about extending the contract up to 300 chassis with engines, the paper said. In such a case, the contract price would be close to CZK1bn.

Czechoslovak Group, to which Tatra belongs, said it may confirm that this year's contracts for Jordan might be significantly higher but that it was premature to talk about that.

HN<sup>23</sup> said that Tatra has a good reputation in Jordan. In 2015 and 2016, it supplied about 130 chassis worth hundreds of millions of crowns to Jordan which were used by the local company KADDB for its own military vehicles.

HN said Tatra made 851 vehicles (including chassis) last year, against 1,481 units in 2017. Its net profit in 2017 reached CZK556mn, CZK34.2mn more annually. Sales revenues grew by CZK400mn to CZK5.34bn.

Tatra also produces tailor-made lorries. It exports 80% of its output.

<sup>20</sup> SZIF: State Agricultural Intervention Fund, is an accredited paying agency that acts as an intermediary responsible for the administration of financial subsidies allocated from EU funds and Czech national resources. Under the EU's Common Agricultural Policy, EU subsidies are provided from the European Agricultural Guarantee Fund (EAGF) and, in the 2007–2013 and 2014–2020 programming periods, from the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF). The Horizontal Rural Development Plan (HRDP) and Operational Programme Rural Development and Multifunctional Agriculture have been replaced by the EAFRD-funded Rural Development Programme (RDP).

<sup>21</sup> ha: hectare is a non-SI metric system unit of area equal to 10,000 m<sup>2</sup>

<sup>22</sup> Tatra: a Czech vehicle manufacturer was founded in 1850 as the third oldest car maker in the world after Daimler and Peugeot. Production of passenger cars ceased in 1999, but the company still produces a range of primarily all-wheel-drive 4x4, 6x6, 8x8, 10x10 and 12x12 trucks. Tatra Trucks has 1,200 employees. Czechoslovak Group of Michal Strnad is its majority owner.

<sup>23</sup> HN: Hospodářské noviny Daily, published by Economia a.s., publishing company issuing economic and professional periodicals in the Czech Republic that is owned by billionaire Zdeněk Bakala from 2008.

## CIA NUMBER OF ENTREPRENEURS UP BY 13,093 IN 2018 – 21. 1.

According to the CRIF, in 2018 almost 59,000 people started doing business in the CR while almost 46,000 stopped. The increase in the number of individual entrepreneurs (13,093) is the highest of the past six years. Half of all new entrepreneurs are people under the age of 30.

The most individuals started doing business in professional, scientific and technical activities, specifically 10,433. These were followed by the processing industry with 8,580 and trade with 8,573 new entrepreneurs.

## CIA S&amp;P'S UPHOLDS CR'S RATING – 21. 1.

On January 18, 2019, S&P<sup>24</sup> upheld the rating of the CR at AA with respect to the local currency commitments and at AA- with respect to foreign-currency commitments. The agency was positive about the strong institutional arrangement and low public sector debt. S&P assumes the CR's economic growth to continue to be strong and the average pace of economic growth in the next 4 years will be 2%.

## LACK OF CAPACITY SLOWING DOWN ECONOMY – 21. 1.

According to the MIT<sup>25</sup>, the slowdown of the economy is owed to a lack of labor and production capacities.

The report also states that data indicate the possibility of the end of employment growth. But the growth of salaries can still be expected. To improve the prospects of the economy, the analysis recommends, among other things, greater support for innovations and the elimination of primarily disruptive effects of taxes and subsidies on the market with goods. The MIT expects that after the slowdown in 2018, the economy will retain roughly the same dynamic also in 2019.

## CTK INDUSTRIAL ROBOTS USED BY 16% OF CZECH FIRMS – 22. 1.

16% of firms use robots in the manufacturing industry in CR, with processes being automated in 53% of large companies with 250+ staff, CSO<sup>26</sup> said. Only 6% of small businesses use industrial robots.

Car makers rank 1<sup>st</sup>, with 43% of them using robots. In the steel, rubber and plastics industries, it is about a 1/3 of enterprises.

4% of firms used 3D printing in 2017, mostly in the electronic and car industries, the CSO said.

Paid cloud services have been used by more than a 1/4 of Czech businesses and nearly a half of large ones. 8% of firms analyse large volumes of data.

2 out of 100 firms had no Internet access last year. 1/3 of firms using the Internet had a speed of 30 Mbit/s and more, their

<sup>24</sup> S&P Rating: Standard & Poor's Financial Services LLC (S&P) is an American financial services company. It is a division of S&P Global that publishes financial research and analysis on stocks, bonds and commodities. S&P company issues credit ratings for the debt of public and private companies, and other public borrowers such as governments and governmental entities. It is one of several CRAs that have been designated a nationally recognized statistical rating organization by the U.S. Securities and Exchange Commission. S&P issues both short-term and long-term credit ratings. The short-term rating rates specific issues on a scale from A-1 to D. Within the A-1 category it can be designated with a plus sign (+). This indicates that the issuer's commitment to meet its obligation is very strong. The long-term rating rates borrowers on a scale from AAA to D. Intermediate ratings are offered at each level between AA and CCC (e.g., BBB+, BBB and BBB-). For some borrowers, the company may also offer guidance (termed a "credit watch") as to whether it is likely to be upgraded (positive), downgraded (negative) or uncertain (neutral).

<sup>25</sup> MIT: Ministry of Industry and Trade

<sup>26</sup> CSO: Czech Statistical Office, is the main organization which collects, analyses and disseminates statistical information for the benefit of the various parts of the local and national governments of the CR. It accomplishes this goal through the management of the Czech Statistical Service.



share doubling since 2015, and Internet connection speed in 13% of firms, 5pps above the European average, was higher than 100 Mbit/s. More than ½ of businesses used xDSL technology. The share of firms with a website soared to 83% last year from 2002's 56%, the 2018 figure being 6pps above the European average.

19% of firms used the web to sell their products and services, and 42% used social networking sites, nearly 3 times the amount in 2013.

#### CTK RIA TO PREPARE CONSTRUCTION PROJECTS – 22. 1.

RIA<sup>27</sup> will prepare new construction projects worth over CZK100bn this year, and tens of projects will be launched, RIA said in a press release today.

RIA will allocate more than CZK500mn for repairs of train stations this year, opening tens of buildings with a facelift, RIA said.

The company wants to approve investment intentions worth a record amount of money.

The record-breaking sum is related to major investment projects that will be discussed, and many of them could get a building permit this year, RIA said.

This year, more than 70 investment projects with costs of over CZK30mn should be carried out.

The most important projects which should be launched this year include optimisation of the Mstetice - Praha-Vysocany section, electrification and expansion of the Uvicov - Olomouc section, optimisation of the Praha Smichov - Cernosice section and the reconstruction of the Prerov train station.

The reconstruction of the Velim - Poricany railway section will be the first project financed from the CEF<sup>28</sup> blending call, which is a tool combining contribution of CEF and a loan from the EIB<sup>29</sup>.

#### CTK DEBT RELIEF TO CONCERN FEWER PEOPLE – 22. 1.

The ChD<sup>30</sup> rejected the changes to the draft amendment to the insolvency law, which the Senate<sup>31</sup> proposed in order to give also the poorest people a chance to be declared bankrupt, and confirmed the version of the bill that it passed last October.

The current entrance condition of the debtor being able to pay at least 30% of their debt within 5 years will be dropped. No such limit exists under the amendment.

In some cases, a court will decide on the debt relief at the end of the insolvency process and the debtors will have to pay at least the sum equaling the price of the work of the insolvency administrator to the creditors and send monthly payments to them.

<sup>27</sup> **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.

<sup>28</sup> **OP CEF:** The Connecting Europe Facility (CEF) is a European Union fund for pan-European infrastructure investment in transport, energy and digital projects which aim at a greater connectivity between European Union member states. It operates through grants, financial guarantees and project bonds. It is run by the Innovation and Networks Executive Agency.

<sup>29</sup> **EIB:** The European Investment Bank is the European Union's non-profit long-term lending institution established in 1958 under the Treaty of Rome. As a "policy-driven bank" whose shareholders are the member states of the EU, the EIB uses its financing operations to bring about European integration and social cohesion. It should not be confused with the European Central Bank (ECB).

The insolvency amendment aims to enable highly indebted people to return to normal economic life. Many people who face distraint proceedings have illegal jobs because if they had official jobs, most of their salary would be taken away from them to pay their debts.

#### CTK NUMBER OF FLIGHTS IN CZECH AIRSPACE UP – 23. 1.

The number of flights in Czech airspace rose by 6.9% y-o-y to a record 912,815 aircraft take-offs, landings and overflights over the territory in 2018, the ANS<sup>32</sup> said.

An average of 2,500 aircraft flew over the Czech territory a day, ANS said. Last summer ANS took over the control of some of the flights from Germany.

The CR has one of the busiest airspaces in Europe, according to ANS. In spite of that, ANS complied with the European Aviation Safety Agency's recommendation to take over some of the flights from Germany that had to cope with capacity problems especially in summer. In peak hours during the summer season, about 400 flights were diverted to neighbouring countries including the CR a day.

With an average capacity of 150 seats per aircraft, over 135 million passengers are estimated to have flown over the Czech territory last year.

July was the strongest month, with 97,654 aircraft movements.

The number of take-offs and landings at the Vaclav Havel Airport Prague posted an annual rise of 4.8% to 155,216 movements.

ANS controls air traffic at the airports in Prague, Brno, Ostrava and Karlovy Vary, and the overall number of aircraft movements at these airports went up by 3.5% y-o-y to 234,769 movements.

ANS's biggest customer is German airline Lufthansa, other major air carriers are Emirates, Ryanair and Qatar Airways.

In 2017, the state-run company ANS saw its turnover rise by 5% to a record-breaking CZK4.19bn. Its gross profit was CZK5mn higher at CZK484mn.

Table 1: Czech airspace traffic in 2018

<b>total</b>	<b>912,815 movements</b>
<b>strongest month - July</b>	<b>97,654 movements</b>
<b>total Number of passengers in Czech airspace</b>	<b>135,000,000</b>
<b>total Number of kilometres flown</b>	<b>208,000,000</b>
<b>total weight of aircraft (in tonnes)</b>	<b>95,000,000</b>

#### INVESTMENTS & TRADE & SERVICES

#### ALL PARTIES BEHIND LEGISLATION TO PROTECT BRITS – 17. 1.

No parties in the ChD will veto a fast-track process under which legislation will be passed ensuring the rights of British citizens in the CR following the UK's departure from the EU<sup>33</sup>,

<sup>30</sup> **ChD:** Chamber of Deputies, is the lower house of the bicameral Parliament of the CR. The seat of the Chamber of Deputies is Thun Palace in Malá Strana, Prague.

<sup>31</sup> **Senate:** the Senate of the Parliament of the CR, usually referred to as the Senate, is the upper chamber of the Parliament of the Czech Republic. The seat of the Senate is Wallenstein Palace in Prague.

<sup>32</sup> **ANS:** Air Navigation Services of the CR, a state-run company, was established in January 1995. It offers services to users of the Czech Republic's airspace including services at the Vaclav Havel Airport Prague, Brno - Turany, Ostrava - Mosnov and Karlovy Vary airports.

<sup>33</sup> **EU:** European Union, is a politico-economic union of 28 member states that are located primarily in Europe. It has an area of 4,324,782 km<sup>2</sup>, and an estimated population of over 510mn. The EU has developed an internal single market through a standardised system of laws that apply in all member states. EU policies aim to ensure the free movement of people, goods, services, and capital within the internal market, enact legislation in justice and home affairs, and maintain common policies on trade,

the MI<sup>34</sup> Minister of Hamáček said. The bill should be debated and approved in its 1<sup>st</sup> reading, he said.

Mr. Hamáček said the amendment would introduce transition periods in 18 different areas under which British people would have the same rights as EU citizens until the end of 2020. He said he expected the London government would reciprocate and protect Czechs living in the UK.



#### AREA OF COMPLETE WAREHOUSES FALLS – 17. 1.

The area of completed warehouses and production halls decreased annually by 4% to 204,600m<sup>2</sup> in Q<sub>4</sub> of 2018. In comparison with Q<sub>3</sub>, the area increased by 14%.

New production premises were created in 17 industrial parks. The total area of modern warehouse and industrial space in the CR reaches 7.76 million m<sup>2</sup>.

The biggest project completed in Q<sub>4</sub> was a shop floor in CTPark Zatec covering 38,500 m<sup>2</sup>. It was followed in terms of size by a building at the Prologis Park near Vaclav Havel Airport Prague and a hall at the Brno Airport.

At the end of 2018, 406,000 m<sup>2</sup> of warehouse and production premises were under construction, which was ⅓ fewer y-o-y. ¼ of them were located in Prague and its vicinity.

About ½ of the area under construction is to be completed in Q<sub>1</sub> this year. In Q<sub>4</sub>, the construction 137,500 m<sup>2</sup> of new halls was started. Speculative construction accounted for 54%.

The highest monthly rent for industrial and logistic property stayed at €4.50/m<sup>2</sup>. The rent for offices reached €8.50-9/m<sup>2</sup>.



#### NORDIC TELECOM CONFIRMS INTEREST IN 5G – 17. 1.

Entrance of 4<sup>th</sup> mobile operator may be difficult, as there aren't enough 5G<sup>35</sup> licences for existing telecoms.

NT<sup>36</sup> has advantage by investing heavily in internet service provision.

There are speculations that NT may be tied to O2's<sup>37</sup> owner, PPF<sup>38</sup>, which Nordic denies.



#### BEIJING NIXED MEETING OF MINISTERS – 18. 1.

President Zeman says Beijing cancelled a meeting between China's MFA<sup>39</sup> Minister and his Czech counterpart in response to Czech warnings over Chinese-made Huawei<sup>40</sup> technology. He said China had also postponed a meeting of an intergovernmental commission on economic cooperation without offering a new date.

agriculture, fisheries, and regional development. Within the Schengen Area, passport controls have been abolished. A monetary union was established in 1999 and came into full force in 2002, and is composed of 19 EU member states which use the euro currency.

<sup>34</sup> MI: Ministry of the Interior

<sup>35</sup> 5G: 5<sup>th</sup> generation wireless systems, abbreviated 5G, are improved networks deploying in 2018 and later. The primary technologies include: Millimeter wave bands (26, 28, 38, and 60 GHz,) are 5G and offer performance as high as 20 gigabits per second; Massive MIMO (Multiple Input Multiple Output - 64-256 antennas) offers performance "up to ten times current 4G networks;" "Low-band 5G" and "Mid-band 5G" use frequencies from 600 MHz to 6 GHz, especially 3.5-4.2 GHz.

<sup>36</sup> NT: Nordic Telecom, a telecommunications company owned by Tomas Otruba.

<sup>37</sup> O2: a trading name for Telefónica Europe, a European telecommunications provider. O2 Czech Republic (operating under the O2 brand) is a major integrated operator in the Czech Republic. In 2013 it was announced that Telefónica would sell its stake in the company to PPF and the company would continue to use the O2 brand for a maximum of four years. As of 1 June 2015 the separation of O2 Czech Republic as two mutually independent companies has been in force. Therefore, there are now two new telecommunications companies with two different lines of business: the retail operator O2 and the wholesale infrastructure provider CETIN. The separation includes commercial and managerial leadership and management of both companies, including security, IT and control systems.

<sup>38</sup> PPF: PPF is a privately held international financial group. It operates in the area of consumer financing, retail banking and insurance. It develops its activities in many countries. Its headquarters is located in the Netherlands. The largest shareholder of PPF is Petr Kellner (98.94%). PPF invests into a number of sectors, from banking and financial

However, a MFA said the intergovernmental committee meeting had been rescheduled and that this had been confirmed by Chinese officials.

The NCISA<sup>41</sup> said last month that using Huawei or ZTE<sup>42</sup> products could prove a security threat. In addition, the CR's most important organisations have been ordered to carry out assessments of the risks involved in using such Chinese technology.

Mr. Zeman said he would like to meet the head of Huawei to clear the situation up during a visit to China in April.



#### INTEREST IN STRATEGIC PARTNERSHIP WITH INDIA – 18. 1.

PM Babiš, who is on a business-oriented tour of South Asia on Friday met with his Indian counterpart Narendra Modi. The two officials discussed ways of boosting business and trade cooperation, bilateral ties and relations between India and the EU.

Attending the Vibrant Gujarat business forum in Gujarat, the Czech PM said his country was interested in developing a strategic partnership with India, saying that Czech-India business ties not only had a long tradition, but had great potential for the future.

PM Babiš will wind up his visit to India in Delhi where he is scheduled to meet with President Shri Ram Nath Kovind.



#### CZECH COMPETITIVENESS STAGNATES – 18. 1.

The CR's competitiveness has stagnated in recent years, and for now it has no significant impact on its economic growth, and though being one of the most competitive economies in CEE<sup>43</sup>, it lags behind the world's elite, the MIT said.

Higher aid for innovations and elimination of mostly disturbing impacts of taxes and subsidies on the goods market are major factors behind non-price competitiveness that help accelerate GDP growth in the long run, said an analysis of the MIT.

"In spite of the government's effort, it is obvious that weak innovation skills, big burden of government regulations and a complicated system of taxes and subsidies fails to boost GDP growth in the long run," the MIT said.

"The Czech economy has lost price competitiveness in recent years because of steep pay rises and non-price competitiveness owing to the government's inability," Deloitte<sup>44</sup> said.

services to telecommunications, insurance, real estate, agriculture, retail services and biotechnologies. It operates in Europe, Russia, Asia and the USA.

<sup>39</sup> MFA: Ministry of Foreign Affairs

<sup>40</sup> Huawei: Huawei Technologies Co. Ltd. is a Chinese multinational networking and telecommunications equipment and services company headquartered in Shenzhen, Guangdong. It is the largest telecommunications equipment manufacturer in the world,

<sup>41</sup> NCISA: the National Cyber and Information Security Agency, NÚKIB (Národní úřad pro kybernetickou a informační bezpečnost), is the central body of state administration for cyber security, including the protection of classified information in the area of information and communication systems and cryptographic protection. It is also in charge of the public regulated service of the Galileo satellite system. It was created on August 1, 2017 on the basis of Act No. 205/2017 Coll., amending Act No. 181/2014 Coll., on the Cyber Security and on the Amendments of the Related Acts (Cyber Security Act).

<sup>42</sup> ZTE: a Chinese multinational telecommunications equipment and systems company headquartered in Shenzhen, China. ZTE operates in three business units - Carrier Networks (54%) - Terminals (29%) - Telecommunication (17%). ZTE's core products are wireless, exchange, access, optical transmission, and data telecommunications gear; mobile phones; and telecommunications software. It also offers products that provide value-added services, such as video on demand and streaming media. ZTE primarily sells products under its own name but it is also an OEM. ZTE is one of the top five largest smartphone manufacturers in its home market, and in the top ten, worldwide.

<sup>43</sup> CEE: Central and Eastern Europe, is a generic term for the group of countries in Central Europe, Southeast Europe, Northern Europe (Baltic countries), and Eastern Europe

<sup>44</sup> Deloitte: Deloitte Touche Tohmatsu Ltd., a UK-incorporated multinational professional services network. Deloitte is one of the "Big Four" accounting

RDI<sup>45</sup> expenditures are too low, infrastructure investments have been neglected and nothing has been done to eliminate bureaucracy, he said.

"The Czech economy is profiting from a favourable global economic situation, doing very little for its future ...," it added. According to the latest global competitiveness survey of the WEF<sup>46</sup>, CR has an excellent position when it comes to macroeconomic environment but it is not doing well at all in terms of goods market efficiency and innovations.

Since its advantage in the form of lower wages keeps decreasing, the main effort should focus on the support for innovations and elimination of the burden of the government's regulatory measures and the complex tax and subsidy system, the MIT said.

The US-China trade disputes have a relatively insignificant effect on the domestic economy, the MIT said, estimating it at between CZK3.6-6.1bn. If Europe got involved in the conflict because the USA imposed tariffs on car imports from the EU the impact on Czech GDP would reach some CZK15.6bn. In case of a very unfavourable scenario envisaging a 25% tariff on all imports to the USA, a weaker demand would cause a CZK28.5-40.5bn shortfall.

In spite of the warning signals coming mainly from the financial market, the MIT is expecting that following a slowdown in 2018 the economy would keep a similar growth rate this year.

In the competitiveness rankings compiled by the WEF annually, the CR finished 29<sup>th</sup> last year, out of the 140 countries assessed.

Except macroeconomic stability, the CR is lagging behind the top 15 countries in the EU in the remaining 11 indicators.

#### **CR MAY SUBMIT NATIONAL ENERGY PLAN TO EC – 18. 1.**

The CR has been allowed to submit its draft national energy and climate plan to the EC by the end of January instead of the original deadline of the end of 2018, Deputy MIT Minister Neděla said after a meeting with representatives of the CI<sup>47</sup>. The CI wants the plan to be based on analyses of impacts before the CR binds itself to fulfilling European goals in this area.

The MIT sent the draft plan to comment proceedings at the end of last year. MIT said the ministry had already received several hundred comments.

"We have agreed that such a fundamental document, which will determine the direction of the energy sector for the next ten years at least and will require investments worth hundreds of billions of crowns, cannot be solved in comment proceedings within a short time. The material submitted by the ministry is a working draft, whose final form will be based on concrete analyses and consultations," the CI said.

organizations and the largest professional services network in the world by revenue and number of professionals. Deloitte provides audit, tax, consulting, enterprise risk and financial advisory services with more than 263,900 professionals globally.

<sup>45</sup> **RDI:** Research, Development and Innovation

<sup>46</sup> **WEF:** World Economic Forum

<sup>47</sup> **CI:** Confederation of Industry, Svaz průmyslu a dopravy, is an employer association in the Czech Republic founded in 1990. It is non-governmental, independent organization that influences the economic and social policy of the government and acting on the creation of optimal conditions for doing business. It defends the interests of employers in European and world organizations, especially as a member of the Confederation of European Business. The Association brings together 31 sectoral professional or regional associations and associations, 126 individual member companies and 6 observers, 11,000 companies employing 1.3 million workers.

<sup>48</sup> **Eurostat:** Eurostat is a Directorate-General of the European Commission. Its main responsibilities are to provide statistical information to the institutions of the EU and to

"The EC has told us that it will not be any problem if the document is sent by the end of January. We have informed the EC that we have launched public consultations. The CR has actually published the draft plan on the server Euractive, so the EC has received it. It has not received officially via the Permanent Representation though," Cizek said.

The national plan required by the EU covers areas such as energy efficiency and the development of renewable energy sources. It is supposed to include Czech commitments involving the EU 2030 targets.

One of the plan's goals is for renewables to account for 20.8% of energy consumption.

However, environmentalists think that the share should approach 24%, saying the plan does not correspond to the potential renewable energy output which is 22-28% of the 2030 expected energy consumption, excluding advanced biofuels and new transport technology.

Renewables accounted for 14.76% of the CR's final energy consumption in 2017, according to Eurostat<sup>48</sup>, the MIT said in October. In 2010, the share was 10.52%.



#### **COUNCIL FOR PUBLIC INVESTMENT – 21. 1.**

The Cabinet<sup>49</sup> abolished the government council for construction and established the government council for public investment which should coordinate major investments and include representatives of ministries involved in investments, PM Babiš said.

The document approved by the government envisages establishing a ministry for public investment.

The public investment council will provide aid to the government when preparing and negotiating documents concerning investment projects, the material said.

Babiš has been proposed as the council's chairman. Organisation of the council's activities will be managed by the MRD<sup>50</sup>.

The council for construction was set up at the end of 2014.

Today, the government also approved an amendment to the SLO<sup>51</sup> law, and a bill saying that real estate agents will have to have a university degree or necessary qualification in the future, the Cabinet said.



#### **RISE SUN TO BUILD SPA NEAR PASOHLÁVKY – 23. 1.**

The company Thermal Pásohlávky signed a contract on the sale of plots for CZK380mn without VAT with Chinese RiseSun. The plots would host spas for over CZK1bn in 7 years. The company will also build a small treatment institute with 160 beds, which could be financed from the money generated by the sale of the plots. The company, together with the municipality of Pásohlávky and the region, will decide on the source of funding for the institute in February.

promote the harmonisation of statistical methods across its member states and candidates for accession as well as EFTA countries.

<sup>49</sup> **Cabinet:** The Government of the Czech Republic exercises executive power in the Czech Republic. The members of the government are the Prime Minister of the Czech Republic (Chairman of the Government), the deputy ministers and other ministers. It has its legal basis in the Constitution of the Czech Republic. The government is led by the Prime Minister, who selects all the remaining ministers. Government of the Czech Republic is responsible to the Chamber of Deputies of the Czech Republic. The Prime Minister is appointed by the President of the Czech Republic. The current Prime Minister is Andrej Babiš.

<sup>50</sup> **MRD:** Ministry of Regional Development

<sup>51</sup> **SLO:** State Land Office, the administrative authority of the Czech Republic, subordinate to the Ministry of Agriculture. The State Land Office is competent to manage real estate owned by the Land Fund of the Czech Republic, as well as buildings used for water management land improvements and related water assets owned by the state.



**HIGHEST ANNUAL OFFICE RENTS – 23. 1.**

The highest annual rents in offices in Prague went up by an average of 2.5% y-o-y to €246/m<sup>2</sup> last year.

Among the 6 cities in the region whose rents were compared, the annual rises in Prague and Munich were the lowest. None of the cities saw an increase higher than 5%.

Czech property deals decreased by 1/3 annually to CZK60bn in 2018, according to an estimate. Nearly 60% were deals involving domestic investors, about 1/3 of them involved German capital. In terms of sectors, 44% of deals were made in the office sector in CR, which was the highest share.

**Table 2: Highest annual rates in selected cities in the region (CZK/m<sup>2</sup>)**

City	2015	2016	2017	2018
Munich	10,603	10,756	11,064	11,345
Berlin	7,222	8,605	9,834	10,142
Vienna	7,913	7,913	7,913	7,913
Warwaw	7,068	7,376	7,068	7,376
Prague	5,993	5,993	6,146	6,300
Bucharest	5,532	5,532	5,532	5,685

**AVERAGE PRICE OF NEW FLATS HIGHER – 23. 1.**

The average price of new flats sold in Prague increased by 18.6% y-o-y to CZK101,091/m<sup>2</sup> at the end of last year and the number of flats sold last year fell by 9% to 5,000, hitting the lowest level since 2012, according to developers' data.

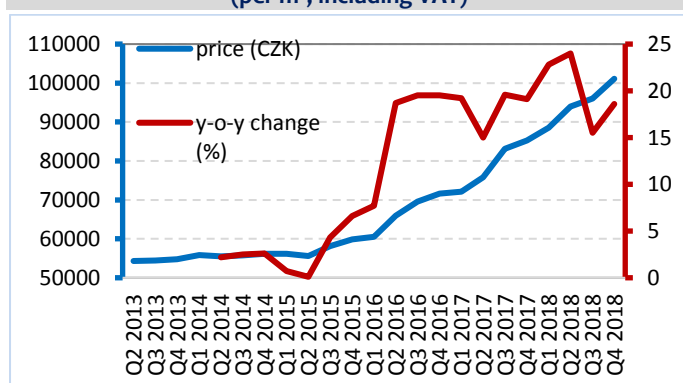
People are interested in buying a new home in Prague and are raising their demands but often they have to make a compromise in terms of flat sizes and location

Prices of new homes in Prague will not go down, the hike will be in units of percent.

Until mid-2015, prices of new homes in the capital city saw a rise of 2% within 2 years. The current prices are 82% higher compared to June 2015. The most expensive flats are, as usual, in Prague 1 (CZK198,000/m<sup>2</sup>) and Prague 2 (CZK164,000/m<sup>2</sup>), while in Prague 4 and Prague 10 the price is a touch below CZK89,000/m<sup>2</sup>.

The number of new flats sold in Prague last year went down by nearly 30% compared to the record year 2015. Most flats were sold in Prague 5, its share at 23%, followed by Prague 9 (20%) and Prague 10 (17%). Conversely, only 2% of new homes were sold in Prague 6.

**Table 3: Average prices of new flats sold in Prague in 2013-2018 (per m<sup>2</sup>, including VAT)**



The number of new flats offered by the developers increased by nearly 1/2 to 5,400 last year. New housing supply is still insufficient.

According to statistics, a sold flat is the one with a valid zoning decision and a minimum reservation fee of CZK50,000

**Table 4: New flats sold in Prague in 2007-2018**

year	number	year	number
2007	5,356	2013	5,033
2008	3,409	2014	5,950
2009	1,941	2015	7,000
2010	2,691	2016	6,650
2011	3,791	2017	5,500
2012	4,589	2018	5,000

**LABOUR & HEALTH & SOCIAL**

**PREPARING ARTIFICIAL INTELLIGENCE STRATEGY – 16. 1.**

The Cabinet will draw up a national strategy for artificial intelligence, in which the academic and commercial sectors will participate, under a memorandum of cooperation signed by representatives of the government and the Platform for Artificial Intelligence today, the CI said.

The government is to prepare the strategy by the middle of this year, after debating its creation at the end of January.

The CR follows European activities in this respect. In December last year, the EC presented a plan by which it wants to support the development and use of artificial intelligence in cooperation with member countries. It called on the member states to create national strategies.

The CR and Germany support the creation of a European centre of artificial intelligence, which could be based in Prague.

In the next decade, the artificial intelligence sector is expected to be funded by at least €20bn annually, both from public and private sources within the EU.

Artificial intelligence is a key tool for development of Czech business, its competitiveness and for the growth of added value of domestic products and services.

"We will focus mainly on proposals regarding regulation of artificial intelligence, issues linked with ethics, education and access to data sources. We will also pay attention to preparing companies and workforce for the use of artificial intelligence. In all these areas, the platform can offer useful knowledge," CI said.

The Platform was founded by the CI last year. Its aim is to propose concrete methods of use of artificial intelligence, among other things.

The Platform members include Google, IBM, CEZ, the Government Office, the University of West Bohemia in Plzen, the Czech Technical University in Prague and the Brno University of Technology.

**CABINET TO ABOLISH SUPERGROSS WAGE IN 2021 – 20. 1.**

The Cabinet plans to put off the abolition of the supergross wage until 2021 as it cannot afford a budget revenue shortfall next year, PM Babiš said.

Part of the opposition criticises the postponement, and the ČSSD<sup>52</sup> do not mind it and would like to initiate talks on higher corporate taxes instead.

Coalition talks on taxes will be held in the coming weeks.

"The year 2021 is more likely as the 2020 budget will be tight, but we definitely want to submit it (supergross wage abolition) within the current term in office," Babiš said.

<sup>52</sup> ČSSD: Czech Social Democratic Party, centre-left party

Last February the MF came up with a proposal to abolish the supergross salary and to cut direct taxes. Public budgets would lose more than CZK22bn (CZK15bn state, the rest municipalities and regions) as a result.

Last September MF Minister Schillerová was talking about tax cuts as of January 2020.

Along with the supergross pay, the MF wanted to lower the income tax. As a percentage of the gross salary it would go down to 19% from 20%. The bill that would abolish the supergross wage would also raise the sole traders' income tax to 19% from the current 15%, but their taxable income would decrease and so would insurance payments.

The 2007 legislation introduced supergross wage taxation.

#### ☰ SICK PAY FOR FIRST 3 DAYS OF ILLNESS – 22. 1.

The ChD has voted to return pay for the first 3 days of illness to Czech employees from July of this year. MPs<sup>53</sup> overruled a Senate veto of a bill to that effect, which was tabled by the ČSSD.

Senators argued that the current legislation – under which the first 3 days are unpaid – keeps the sickness rate down. However, the MLSA<sup>54</sup> Minister Maláčová said employees should not be punished for being unwell.

The bill will be submitted to President Milos Zeman to add his signature.

Based on it, employees will receive 60% of their pay in the first three days of sickness at the cost of the employers.

On the other hand, the health insurance fees the employers pay for their employees will drop by 0.2% or a total of 3.5 billion crowns.

At present, employees receive nothing in the first 3 days of illness. From the 4<sup>th</sup> to the 14<sup>th</sup> day of illness, financial compensation worth ⅓ of the employee's average daily wage is provided by the employer. From the 15<sup>th</sup> day, sickness benefits start to be paid by the insurer.

About ½ of EU countries do not apply the exclusion period, for example Belgium, Germany, Denmark, Poland and Slovakia. In other EU countries, the exclusion period ranges

### RESEARCH & SCIENCE & EDUCATION

#### CTK STRATEGY TO PUT CR AMONG INNOVATION LEADERS – 23. 1.

CRDI<sup>55</sup> approved the 2019-2030 innovation strategy which could put the CR among EU's innovation frontrunners, CRDI chairman and PM Babiš and CRDI deputy chairman Havlíček said.

The 9-pillar strategy won support across the business, academic and scientific spheres and stresses financing and evaluating research.

It sets out the aim of 2.5% of GDP invested in science and research by 2025 and 3% by 2030.

An analysis of research, development and innovation, which the CRDI passed to the cabinet on Monday, showed that the

CR's current investments, amounting to 1.79% of GDP last year, were below the EU average.

The document accentuates start-ups and spin-offs as well as smart infrastructure.

Havlíček said the CR was now heavily dependent on car industry which would also be involved in autonomous car systems development in the future.

The patent policy of the CR is also about to change as it lags behind the world's most developed countries in terms of intellectual property protection.

The digital pillar of the document is in line with the government's "Digital CR" strategy with the aim of enabling people to communicate with the state authorities from home, Babiš said.

The innovation strategy also introduces changes to the taxes concerning research and development as an indirect support for businesses. It now amounts to some CZK2.4bn, concerning 1,300 organisations, and is to double by 2025.

The strategy also deals with innovation chains, from the basic research to the final innovation and its returnability for science.

Another pillar addresses the promotion of Czech science abroad. Havlíček said it was important for the CR to be seen as a country of smart people and technological opportunities. The CRDI drew inspiration from countries in the region and those of a similar size, such as the Nordic states and Switzerland.

#### ☰ PROMOTING APPRENTICESHIPS – 23. 1.

The Cabinet is looking to introduce changes to the educational system to place greater emphasis on apprenticeships.

The move is part of a long-term strategic plan to increase the CR's overall competitiveness and bolster innovation.

Among those working on the plan are experts from the CI, CCC<sup>56</sup>, ASMP<sup>57</sup>, and representatives of schools and the MEYS<sup>58</sup> and MIT.

PM Babiš, as chair of the CRDI, will oversee implementation of the strategic plan, which identifies 10 key areas requiring fundamental change.

These include creating half a dozen development centres for making breakthroughs in artificial intelligence, laser technology and nanotechnology.

### MISCELLANEOUS

#### ☰ RISE IN NUMBER OF FOREIGNERS ILLEGALLY IN CR – 17. 1.

Illegal migration to the CR has stabilised since the migrant crisis of 2015, with fewer than 5,000 people found to be in the country last year without required papers, the Foreign Police say.

The majority of the 4,992 foreigners found to be in the country illegally were Ukrainians, followed by Moldavians,

<sup>53</sup> MP: Member of Parliament

<sup>54</sup> MLSA: Ministry of Labour and Social Affairs

<sup>55</sup> CRDI: Czech Government Council for Research, Development and Innovation (RVVI)

<sup>56</sup> CCC: Czech Chamber of Commerce (also HK ČR in Czech), is an organisation which represents the business community in the Czech Republic and is an essential part of the Czech business environment. The chamber's competencies are defined by Act No. 301/1992 Coll., on the Czech Chamber of Commerce and the Czech Chamber of Agriculture. It is organised into two sections - region and industry-based chamber networks. The region-based network is broken down into district, area and Region chambers of commerce. The industry-based network is made up of business communities divided into four professional associations: Retail and tourism; Industry

and transport; Business services and other; and Construction, technical crafts and technical equipment. It protects the interests of its members - small, mid-sized and large companies that are in the region-based chamber network and business communities. The Czech Chamber of Commerce has over 13,000 members organised in 65 regional and 83 industry subdivisions. Membership of the Czech Chamber of Commerce is voluntary.

<sup>57</sup> 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.

<sup>58</sup> MEYS: Ministry of Education, Youth and Sports



Vietnamese, and Russians. In total, that is 254 more people than in 2017.

The number of foreigners who arrived legally but overstayed their visas rose by 165 to 4,653.

≡ **MPS APPROVE CHURCH RESTITUTION TAXATION – 23. 1.**

The ChD on monies they receive in line with a property restitution law enacted in 2012. The proposal will now go to the Senate for further debate.

Opponents of the proposal argue that it is unjust to tax money paid in to the churches in compensation for properties confiscated by the Communist regime. They argue it is akin to punishing the victim of a theft and also unconstitutional, as in their view it violates earlier treaties.

In total, the churches should receive CZK75bn worth of land and property confiscated by the Communist regime and get CZK59bn worth of compensation money for the rest, to be paid out over a 30-year period.

CTK **MPS PASS BILL FOR HARD BREXIT – 23. 1.**

The ChD passed a government bill for the case of hard Brexit, under which Britons would have the same rights as EU citizens in the CR by the end of 2020, in an accelerated regime in the first reading today.

The legislation would only be applied if Britain left the EU without any agreement with Brussels. The Senate is now to assess the bill. The British MPs rejected the EU-Britain Brexit deal last week, and further steps are being debated now. Britain is to leave the EU as of March 29.

Without the respective legislation, Britons living in the CR would be in the same position as citizens from the countries outside the EU in the case of hard Brexit. This would affect some 5,000 Britons working on the Czech labour market. Some 8,000 UK citizens in total stay in the CR legally at present.

Brexit will also influence the life of Czechs in Britain where between 40,000 and 100,000 of them live according to various estimates.

≡ **TERRORISM “SERIOUS THREAT” TO NATIONAL SECURITY – 23. 1.**

According to the CVVM<sup>59</sup>, 6 out of 10 Czechs consider terrorism to be a “serious threat” to the peace and security in the CR.

At 61%, that figure is down 10pps from a 2016 survey and 20pps from a survey the year before, when the European “refugee crisis” began.

However, after terrorism, respondents cited international organised crime and refugees as the next biggest possible threats to national security. Just over ½ (54%) said these were “serious threats”.

Less than one-quarter of those polled said they thought left- or right-wing extremism posed a “serious threat”.

**STATISTICS**



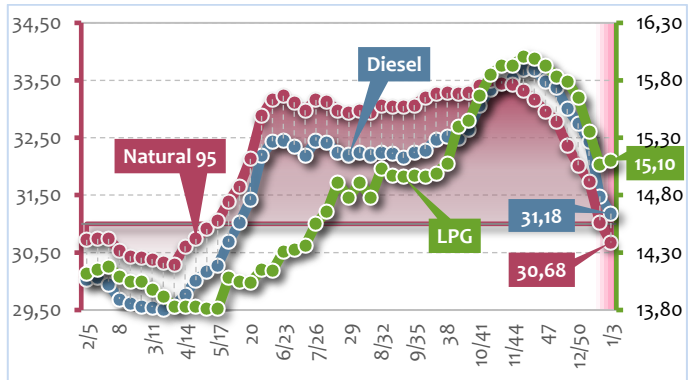
**FUEL PRICES – 18. 1.**

Natural 95 decreased by ▲35h<sup>60</sup> to CZK30.68/l over the past weeks, Diesel oil decreased by ▲30h to CZK31.18/l.

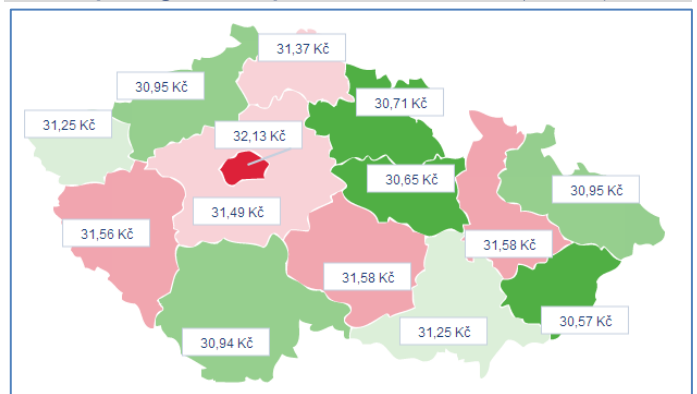
<sup>59</sup> CVVM: Public Opinion Research Centre of the Institute of Sociology of the Academy of Sciences of the CR

<sup>60</sup> h: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

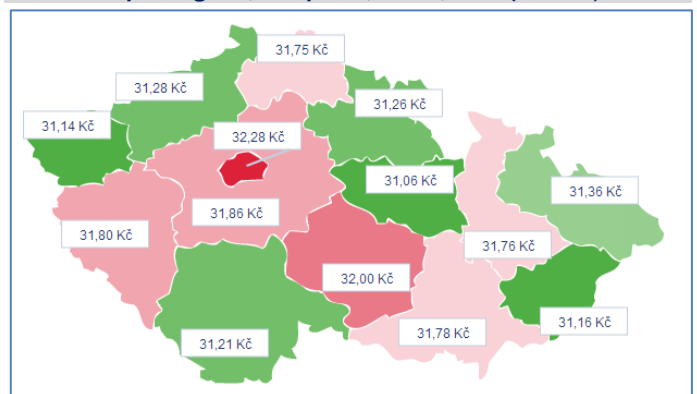
**Graph 1: Average fuel prices<sup>61</sup>, 2017 – 2018, Month/Week (in CZK/l)**



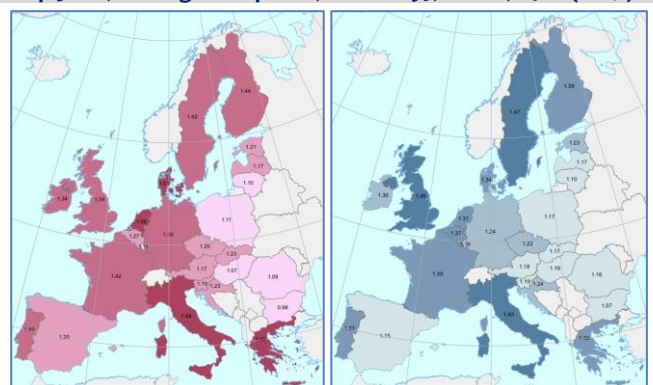
**Map 1: Regions, fuel prices, Natural 95, 20. 1. (in CZK/l)<sup>62</sup>**



**Map 2: Regions, fuel prices, Diesel, 20. 1. (in CZK/l)**



**Map 3: EU, Average fuel prices, Natural 95, Diesel, 14. 1. (in €/l)<sup>63</sup>**



<sup>61</sup> Consumer price indices calculated from the weekly price survey are not qualitatively adjusted and thus do not express the net price development applied at inflation measurement, data issued by the CSO

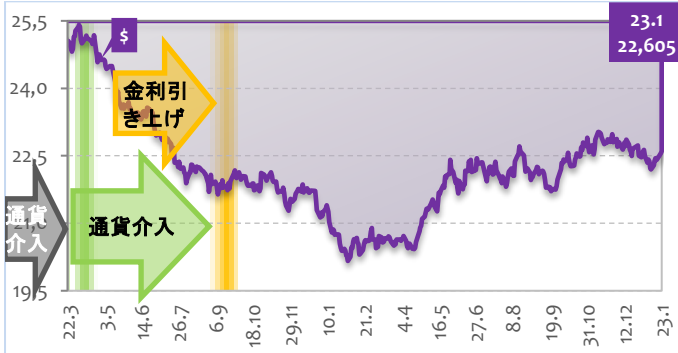
<sup>62</sup> data issued by the mBenzin.cz; <https://www.penize.cz/ceny-benzinu-a-ceny-nafty>

<sup>63</sup> data issued by the EC; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

Graph 2: Exchange rates, CZK/€, 22. 3. 2017 – 23. 1. 2019



Graph 3: Exchange rates, CZK/\$, 22. 3. 2017 – 23. 1. 2019



Graph 4: Exchange rates, CZK/100¥, 22. 3. 2017 – 23. 1. 2019



News outside the time span of this News summary



CEEMarketWatch, is a subscription-based analytical service, covering the emerging regions of Central and Eastern Europe, Euro zone periphery, Middle East, Africa and Latin America.



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



CNB, CNB (Česká národní banka); is the central bank and financial market supervisor in the CR and a member of the European System of Central Banks.



ČTK, Czech Press Agency (Česká tisková kancelář); a national news agency dealing with the gathering, processing, storing, and distributing of text and pictorial information. ČTK is a public corporation and is governed by the law on ČTK Number 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.



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



MIT, Ministry of Industry and Trade of the CR (Ministerstvo průmyslu a obchodu České republiky)



Office of the Government of the CR (Úřad vlády 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.