# Economic News Summary January 24 – January 30

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## Economy & Finance

### Finance Minister Schillerová: EET has brought CZK 12.3bn into budgets – 25.1.

Electronic records of sales (EET) brought a total of CZK 12.3bn into public budgets in the year 2018. Finance minister Alena Schillerová (from the ANO party) said this, adding that if VAT for restaurants had not been lowered along with EET, the sum would be higher by another CZK 800m.

### Finance Ministry with stake in 42 companies in 2018 – 27.1.

The Czech Finance Ministry had a stake in 42 companies at the end of 2018, holding more than 40% in 19 of them, according to the ministry's website.
Companies in which the ministry has a share of more than 40% include CEZ energy group, Letiste Praha, the operator of the Vaclav Havel Airport Prague, and CEPRO fuel distributor, the website said.
Cesky Aeroholding was erased from the public register last year. The company merged with Letiste Praha which is 100% owned by the Finance Ministry.
The ministry's stake in Czech companies' share capital was worth roughly CZK104bn last year.
The ministry also holds a 96% stake in Slovenia's paper company Vipap Videm Krsko, which amounts to some EUR44.1m (about CZK1.1bn) in share capital.
According to a recent statement, the ministry has been negotiating the sale of Vipap Videm Krsko.

**List of joint-stock companies controlled by Finance Ministry with stake of 40-100% in 2018**

| Name | Share capital (CZK) | Ministry stake (CZK) | Stake (%) | Note |
|---|---|---|---|---|
| Severoceske mlekarny Teplice | 30,228,000 | 12,326,000 | 40.78 | |
| Ormilk, in liquidation | 183,070,000 | 86,028,000 | 46.99 | |
| Mufis | 2,000,000 | 980,000 | 49.00 | |
| Prague congress centre | 3,680,000,000 | 2,000,000,000 | 54.35 | |
| CEZ | 53,798,975,900 | 37,541,089,600 | 69.78 | |
| Czech export bank | 5,000,000,000 | 4,200,000,000 | 84.00 | Transfer of industry and trade ministry's share (may), foreign ministry's, agriculture ministry's shares (june) |
| Vipap videm Krsko | EUR 45,697,211 | Eur44,097,809 | 96.50 | Based in slovenia |
| Holding Kladno, in liquidation | 7,500,000,000 | 7,263,533,000 | 96.85 | |
| EGAP | 4,075,000,000 | 4,075,000,000 | 100 | Transfer of industry and trade ministry's share (may), foreign ministry's, agriculture ministry's shares (june) |
| Cepro | 5,660,000,000 | 5,660,000,000 | 100 | |
| Cesky Aeroholding | 27,044,198,000 | 27,044,198,000 | 100 | Erased from public register on sept 30 |
| Letiste Praha | 2,512,227,100 | 2,512,227,100 | 100 | |
| Galileo real | 2,466,000,000 | 2,466,000,000 | 100 | |
| IMOB | 2,200,000 | 2,200,000 | 100 | |
| MERO CR | 8,430,921,000 | 8,430,921,000 | 100 | |
| Prisko | 794,760,000 | 794,760,000 | 100 | |
| Strojirny Tatra Praha, in liquidation | 62,778,000 | 62,778,000 | 100 | Erased from public register on may 23 |
| Thermal - f | 799,550,000 | 799,550,000 | 100 | |
| Czech aerospace research centre | 750,968,000 | 750,968,000 | 100 | |

### Housing loans volume staying at CZK290bn in 2018 – 27.1.

The volume of housing loans totalled some CZK290bn in 2018, which is similar to the volume reported in 2017, according to preliminary estimates of the Czech Banking Association (CBA).
Home-building savings loans exceeded CZK70bn, adding 22%. Their number was similar to 2017's, reaching 73,000, the CBA said.
The volume of mortgage loans, on the other hand, dropped by 2-3%, and their number decreased by some 10% to 100,000.
According to a survey of the Czech National Bank (CNB), banks expect data for the last quarter of 2018 to show lower interest in housing loans.
The CBA's estimates are the same, with the demand decreasing, the CBA's housing consultant Vladimir Stanura said.
Reasons for the lower interest include high property prices caused by short supply especially in Prague, higher interest rates, and tougher rules for those who apply for a loan.
The availability of housing loans decreased significantly in the last quarter, according to the survey. It is caused by stricter recommendation of the CNB, banks being more cautious

about the property market development, and growing market interest rates, ING Bank analyst Jakub Seidler said.
According to estimates of Hypotecni banka, the mortgage market leader, the volume of mortgages dropped annually by CZK6bn to CZK220bn last year.
The overall volume of housing loans, however, rose by CZK15bn, thanks to loans provided by building societies, Hypotecni banka has said.

## Agriculture & Environment

### Water transport reps criticise excluding Elbe from canal project – 24.1.

Representatives of the Czech water transport do not like the idea of excluding the Elbe (Labe) river from the Danube (Dunaj) - Oder (Odra) - Elbe canal project, saying the decision is premature and that the state is throwing away a strategically important investment, they told CTK.
Environmentalists, on the other hand, think taking Elbe out of the equation is positive as Elbe's impacts on the countryside would be the largest.
The Transport Ministry's central commission has suggested that the canal project should proceed as a Danube-Oder link because the Elbe part seems risky.
Water transport representatives criticise the central commission's recommendation and agree that the Elbe section should stay on the table at least as a future possibility. The state could thus react to given options and needs, they said.
Analyses showed that transport activity on Elbe would increase up to fivefold, if the river was part of the canal project, the Transport Union's water transport department secretary Jiri Aster said.
Three branches of the canal would provide for better water management, and excluding Elbe would disrupt the system, the Agrarian Chamber head Zdenek Jandejsek said.
Environmentalists welcome taking Elbe out, while criticising the entire project.
The Elbe part of the canal is the least environmentally friendly, said Jan Pinos, Friends of the Earth (Hnuti Duha) organisation spokesman. Because of elevation, large tunnels would have to be built.
However, the organisation does not like the idea of a Danube-Oder link, either, Pinos said.
Even without Elbe, the project harms the environment and is unnecessary for local economy, according to the organisation.
The Danube-Oder-Elbe canal project would cost over CZK585bn, with costs of the Elbe part alone exceeding CZK300bn, according to a Transport Ministry study.
President Milos Zeman has been supporting the canal construction. Those who back the project believe it would help the domestic water transport. However, environmentalists are against it, thinking it would destroy the relatively natural ecosystems left in Central Europe.

### Farming land price growth in 2018 is slowest in 14 years – 28.1.

Last year's growth of the average market price of farming land in the CR was the slowest in the past 14 years, as the price rose annually by 2.4% to CZK24.1 per square metre, while in the previous years it had been growing by more than 10% annually, according to a study conducted by consulting firm Farmy.cz.
In the past 14 years, prices of farming land have been growing annually. Between 2014 and 2017 the annual growth did not drop below 10%, in 2016 it even exceeded 25%. In 2017, the growth reached 15.2%, according to Farmy.cz, which specialises in the sale of farms and agricultural real estate.
The prices of farming land most often ranged between CZK15 and CZK40 per square metre last year. The highest price of around CZK50 per square metre was seen less often than in 2017, Farmy.cz said.
Prices of arable land were about one third higher than prices of grassland last year, similarly to 2017.
The biggest demand was registered for land plots of medium size, covering 5-10 hectares.
"We registered an ongoing decrease in demand for large land plots covering more than 50 hectares," Farmy.cz said.
The share of farmers and agricultural companies in trade in land rose to 61% last year from 56% in 2017. The share of long-term non-agricultural investors, on the other hand, fell from 44% in 2017 to 39% last year.
The decelerating growth of prices discouraged speculative investors, Their share in land deals was almost zero last year.
According to Farmy.cz, market prices of farming land can be expected to stagnate this year.

## Energy & Industry & Transport

### CR's car output 1.7 pct higher at record 1.437m units in 2018 – 24.1.

Czech passenger car production grew by 1.7% to a new record of 1.437 million units last year, posting a fifth rise in a row, and the export of passenger cars was 2% higher yr/yr, with domestic demand falling by 1.7%, the Automotive Industry Association said today.
Skoda Auto, the largest Czech car manufacturer, saw a 3.3% growth in production volumes.
Car makers profited from the ongoing strong demand but also hit their capacity limits, said Bohdan Wojnar, the head of the association.
Overall demand was rising, while the Chinese market saw a drop after many years. The firm also had to cope with a regulatory framework, for instance, new WLTP (worldwide harmonised light-duty vehicles test procedure) regulations, Wojnar told CTK.
Skoda Auto raised output to 886,103 vehicles, while Hyundai Motor Manufacturing Czech saw a 4.6% drop to 340,300 cars, but it was 3.1% more than expected. TPCA (Toyota Peugeot Citroen Automobile Czech) returned to growth last year, its output adding 6% to 210,993 units.
Bus production in January to December was 5.6% higher at 4,890 units. Market leader Iveco registered a 4.4% hike to 4,283 buses. SOR Libchavy upped its production by more than a fifth to 573 units. KH motor Centrum made 34 buses.
Data on 2018's lorry production are not available. Until September, Tatra and Avia produced 598 units. Trailer and semi-trailer production grew by an annual rate of 0.4% to 25,298 units.
Jawa, the only motorcycle producer, made 1,493 units, which was 162 units more in annual terms.

## Skoda Auto to invest EUR2bn in electromobility, mobility services – 24.1.

Skoda Auto plans to invest EUR2bn (more than CZK50bn) in electromobility and new mobility services, the car maker said in a press release today.
Production in the Mlada Boleslav and Kvasiny plants increased to 886,100 cars last year thanks to their modernisation and expansion, the firm said.
The most popular model Octavia is made in Mlada Boleslav. Last year, the plant produced 258,000 Octavias. Apart from Octavia, also Fabia, Rapid and Karoq models are produced there.
Skoda Superb and SUVs Kodiaq and Karog are produced in Kvasiny, eastern Bohemia. Superb with a plug-in hybrid drive will start to be produced in Kvasiny this year.
The Czech car industry makes up about 9% of gross domestic product, accounting for some two-thirds of Czech export last year.
Skoda Auto feels proud to be one of the Czech economic pillars and that nearly two-thirds of all vehicles produced in the country last year rolled off its production lines, Skoda Auto board member Michael Oeljeklaus said.
The firm also has a plant in Vrchlabi, eastern Bohemia, where it produces gearboxes. It made 538,760 automatic transmissions DQ 200 in Vrchlabi last year, plus another 602,970 gearboxes in Mlada Boleslav, where it also produced 584,880 motors.
Skoda Auto's global deliveries reached 1.25 million cars last year. The firm employs more than 35,000 people and is active on over 100 markets.

## ŠKODA JS discusses work on Ukrainian power plant completion – 24.1.

ŠKODA JS, together with Energoatom, is discussing its potential participation on the completion of blocks 3 and 4 of the Khmelnitskiy Nuclear Power Plant in Ukraine. The information was confirmed to ČIANEWS by spokesperson Jan Stolár. ŠKODA JS delivered to Ukrainian nuclear power plants in the past both facilities and engineering solutions for higher safety. As ČIANEWS has already informed, Ukraine was the no. 3 market for the company in 2017 after Slovakia and Hungary.

## MD to recommend continuing with Danube-Oder canal section – 24.1.

The Ministry of Transport (MD) will recommend the Czech government to continue with the preparation of the Danube-Oder section of the Danube-Oder-Elbe canal. The costs are estimated at CZK 283bn. This was stated by Minister of Transport Dan Ťok (for ANO) as part of the publishing of the feasibility study for the canal. The commission has reviewed in the study various options for the water corridor, incl. combinations of selected branches. The results have confirmed the risks of the scenario that includes the Elbe branch.

## No. of passenger cars in Czechia up at 5.8 mil. in 2018 – 25.1.

The number of passenger cars on Czech roads increased by 210,000 to 5.803 million in 2018, and the average age of vehicles rose by 0.13 years to 14.75 years, according to data from the central register of vehicles.
The number of motorbikes registered in the CR went up by 2.7% to 1.15 million, with their average age exceeding 33 years.
The number of light utility vehicles weighing less than 3.5 tonnes grew annually by 2.3% to 575,000 and their average age was 12.5 years.
Overall, the number of registered vehicles of all categories exceeded 7.9 million and the average age of the fleet was 17.7 years at the end of last year.

## AutoSAP: Motor vehicle production up to 1.44m – 25.1.

Domestic carmaker manufactured record 1.44m motor vehicles in 2018, up 1.6% y/y. The production of road (motor+trailer) vehicles in CR totalled 1.47 million. The production of passenger cars and commercial vehicles increased by 1.7%. Truck production totalled 598 (in 9M 2018). Bus production increased by 5.6%, motorcycle production by 12.2% and trailer and semi-trailer production by 0.4%.

## EC halts two-year infringement procedure against CR over toll – 25.1.

The European Commission (EC) halted an infringement procedure against Czechia over the extension of a toll contract with Kapsch company in 2016 and the country faces no consequences in this respect, according to the Transport Ministry.
Data in the EC database confirm the Commission has halted the proceedings, ministry spokeswoman Lenka Rezkova told CTK today.
The ministry extended the contract with the Austrian company in 2016 by another three years without a public tender.
SkyToll filed a complaint against the course of action.
The Commission launched the proceedings against the country in February 2017, criticising the fact the state did not call a tender to pick a new operator of the electronic toll collection system but extended the existing contract instead.
The ministry signed an appendix to the contract which extended its validity on Sunday.
The ministry explained the move, saying it did not have enough time to call a tender and pick an operator within the regular, open tender process and ensure the takeover of the system by the new operator.
SkyToll, a Slovak toll system operator which was one of the bidders in the Czech tender, criticised the state's behaviour and filed a complaint with the anti-monopoly office (UOHS) and also with the EC. UOHS imposed a CZK1m fine on the state.
The toll tender was completed last year and a Czech-Slovak consortium, CzechToll/SkyToll, was its winner, offering CZK10.75bn for the system's 10-year operation.
The consortium will replace Kapsch at the end of this year. Kapsch has been operating the system since 2007.
Lorries paid a record CZK10.8bn in toll charges on Czech roads last year, nearly 4% more yr/yr.
The state has collected more than CZK98.7bn in tolls since 2007.

## ELECTRICITY SUPPLIED BY CEZ CHARGING STATIONS UP BY HALF IN 2018 – 27.1.

The volume of electricity supplied by CEZ energy group's public electric vehicle charging stations grew annually by nearly 50% to 959,115 kilowatt hours (kWh) in 2018, which corresponds to annual power consumption of about 300 Czech households, CEZ spokesman Martin Schreier told CTK.
Drivers went through 75,584 charging cycles last year, which is more than double the 2017 number, Schreier said.
CEZ is the market leader.
The number of charging stations in Czechia is estimated at some 250, with fast charging stations accounting for more than a half, Hybrid.cz magazine editor-in-chief Jan Horcik said.
CEZ runs more than 140 stations, 80 being fast charging, and PRE and E.ON companies follow, he said.
The average volume of electricity per charging dropped annually from 17.8 kWh to 12.7 kWh, Schreier said.
Czech energy companies said they expect an expansion of charging stations in the future. European subsidies help with the development.
There are currently about 2,500 electric cars registered in Czechia, CEZ said, last year adding record 725 units.
The are some 5.8 million passenger cars registered in the country.

## O2 GENERATING HIGH SALES UNDER PPF – 27.1.

O2 CR, the largest telecommunication company in Czechia, is generating high sales revenues and profits five years after PPF investment group took control; and its business results should get even better in the coming years, analysts approached by CTK agreed.
Even though O2 operates on a competitive market, it has managed to maintain its sales at CZK37bn-CZK38bn, which will continue in the coming years thanks to new technology investments and trying to reduce costs, BH Securities chief economist Stepan Krecek said.
At the beginning of 2014, analysts expected O2's shares to grow more than they did. More recently, the company's shares still fall short of expectations, Czech Fund chief economist Lukas Kovanda said.
In the last quarter of 2018, O2's stock was traded at around CZK240 per share, which was below expectations.
The performance of O2's shares is hurt by lower dynamics of mobile communication sales and a drop in landline communication, Kovanda said.
On January 28, 2014, PPF of billionaire Petr Kellner completed the acquisition of 65.9% of Telefonica CR (O2 CR from June 2014), and 100% in Slovak Telefonica from Spanish Telefonica SA. The investment group paid CZK63.6bn for the transaction, according to a contract signed in November 2013.
PPF has been raising its share in O2, currently owning more than 80%.

## NUCLEAR UNIT CONSTRUCTION MODEL COULD BE CLEAR BY APRIL – 28.1.

An investment model for the construction of a new nuclear unit in the CR could be cleared up by April, Industry and Trade Minister Marta Novakova told journalists before today's government meeting.
However, it would be premature to promise declaring a tender for the construction this year, she said.
For the past few years, plans for a new nuclear unit have been hampered by unclear way of financing.
A tender will be declared once the investment model is set and a deal is negotiated in Brussels as there is a good chance of aid, Novakova said.
Last year, Novakova said a decision about a new nuclear unit model should be made by the year's end.
In the autumn of 2018, Novakova and Prime Minister Andrej Babis said that the government's decision could be postponed and Dukovany nuclear power plant's lifespan could be prolonged.
Babis later said this information was out of context nonsense.
A new unit of Dukovany should be built by a subsidiary of CEZ energy group, the plant's operator, and the state would support the investment as next in line guarantor, Babis has said.
Novakova said in an interview with daily Denik N published today that CEZ should be the one to pay for new nuclear units construction even if it meant higher electricity prices.
Six companies have expressed interest in building a nuclear unit in Czechia - Russia's state-run company Rosatom, France's EDF, South Korea's KHNP, China General Nuclear Power, a joint venture of Areva and Mitsubishi Atmea, and American Westinghouse, according to earlier information.
Environmentalists have long been against the project.
CEZ is the largest Czech energy company. Its majority shareholder is the state holding some 70% via the Finance Ministry.
Dukovany covers a fifth of the CR's electricity consumption with its output of 2,040 megawatts.

## TA ČR EXPANDING OFFER OF SERVICES TO REGIONS – 28.1.

The Technology Agency of the CR (TA ČR) is expanding its offer of services to include regional consulting. Employees of regional contact locations will provide details about possibilities of support for research, development and innovations throughout the CR. The aim is greater regional involvement in applied research. TA ČR also wants to contribute to reducing structural disadvantages for peripheral regions. The gradual opening of branches commenced on January 7, 2019 in the Ústecko Region.

## BUILDERS HALT CONSTRUCTION OF D11 MOTORWAY SECTION – 29.1.

A consortium of construction companies led by Eurovia CS has withdrawn from its contract with Road and Motorway Directorate (RSD) concerning the construction of a section of the D11 motorway between Hradec Kralove and Smirice.
The consortium of Eurovia, Metrostav and Swietelsky complains that RSD has not provided the construction site properly. It has rejected a speculation that more money is the reason behind its withdrawal from the contract.
RSD argues that the companies have rejected to take over the construction site.
Transport Minister Dan Tok plans to meet the builders on Wednesday and is ready to negotiate about a potential payment of additional costs that the builders incurred due to a later handover of the construction site, Tok said on the public Czech Radio today.
Unless an agreement on the continuation of the construction is achieved, a new public tender may be announced, Tok said.

The construction of the 15.5-km-long D11 section started in October last year. The consortium was to build the section for CZK2.59bn excluding VAT and the construction was to be completed in 2022.
Tok has said on Twitter that he wanted D11 sections from Hradec Kralove to Jaromer to be opened by 2022.

### Smart grid project obtains EUR 91.2m from EU – 29.1.

E.ON Distribuce and Západoslovenská distribučná have obtained from the European Commission EUR 91.2m for an international smart energy grid project, ACON Smart Grid. In addition to the distribution companies, other participants on the ACON project include operators of transmission grids in CR and Slovakia - ČEPS and SEPS, as well as other partners. Work on the modernisation of the distribution grids in both countries will commence in 2019 and will run until 2024. ACON's goal is to modernise the grid and increase its efficiency, as well as to deepen the Czech-Slovak crossborder cooperation.

### AGC to deliver side glasses for Russian limousines – 30.1.

AGC Automotive Czech (AGC) will produce laminated side glasses for front and rear doors of Russian government limousines branded Aurus in its Chudeřice-based plant. Some 156 units of the limousines are produced every year. The remaining glasses will be provided by AGC's plant located in Bor, Russia. According to development manager Marek John, the development of the project started in September 2016. The series production was launched in September 2018 in accordance with the plan.

### Škoda Transportation to deliver 7 trains to St. Petersburg – 30.1.

OOO VAGONMAŠ, member of the Škoda Transportation group, will deliver totally seven new six-wagon NěVa metro trains to St. Petersburg, Russia, later in 2019. The first train is already in use. The current contract follows up on earlier delivery of 17 metro trains. The wagons may use energy recuperation for braking and are able to save up to 25% of electricity.

## Investment

### Ministers to draft more details of national investment plan – 28.1.

The government council for public investment agreed today that individual ministers should prepare details of the national investment plan for 2020, 2021 and 2022 and show the readiness of investments in terms of cash flow, Prime Minister Andrej Babis said at a press conference after the cabinet meeting.
The government's national investment plan involves more than 17,000 projects worth CZK3,450bn for 2019-2030, with projects worth CZK1,230bn by 2022.
The council met for the first time today.
"It was a brainstorming meeting at which we discussed all issues we want to deal with. They are, of course, mostly legislative issues. At the next meeting, the council is to debate the state of construction-related legislation, which is probably the most important bill being prepared at present," Babis said.
The aim of the council, established by the government last week, is to coordinate large investment projects, including the national investment plan.
Besides Babis, who chairs the council, its members include ministers of finance, transport and environment.
Today's meeting was also attended by representatives of the Chamber of Commerce, developers and the Association of Building Entrepreneurs.
The Regional Development Ministry is to create an expert team that will be responsible for coordination of project preparations.
The council will be accountable to the government and will responsible for the final selection of projects in which investments will be made.
The government intends to create a ministry for public investment in the future.
The government approved at its meeting today a bill under which share and bond issuers will gain easier access to the capital market, Justice Minister Jan Knezinek told journalists after the cabinet meeting.
The bill will shorten the process of approval of prospectuses, the necessary documents related to the issuing of securities. In addition, small-size issuers will be able to use them in a simpler form.
The bill implements the EU regulation on prospectus, which is the first EU legislation approved within the initiative of creation of the capital markets union.
The government today postponed a debate on the strategy of drawing EU funds in the 2021-2027 budget period, the cabinet said on its website.
The strategy shows that the Czech Republic would like to have more room in decision-making on the use of EU subsidies. The number of operational programmes is to be reduced from the current ten to eight.
According to Regional Development Minister Klara Dostalova, the government is likely to discuss the document next week.

### Daikin to invest up to CZK 52m in robotic units – 29.1.

Daikin Industries CR will invest up to CZK 52m in robotic units. Financial means in the amount of CZK 32m have been approved, while an additional CZK 20m is being negotiated. The reason for acquiring the units is to make work easier for employees, mainly for routine or physically demanding tasks. Among other things, a robot that helps moving heavy and large sheets of metal should be purchased. Together with investments in modernization, Daikin also plans to hire more employees. In 2018, the company hired 249 skilled employees, up 35% y/y.

## Trade & Services

### British imports to CR falling due to fears about Brexit – 29.1.

Imports of goods from Britain to the CR have been falling in recent months, with an annual drop of 35.9% seen in November, according to data from the Czech Statistical Office (CSU).
The decrease has been accelerating since January 2018.
Czech exports to Britain have decreased by 2.7% in the January-November period.
According to Deloitte economist David Marek, the data on imports for November can be just a negative swing, as the

annual decrease for the entire January-November period is lower, he noted.
"But the negative trend is obvious and it is very probable that Brexit, or worries related to Brexit, are contributing to it. A benefit from this situation is being made by companies in other European countries that are able to replace British firms' supplies," Marek said.
"The uncertainty linked with Brexit is taking an increasingly higher toll on Czech-British trade. While at the beginning of 2018 imports from the UK were annually higher, after that they started to fall each month," Czech Fund economist Lukas Kovanda said.
The UK and Austria are the only key importers whose imports decreased in annual terms last year.
While imports from Austria fell by 1.6%, those from Britain dropped by 14.9% in January-November.
"Since all forms of Brexit will have negative impacts on the British economy, differing just in their intensity, Brexit will also have a negative impact on exports from the CR to Britain," Marek noted.

## Labour & Health & Social

### PM Babis asks Vietnam to abolish short-term visas for Czechs – 25.1.

Czech PM Andrej Babis asked his Vietnamese counterpart Nguyen Xuan Phuc to lift visa duty for Czech citizens for stays up to 15 days to boost tourism, Babis told CTK today after the meeting with the Vietnamese PM in Davos today.
He listened to the proposal but has not promised to do so, neither indicated any concrete time frame, Babis said.
He added that he told his Vietnamese counterpart that the visa-free travel would encourage Czechs to visit Vietnam as holiday destinations in Asia are becoming more popular in the CR.
Among the EU countries, Vietnam already has visa-free relations with Denmark, Sweden and Finland. Other countries agreed on an exception for short stays up to 15 days, a measure Vietnam uses to encourage foreign visitors.
Babis also discussed the strengthening of bilateral trade and cooperation in science and research with the Vietnamese PM, whom he invited to the CR.

### HK ČR in favor of cut-off score for high school admission – 28.1.

The Economic Chamber of the CR (HK ČR) supported the call issued by the Association of Regions of the CR for the Ministry of Education of the CR to quickly deal with the situation in secondary education, especially the introduction of uniform management and financing of public schools with a major coordination role to be played by regions. HK ČR stated that the state should require a cut-off score for examinations. The condition should be binding for all types of high schools.

### Chamber of Commerce against wage advantages for Ukrainian workers – 29.1.

The Chamber of Commerce is against the proposed setting of wages for employees from Ukraine, under which these workers would earn at least either the median wage in their profession or 1.2 times the guaranteed wage, Chamber head Vladimir Dlouhy told journalists today.
According to the Chamber, this intention contradicts the principle of equal conditions, as Ukrainian workers would earn more than Czechs.
The proposal was submitted by Labour and Social Affairs Minister Jana Malacova and trade unions.
According to Malacova, wages in the CR have increased, so Ukrainian employees would receive as much as locals and would not be able to compete by cheap labour.
Both options are equal "in absolute terms," she said.
"We do not want the imported employees to compete with our people by cheap labour or to earn more," Malacova said.
If, however, the wages were too low, foreign employees could choose another country instead of the CR, she said.
According to Malacova, the wage criterion has been backed not only by trade unions but also by representatives of the Confederation of Industry and the Confederation of Employers' and Entrepreneurs' Associations (KZPS CR).
According to trade union umbrella CMKOS head Josef Stredula, the wage criterion is aimed at preventing the abuse of Ukrainian workers.
Out of the two proposed options, the unions would prefer median wages for Ukrainian workers.
The two-option wage proposal is part of a proposal for extending the Regime Ukraine, under which Czech employers are able to hire a certain number of Ukrainian employees annualy.
"We wanted the government to introduce a regulated regime for accelerated hiring of workforce from Ukraine to help employers solve the urgent lack of employees. We do not, however, agree with the intention to provide these employees with wage advantages to the detriment of Czech employees. Employees at one workplace should have equal conditions regardless of where they come from," Dlouhy said.
According to estimates, 472,400 foreigners were employed in the CR in 2017, more than 80,000 of them being Ukrainians.
According to the Czech Statistical Office (CSU), workers from Ukraine earn the lowest wages among foreign nationals and they are usually unable to use the level of education they achieved at home. Ukrainian men usually work in industry and construction, while Ukrainain women work mostly in retail, health care and restaurants.
The CR is struggling with record-low unemployment at present. Companies are complaining that they are unable to find employees, as a result of which they have to limit their production.
In December, there were 231,534 job seekers and 324,410 vacancies in the country.
According to the Chamber of Commerce, companies lack about 440,000 employees.
The Chamber is in talks with the government about increasing the annual quota of Ukrainian employees that can be hired by Czech employers up to 40,000 from 19,600.
The related costs are estimated at CZK100m but state revenues from related taxes would increase at least 100 times, which means by CZK10bn annually, according to the Chamber.
Czech companies that have applied for the Chamber of Commerce's assistance in hiring Ukrainian workers through the Regime Ukraine are mostly interested in metal workers, engineering workers, welders, founders, toolmakers,

mechanics and repairers, according to a survey conducted by the Chamber among 364 firms in January.
A total of 92% of the companies involved in the Regime Ukraine are going to hire employees from foreign countries this year or are at least considering it. Workers from Ukraine are most demanded by these companies (97 pct), well ahead of employees from EU countries, mainly Slovakia, and Poland, and other countries, such as Russia, Belarus and Moldova.
According to the Chamber's internal statistics, Czech companies' demand for Ukrainian employees almost doubled in 2018 and this trend is expected to continue this year because of the tense situation on the domestic labour market.
Besides the Regime Ukraine, there is also a similar programme of accelerated hiring of employees from Serbia, Mongolia and the Philippines. A similar principle is also used for hiring employees from third countries via Regime India and for a pilot project called Ukraine for Specialists, which is designed for highly qualified employees.
An overwhelming majority of respondents (95 pct) wants to hire employees from abroad because they are unable to find employees on the domestic labour market.

### Zeman signs sick pay amendments – 30.1.

President Milos Zeman signed the insolvency amendment to soften debt clearance conditions for the people who ended up in a debt trap and a bill to re-introduce sick pay during the first three days of illness for employees into laws today.
Under the amendment to the Labour Code proposed by the junior government Social Democrats (CSSD), employees will start receiving sick pay amounting to 60% of their base pay in the first three days of illness as of July. Employers will cover the costs. As a compensation, they will pay 0.2% less in employee health insurance.
The Chamber of Deputies definitively passed the bill on January 22, overriding the upper house's veto.
This was one of the main demands of the CSSD during its negotiations with ANO on forming the coalition cabinet tolerated by the Communist MPs.
The three-day exclusion period was introduced as part of the austerity package of former prime minister Mirek Topolanek (ODS) in 2008. The Constitutional Court abolished it in mid-2008, but the cabinet pushed it through again.
At present, employees receive nothing in the first three days of illness. From the fourth to the 14th day of illness, financial compensation worth three fifths of the employee's average daily wage is provided by the employer. From the 15th day, sickness benefits start to be paid by the insurer.

### New pension commission to focus on system's revenues, women's pay – 30.1.

The newly established Czech commission for a pension system reform is to focus on problems such as women's lower pensions, the early retirement chance for physically demanding professions and on the system's revenues, Labour and Social Affairs Minister Jana Malacova said today.
The "commission for just pensions" has 43 members, with the parties' lower and upper house groups, universities, trade unions, employers and NGOs being represented in it, Malacova (Social Democrats, CSSD) told journalists.
The commission's first meeting is scheduled for February 22.
"It will be very important for the commission to work in a consensual way. All 43 subjects addressed by us have sent in their representatives," Malacova said.
The formation of an expert commission for a pension reform is one of the goals outlined by the mid-2018 policy statement of the cabinet of Andrej Babis that comprises his ANO movement and the CSSD as the junior partner.
According to the policy statement, the new commission should prepare a solution to ensure a standard pension system on the principle of solidarity while enhancing the principle of merit and motivating people to join private pension schemes.
The government ANO and the CSSD previously agreed on the need to tackle the persisting difference between they pay of men and women and discuss a chance of early retirement for people in physically demanding professions.
Experts and some politicians, nevertheless, say these two issues mean no reform and the cabinet should rather focus on the pension system's revenues and the proportion of the average pension to the average wage.
Malacova said it is necessary "to make up for injustices in the pension system step by step."

## Miscellaneous

### Appointment: Futaba – 24.1.

According to the Commercial Register, Shinichi Kato is an executive director at Futaba Czech.

### Prague Airport opens new commercial zone at Terminal 2 – 24.1.

Prague Airport is opening a new commercial zone at Terminal 2 with a total area of 2,200 m2. It consists of six stores and one restaurant. There are three The Fashion Place stores, a Rituals cosmetics store, a handbag store of the Italian brand Coccinelle, a Hamleys toy store, and a market-like restaurant run by the Swiss chain Marché International. The investment costs of construction adaptations and premises expansion were around CZK 65m. The total number of commercial units at Prague Airport increased to 114.

### Zeman encourages Czech companies to take part in new Silk Road – 25.1.

Czech President Milos Zeman encourages companies to take part in the new Silk Road and he firmly hopes this Chinese initiative will help revive Czech industrial fields such as railroads and the real estate business, he told the New China news agency on Thursday.
New China released its interview with Zeman today.
"The new Silk Road will lead through the CR to Western Europe," Zeman told the agency.
The Belt and Road Initiative, known also as the Belt and Road initiative, aims to build a trade by a network of railways, ports and other infrastructure connecting Asia with Europe, Africa and along the ancient trade routes of the Silk Road.
Zeman appreciated the new Silk Road initiative and said a lot of courage is needed to launch such a project.
He said China is a major country in both the political and economic sense.
Zeman told the agency China succeeded in increasing the standard of living of its people more of whom have been forming the middle class.

He noted that the number of Chinese tourists in the CR increased by 30% in 2018.

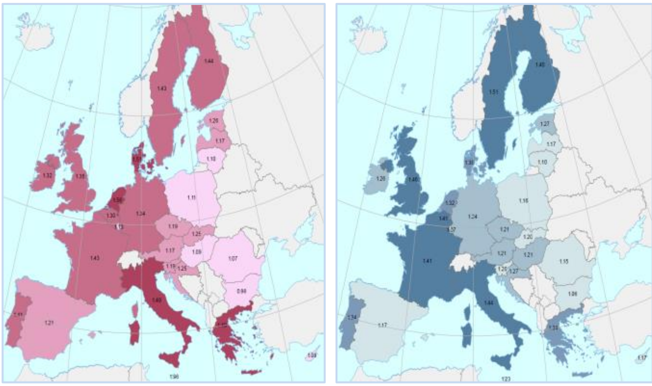
Zeman also said the CR supports the one-China policy.

The one-China policy is a reaction to the relations between China and Taiwan. Beijing considers Taiwan one of China's provinces and threatens with an armed attack in case Taiwan declared independence. Despite this, Taiwan has been in fact independent since 1949, it has its own government and a democratic rule, while China is ruled by a single party.

## STATISTICS

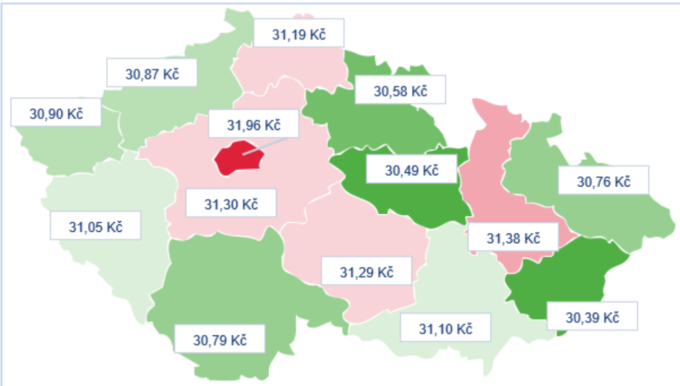
### FUEL PRICES IN THE EU – 21. 1.

Map 1: EU, Average fuel prices, Natural 95, Diesel, 21. 1. (in €/l)[1]

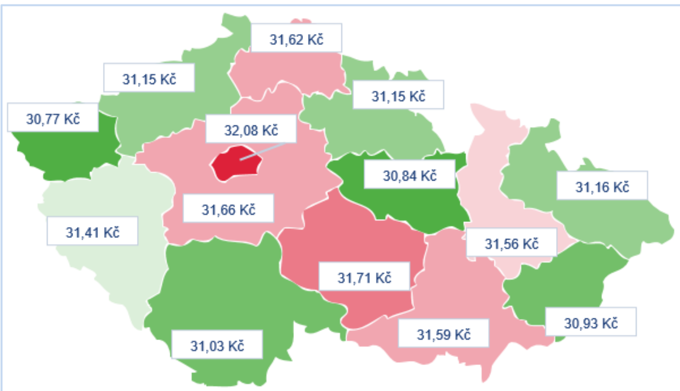


### FUEL PRICES IN THE CR – 27. 1.

Map 2: Regions, fuel prices, Natural 95, 27. 1. (in CZK/l)[2]




Map 3: Regions, fuel prices, Diesel, 27. 1. (in CZK/l)




### AGRICULTURE - 4TH QUARTER AND YEAR 2018: MEAT PRODUCTION UP, PRICES OF PIGS FOR SLAUGHTER STILL LOW – 30.1.

***In Q4 2018 the total meat production slightly rose, year-on-year, to 117 323 tonnes (+2.8%). Agricultural producer prices of cattle for slaughter were by 3.9% lower, prices of pigs for slaughter were on average by 12.3% below those in Q4 2017, and prices of chicken for slaughter increased by 1.2%. The milk collection reached 709.8 mil. litres (the same amount, y-o-y).***

***In 2018 the meat production in the CR amounted to 447 010 tonnes (+2.1%). Pigmeat production remained the same as in 2017 (210 910 tonnes; 0.0%) while production of beef and poultrymeat slightly rose: to 71 579 tonnes (+5.7%) for beef and 164 261 tonnes (+3.4%) for poultrymeat. Agricultural producer prices of animals for slaughter were almost the same, y-o-y, for cattle (+0.2%) and chicken (−0.9%) but prices of pigs for slaughter were deeply below those in 2017 (−16.1%). The growing trend of milk collection persisted (+1.8%); the collection reached 2 953.3 mil. litres. Agricultural producer prices of milk were by 2.1% higher, y-o-y, and reached on average 8.62 CZK per litre.***

#### Slaughtering and meat production

In Q4 2018 there were 65.9 thous. head of cattle slaughtered in abattoirs, i.e. by 8.6% more, y-o-y; of which 27.1 thous. head were bulls (+10.5%), 28.7 thous. head were cows (+7.9%) and 7.5 thous. head were heifers (+5.8%). Production of beef amounted to 19 834 tonnes (+9.1%).

Slaughtering of pigs in Q4 2018 (605.8 thous. head) changed their trend and increased by 1.0%, y-o-y. Pigmeat production reached 55 062 tonnes (+0.6%). Pigs were slaughtered in average live weight by 0.5 kg lower than in Q4 2017. Poultrymeat production in Q4 2018 slightly grew, y-o-y, to 42 348 tonnes (+3.0%).

#### Agricultural producer prices of cattle, pigs and chicken for slaughter

Agricultural producer prices of cattle for slaughter in Q4 2018 were slightly lower, y-o-y (−3.9%): in calves for slaughter (−5.8%) the most and in bulls for slaughter (−3.0%) the fewest. The average price of bulls for slaughter was 46.20 CZK per kg in live weight or 84.08 CZK per kg in slaughter weight; i.e. by 2.14 CZK per kg in slaughter weight less than in Q3 2018.

The prices of pigs for slaughter in Q4 2018 remained deeply below the level of those of Q4 2017 (−12.3%) and they reached on average 27.20 CZK per kg in live weight or 35.36 CZK per kg in slaughter weight. In comparison to Q3 2018, their average price in slaughter weight decreased by 0.42 CZK per kg.

The prices of chicken for slaughter slightly rose, y-o-y (+1.2%). The producers sold chicken for slaughter of the first quality class on average for 23.20 CZK per kg in live weight.

#### Milk collection and agricultural producer prices of milk

In Q4 2018, 709 817 thous. litres of milk (0.0%) were collected from domestic producers, of which 607 813 thous. litres (−0.5%) by dairies.

Agricultural producer prices of milk were by 4.0% lower, y-o-y. The producers sold Q-quality milk on average for 8.75 CZK per litre, i.e. by 0.52 CZK per litre more than in Q3 2018.

***The year 2018 – Production, agricultural producer prices, and external trade***

#### Cattle and beef

In total 236.6 thous. head of cattle (+4.0%) were slaughtered in abattoirs in 2018 and the beef production reached 71 579 tonnes (+5.7%). Increased beef production resulted from

[1] data issued by the EC; https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin

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

higher number of bulls for fattening in 2017 together with slightly increased culling of cows in 2018. Increased average weight of slaughtered animals (especially of bulls: by 10 kg per head) contributed to this situation as well. Producer prices of cattle for slaughter in 2018 almost did not change, y-o-y (+0.2%). The prices of bulls for slaughter were by 0.3% lower, similarly to those of heifers for slaughter (−0.4%) while cows for slaughter were sold for a price by 1.2% higher. The average price of bulls for slaughter was 47.36 CZK per kg of live weight or 86.19 CZK per kg of slaughter weight. The prices did not change much during the course of the year; the difference between the maximal price (in March) and the minimal one (in December) was 3.8 CZK per kg of slaughter weight due to distinct decline in Q4 2018.

According to preliminary results of external trade in live cattle in the period from December 2017 to November 2018, the turnover of external trade expressed in numbers went up but expressed in financial units it went down. The reasons for such situation were increased trade in young age categories together with decreased prices of exported animals for breeding. Imports of live cattle (5.1 thous. head) remained stably negligible compared to their exports (239.1 thous. head). Animals for further rearing prevailed in exports (149.2 thous. head), especially calves and young cattle; their exports rose, y-o-y, to 70.1 thous. calves (+4.1%) and 62.9 thous. head of young cattle (+49.6%). Calves were exported to Spain, Belgium and the Netherlands; young cattle went to Turkey, Slovenia, Hungary and Croatia. In total 77.5 thous. head of cattle for slaughter (+5.7%) were exported; this amount represents 27 045 tonnes of beef, i.e. more than one third of yearly beef production in the CR. Animals for slaughter were exported mainly to Austria and Germany. Imports of beef slightly increased to 37 987 tonnes (+1.8%) and its exports rose to 11 500 tonnes (+13.8%). Imported beef came mostly from Poland, the Netherlands and Germany; exports were directed mainly to Slovakia but also to the Netherlands and to Poland.

The surplus in the trade in live cattle intended for slaughter (+26 125 tonnes in slaughter weight) was almost equal to the deficit in the trade in beef (−26 487 tonnes).

## Pigs and pigmeat

In 2018, the number of pigs slaughtered in the CR was 2 309.7 thous. head (−1.2%) and the pigmeat production reached 210 910 tonnes (0.0%). Lower number of slaughtered pigs in combination with their increased average weight (on average by 1.5 kg per head) resulted in year-on-year unchanged meat production. Prices of pigs for slaughter during 2018 were deeply below the level of those of 2017 (−16.1%). The farmers sold fattened pigs for on average 27.27 CZK per kg of live weight or for 35.45 CZK per kg of slaughter weight. The highest price was recorded in January (36.88 CZK per kg of slaughter weight) and the lowest in June (34.52 CZK per kg). The external trade1) in live pigs showed considerable changes, which led to a distinct increase of its active balance. Strong decrease of imports and increase of exports were noticed in both important categories, i.e. piglets and pigs for slaughter. The trade in piglets amounted to 159.2 thous head (−21.6%) of imported and 136.9 thous. head (+74.2%) of exported animals; their average weight was 26.3 kg in both trade directions. Piglets were imported solely from Germany and Denmark. Their exports were directed to Hungary, Slovakia, Romania and Germany. Almost none pigs for slaughter were imported; on the contrary, their exports rose to 291.1 thous. head and 34 463 tonnes in live weight (+28.2%); this amount equals approximately to two months‘ pigmeat production in the CR. Pigs for slaughter were exported to Slovakia, Hungary and Germany.

The negative balance in the trade1) in pigmeat deepened, y-o-y, mainly because of considerably declined exports and slightly higher imports. In total 273 839 tonnes (+3.7%) were imported mostly from Germany, Spain and also Poland; on the contrary, only 27 533 tonnes (−18.5%) were exported, prevailingly to Slovakia.

Net exports of pigmeat as live animals for slaughter equalled approximately to one tenth of net imports of pigmeat.

## Poultry and poultrymeat

Poultrymeat production in 2018 accounted for 164 261 tonnes, i.e. by 3.4% more than in 2017.

The average agricultural producer price of chicken for slaughter in 2018 was only slightly lower (−0.9%) than in 2017. During the whole year it oscillated with small deviations around the average accounting for 23.03 CZK per kg in live weight. The minimum was recorded in September (22.22 CZK per kg) and the maximum right in October (23.97 CZK per kg). The surplus in external trade1) in day-old chicks distinctly rose, y-o-y, due to declined imports (−6.0 million head) and higher exports (+13.0 million head). Exports of day-old broilers accounted for 93.1 million head (mainly to Slovakia, Romania and Poland) and those of female chicks of laying type to 9.0 million head (prevailingly to Poland, Romania and Bulgaria). The trade in live chicken and culled hens intended for slaughter distinctly decreased for both imports (−30.0%) and exports (−20.2%); therefore, the surplus went down to 21 209 tonnes. Exports of those poultry categories went to Slovakia, Poland and Germany. Imports came from Slovakia. The year-on-year deficit in the trade1) in poultrymeat was caused by higher imports and lower exports. During the observed period, in total 117 146 tonnes (+8.1%) were imported, mainly from Poland; imports from Hungary increased as well. In total 22 523 tonnes (−7.4%) were exported, prevailingly to Slovakia, Germany and Austria. The surplus in the trade1) in live poultry, especially chicken, hens and turkeys for meat production, represented approximately one quarter of the deficit of the trade in poultrymeat.

## Milk and milk products

In 2018 the direct milk collection from domestic producers accounted for 2 952.3 million litres (+1.8%), of which 2 525.3 million litres (+1.9%) were collected by diaries from producers and collection centres.

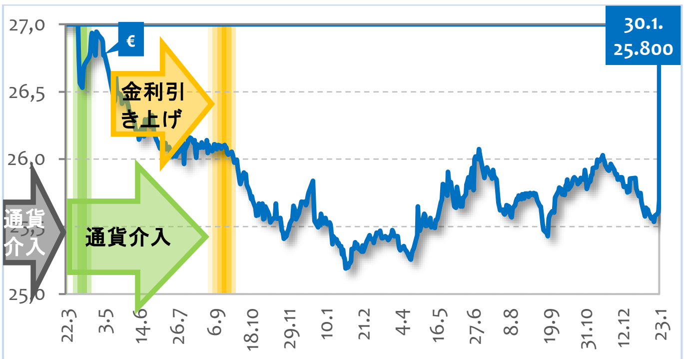
The average agricultural producer price of milk was by 2.1% higher than in 2017 and reached 8.62 CZK per litre of Q-quality milk. Its price surpassed the level of 9 CZK per litre at the beginning of the year (in January and February) as well as in its end (in December). The lowest price was recorded in July (8.20 CZK per litre).

During the observed period, 254.5 thous. tonnes (−15.6%) of milk and milk products were imported and 1 102.7 thous. tonnes (+5.5%) exported. Distinct surplus of external trade1) in milk and milk products rose, y-o-y. Milk and cream together with cheese and curd contributed to this situation the most.

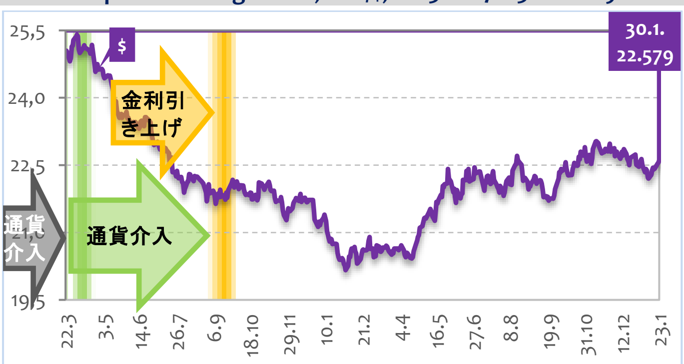
These two commodities recorded declined imports and increased exports, although the trade balance was noticeably positive in milk (+852.4 thous tonnes) while it was negative in cheese and curd (–39.3 thous. tonnes). The deficit of trade in butter (–20.4 thous. tonnes) went slightly down due to increased imports. Also imports of acidified milk products rose, and, therefore, their surplus declined to 19.9 thous. tonnes. The main trade partners for milk and milk products were Germany and Slovakia for both directions together with Poland for imports and Italy for exports.

## CZK vs €, $, ¥ – 30. 1.

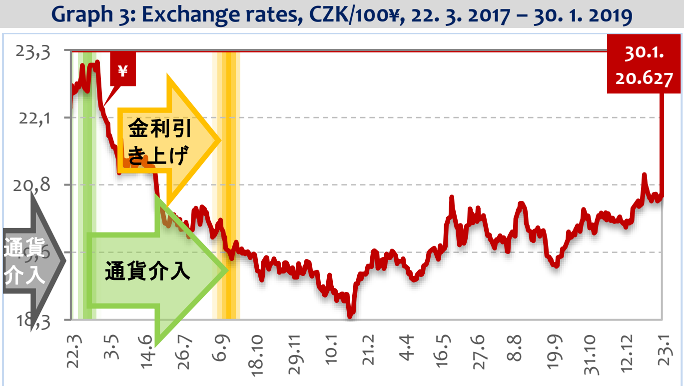
Graph 1: Exchange rates, CZK/€, 22. 3. 2017 – 30. 1. 2019




Graph 2: Exchange rates, CZK/$, 22. 3. 2017 – 30. 1. 2019




Graph 3: Exchange rates, CZK/100¥, 22. 3. 2017 – 30. 1. 2019

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*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.*

*European Commission; 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.*

*Peníze.cz; is an online news magazine published by Partners Media, owned by Partners Financial Services, jsc.*