

ECONOMIC NEWS SUMMARY JANUARY 31 – FEBRUARY 6

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ECONOMY & FINANCE

PM BABIS: NO REASON FOR CZECHIA TO NEGOTIATE BREXIT SEPARATELY – 31.1.

Czechia supports the EU's united approach to Britain's departure and there is no reason for it to negotiate about Brexit on its own, PM Andrej Babis said in the lower house today, adding that Prague believes it would be best if the previously reached deal were concluded by the EU and Britain.

Babis was answering a question addressed to him by opposition deputy Veronika Vrecionova (Civic Democrats, ODS).

The previously agreed-upon deal between the EU and Britain was recently rejected by the lower house of British parliament. The British cabinet wants to work out draft solutions to the dispute over the regime on the border between Ireland and the UK's Northern Ireland and submit them to the EU.

Brussels, nevertheless, has repeatedly said the EU would not reopen the deal as agreed upon before. Mainly Ireland has made it clear that there are no alternatives to the Irish backstop.

Vrecionova asked Babis, among others, whether he has asked EC President Jean-Claude Juncker or European Council head Donald Tusk to negotiate with Britain.

According to Vrecionova, London's demand for a change to the Irish backstop is quite rightful and it is a mistake that the EU representatives refuse any further negotiations.

"The EU has agreed to hold a united position," Babis said, adding that the EU still does not know what Britain demands. "There is no reason for the CR to negotiate on its own. We keep asking what Great Britain wants, and we still do not know it," he added.

Babis recalled that Czechia is preparing for no-deal Brexit. The relevant law is to be discussed by the Senate soon. Britain is to leave the EU on March 29.

GOVERNMENT INSTITUTIONS' SPENDING GROWS TO CZK1,966BN IN 2017 – 31.1.

Spending of Czech government institutions increased annually by CZK84bn to CZK1,966bn in 2017, which corresponds to 40% of the country's gross domestic product (GDP), the Czech Statistical Office (CSU) representatives said at today's press conference.

Government institutions' expenditures include spending of ministries, self-rule authorities, regions, health insurers and cultural organisations.

Spending on social protection amounted to CZK605bn, making up the largest part, with social benefits totalling CZK597bn.

The ratio of social protection to GDP is about 12 percent, the CSU's government and financial accounts department head Petr Musil said.

Spending on salaries, wages and mandatory payments reached about CZK462bn.

The largest increase was registered in spending on health, with the amount adding CZK22bn to CZK377bn in 2017. Expenditures on education followed, growing by CZK20bn to CZK233bn.

The state budget expenditures totalled CZK1,280bn in 2017. In 2016, the Czech government spending to GDP ratio of 39.4% was below the European Union average of 46.2 percent, Musil said.

The Czech government spending to GDP ratio is the lowest among Central European countries, he added. Poland reported 41.1 percent, Slovakia 42.6% and Austria 50.3 percent.

VOLUME OF MORTGAGES, HOUSING LOANS AT RECORD CZK232BN IN 2018 – 31.1.

The total volume of new mortgages and housing loans rose by CZK15bn annually to a record CZK232bn in 2018, with new mortgage loans at CZK187bn against CZK174bn a year earlier, the Czech National Bank (CNB) said today.

The 2018 figures did not confirm the pessimistic predictions that the mortgage market would go down markedly, the CNB said.

Stricter rules for mortgage loans provision took effect last October. New mortgage volumes, however, grew annually in October and November, falling in December.

"This year can possibly see an annual decrease in the volume of new mortgages but it will not be a dramatic fall," said Jan Frait, head of the CNB financial stability section.

Data on new mortgage loans include both new loans and those whose target amount has been raised.

Refinanced mortgage loans decreased by nearly CZK4bn to CZK35bn.

"The fall has nothing to do with the CNB's regulation of mortgages because it does not apply to refinanced loans," said the bank.

The mortgage volume, that is new and refinanced loans, reached CZK222bn in total, about CZK10bn more year on year.

The CNB tightened mortgage loan conditions in October, saying the loan should not exceed nine times the net annual income of an applicant who should also spend no more than 45% of their net monthly income on debt service. Five% of applicants may get exception.

The CNB claims the limits are not meant to cut the volume of mortgages but to prevent taking out loans by users that are too risky.

CR GETS CZK45.3BN MORE FROM EU BUDGET THAN IT PAYS TO IT IN 2018 – 31.1.

The CR received CZK45.3bn more from the EU budget last year than it contributed to it, the Finance Ministry said today. The country received CZK94.9bn from the EU budget and paid CZK49.6bn to it last year. Like in previous years, it was a net recipient of EU money.

The net position was CZK56bn in 2017.

The ministry said the net position went down because of growing contributions to the EU budget and by the fact that higher EU lending for the budget period 2014 to 2020 failed

to offset a drop in the EU budget revenue for the programming period 2007 to 2013.

"However, it needs to be stressed that all operational programmes managed to use all funds by the end of 2018, in line with decommitment methodology (n+3 rule, deadline set for the end of the third year) that should have been spent and the CR did not lose any money," the ministry said.

Revenues from the Structural Funds and the Cohesion Fund totalled CZK60.2bn, and revenues from the Common Agricultural Policy reached CZK30bn, with direct payments at CZK21.6bn.

Between May 2004, the country's EU entry, and the end of 2018, the CR received CZK1,310bn from the EU budget, paying CZK565.4bn to it, which means it received CZK741.3bn more from the budget than it contributed to it over the period.

The CR's net position (difference between revenues from the EU and payments to the EU)

Year	CZK bn
2004	7.3
2005	2.0
2006	6.9
2007	15.2
2008	23.8
2009	42.3
2010	47.9
2011	30.8
2012	73.8
2013	84.8
2014	75.3
2015	150.0
2016	80.6
2017	56
2018	45.3

EIB PROVIDES CZECHIA WITH LOWEST FUNDING AMONG V4 STATES IN 2018 – 31.1.

The volume of funds the CR received from the European Investment Bank (EIB) group in 2018 was the lowest among the Visegrad Four (V4) countries, which was a one-off rather than a trend, EIB vice-president Vazil Hudak told CTK today.

The EIB provided money to the V4 members (Czechia, Slovakia, Poland, Hungary) taking account of their economic performance. It granted the largest amount of money to Poland last year.

The EIB, including the European Investment Fund, its subsidiary, allocated EUR708m (CZK18.2bn) for Czechia in 2018, that is 0.34% of its gross domestic product. It was EUR1.16bn (CZK29.9bn) in 2017.

Poland got EUR4.79bn (CZK123.4bn) last year.

The fall in project financing for Czechia is related to the fact that EIB has larger transactions in other V4 countries, mainly infrastructure projects, Hudak said.

EIB's figures in Czechia were affected by postponing signing of a loan contract on the country's railway modernisation this year. The CZK11.5bn loan for the expansion of corridors was approved by the government last November.

Slovakia got EUR631m (CZK16.3bn) in EIB loans, guarantees and capital last year, which is an annual increase of 93 percent.

CR'S STATE BUDGET SHOWS CZK8.8BN SURPLUS IN JAN -

MINISTRY – 1.2.

The CR's state budget showed a surplus of CZK8.8bn in January this year, compared with a surplus of CZK26.5bn a year ago, the Finance Ministry said in a press release today.

The annual decrease was caused by an exceptional reception of CZK17.1bn from EU funds related to the EU 2007-2013 budget. Adjusted for the EU finances, the state budget would show a surplus of CZK4.1bn. In January 2018, the adjusted surplus would reach CZK5bn.

Total state budget revenues in January 2019 decreased annually by CZK10.4bn to CZK121.8bn. Revenues from tax collection, including social security contributions, rose by CZK2.5bn to CZK103.1bn.

Total state budget expenditures increased by CZK7.3bn to CZK113bn.

VAT collection fell by 2.8% to CZK30.6bn. According to the ministry, the figure, relating to VAT for December, was influenced negatively by a lower number of working days in December 2018.

Excise duty collection brought CZK13.4bn to the state coffers, 0.3% less than a year ago.

Spending on social benefits amounted to CZK50.9bn, which was an annual rise by 11 percent. The biggest contribution to this came from expenditures on pensions, which increased by 11% as well.

The revenue side of the state budget will be less favourable this year compared to 2018 because of slowing economic activity, said Raiffeisenbank analyst Frantisek Taborsky.

"The expenditure side will be increasingly affected by the more expensive debt service and upward pressure on current expenditures," said Taborsky.

"We think there will be continued pressure to raise civil servants' salaries and social aid, and we also predict higher spending on defence. The state budget data should be closer to the original target this year than we saw in the past few years," said Taborsky.

The state budget approved for 2018 envisaged a deficit of CZK50bn but eventually ended in a surplus of CZK2.9bn.

The budget approved for this year envisages a CZK40bn deficit.

SHARE OF FOREIGNERS OWNING CZECH BONDS UP AT SOME

42% AT END-2018 – 3.2.

Nearly 42% of foreign investors held Czech government bonds worth CZK579.7bn at the end of last year and it was the highest share since November 2017, according to data of the Finance Ministry.

In terms of bonds, the CR's debt totalled CZK1,540bn.

With the approaching end of the Czech National Bank's (CNB) forex intervention regime, the share of foreigners started to rise markedly. The CNB quit the regime, launched in November 2013, on April 6, 2017.

September 2017 saw the highest share of 51.35% as foreign investors were betting on the crown getting stronger once the CNB leaves the regime.

ING chief economist Jakub Seidler assigned the current hike to investors' worries that, like in 2017, their assets in crowns might be penalised by remarkably negative rates. "In the domestic banking sector, (negative rates) occur as a result of fees to the resolution fund (to wind up failing banks) based

on the banks' balance sheets at the end of the year," said Seidler.

Like last year, January may see a drop in the share, he added.

Czech government bonds held by foreign investors in 2016-18

	Foreign investors' share (in %)	Volume (CZK bn)
Dec 31, 2016	31.56	424
Jan 31, 2017	38.66	538.8
Feb 28, 2017	41.99	601.7
March 31, 2017	47.26	717.6
April 30, 2017	45.44	693.2
May 31, 2017	46.09	713.2
June 30, 2017	47.62	726.7
July 31, 2017	45.63	701.5
Aug 31, 2017	46.12	710.5
Sept 30, 2017	51.35	693.2
Oct 31, 2017	46.35	657.1
Nov 30, 2017	41.95	586.4
Dec 31, 2017	41.64	570.8
Jan 31, 2018	37.77	519.2
Feb 28, 2018	37.72	546.2
March 31, 2018	35.47	518.2
April 30, 2018	38.87	550
May 31, 2018	40.26	562.4
June 30, 2018	39.78	580.4
July 31, 2018	39.48	584.3
Aug 31, 2018	38.97	553.2
Dec 31, 2018	41.81	579.7

FINANCE MINISTER SCHILLEROVÁ: 2020 BUDGET DEFICIT WILL BE CZK40BN – 4.2.

For 2020 the Ministry of Finance of the CR is expecting a budget deficit of CZK40bn. This was stated after a meeting of the coalition council on February 1, 2019 by Finance Minister Alena Schillerová (on behalf of ANO). She also said that it is necessary to find savings, which is why the Finance Ministry will submit for comment the amendment to the act on regulation of insurance company reserve creation. There are plans to also propose a reduction in the number of state employees by 10 %. PM Andrej Babiš (ANO) stated that the government will lead talks about taxing hard alcohol and a digital tax. It sees major savings in the area of IT. PM Babiš rejects the higher taxation of banks, as in his words banks would transfer the costs of clients.

BREXIT WITHOUT AGREEMENT WOULD SLOW DOWN CR'S GDP TO BELOW 2 % - 4.2.

The departure of the United Kingdom from the EU without an agreement in 2019 would result in a slowdown of the growth rate of the Czech economy to 1.9 %. This is anticipated by the model prediction of the Ministry of Finance of the CR. A hard Brexit would affect the domestic economy not only through a drop in foreign trade with Great Britain but also

indirectly through a reduction in demand for Czech goods in the euro area. The two factors would result in an overall drop in demand for Czech exports of 1.1 p.p. The drop in exports would subsequently lead to a drop in the growth rate of overall economic production by 0.6 p.p.

CZECH ECONOMY IS DRIVEN BY HOUSEHOLD CONSUMPTION – 5.2.

Household consumption was the main driving force of the Czech economy last year, supported by high consumer confidence which resulted mainly from record-high employment and solid wage growth, according to analysts polled by CTK today.

According to data released by the Czech Statistical Office (CSU) today, retail sales without cars increased annually by 4.8% last year, growing for the fifth year in a row.

This year, the growth will slow down but will still remain very strong, according to the analysts.

"It is a solid result, though, for the first time since 2014, it did not exceed the level of 5 percent. This has confirmed that the peak of the economy as a whole is over," Czech Fund chief economist Lukas Kovanda said.

The growth of Czech retail sales is one of the fastest within the EU. In comparison with the EU average, it is more than double, Kovanda noted.

According to ING economist Jakub Seidler, this is connected with the favourable growth of employment and wages in the domestic economy in recent years.

In December alone, retail sales ended slightly below market expectations, as their annual growth decelerated to 3.1% from November's 6.1 percent. Adjusted for calendar influences, they rose by 4.3 percent.

"There is every indication that households did not leave Christmas shopping until the last moment but started it in the months before," Monicka Juncke of Komerční banka noted.

In terms of forms, the strong growth sales via the Internet and mail order houses continued last year, even though December was the second slowest month in this regard, Generali Investments CEE chief economic Radomir Jac said.

The sales growth was driven by sales of non-food goods, particularly computers, phones, clothing and footwear as well as by sales of products for culture, sport and recreation, Jac added.

The segment of motor vehicles, on the other hand, reported an ongoing decrease. The gap between retail sales including cars and those without cars is increasing, the analysts noted.

"While retail sales without cars in Q4 rose faster than the full-year average, retail sales for the sale and repair of motor vehicles showed the worst quarterly results," UniCredit Bank analyst Jiri Pour said.

For the entire 2018, car sales recorded the first drop since 2012 and the biggest decrease since the crisis year 2009, he added.

According to Kovanda, car sales were dampened by the transition to new emission tests.

The growth of retail sales will slow down this year, according to the analysts.

"But the drop will not be as notable as in construction and industry. Thanks to the low unemployment and strong growth of real wages, the slowdown of retail sales will be gradual," Jiri Cihlar of Next Finance said.

According to Petr Dufek of CSOB, consumption will become the main driving force of the demand behind economic growth again.

AGRICULTURE & ENVIRONMENT

CTK BUDEJOVICKY BUDVAR'S 2018 SALES HIGHEST IN COMPANY

HISTORY – 31.1.

Sales revenues of Budejovický Budvar brewery grew annually by 7.3% to CZK2.569bn in 2018, which is the largest amount in the company's history, and its output increased by 3.6% to 1.602mn hectolitres of beer, Budvar spokesman Petr Samec told CTK today.

Budvar did not disclose its bottom line. It will publish complete business results after audit at the end of the first half of this year.

Last year's output was the second largest in the 123 years of the company's existence, following 2016's volume of 1.61mn hectolitres.

CTK SOME MEAT FROM PROBLEMATIC POLISH SLAUGHTERHOUSE

GETS TO CR – 1.2.

About 300 kg of meat from the Polish slaughterhouse where sick cows were killed arrived in the CR, and after consultations with the EC, Czechia may introduce extraordinary veterinary measures to prevent Polish beef from getting to the country, a minister said today.

According to Agriculture Minister Miroslav Toman, the said amount of meat was supplied to Prague, Varnsdorf, Novy Bydžov and Kostelec nad Labem.

One meat consignment of 100 kg was sent back to Poland following an appeal from a Polish retailer, Toman said at an extraordinary press briefing.

The meat need not be bad but it was processed in plants along with the meat from the sick cows, said Zbynek Semerad, head of the State Veterinary Administration (SVS). The meat in Varnsdorf may have been consumed, he added. Toman called on Czechs to keep away from Polish beef and prefer Czech production.

The CR can possibly introduce extraordinary measures that would limit trade, thus preventing Polish beef from getting to the country, however, such step would be preceded with consultations with the EC, Toman said.

Should Polish beef imports be banned, a coordinated action of European countries would be needed to prevent the bad meat from Poland from getting to the country via other EU members, he said.

Toman said he did not trust the Polish veterinary control system as it provided information that changed frequently.

"I will ask the Polish colleagues to provide guarantee they will remedy the situation and change rules of the veterinary control system so as to ensure its proper functioning and that similar cases are not repeated," Toman said.

Toman approached the Commission about steps it will take to prevent such situations from repeating in the future.

Eating the meat from the sick cows can cause people serious health problems such as food poisoning, meningitis, arthritis or sepsis.

Semerad said the meat would most probably have a nasty smell.

Czech vets intensified checks of beef imported from Poland this week, but they are made at random.

According to Toman, the number of checks has even increased by 100 percent.

The problem does not concern Agrofert, the largest Czech meat processor, that is not importing any Polish beef, said Agrofert spokesman Karel Hanzelka.

A meat processing company in Novy Bydžov, whose name was not disclosed, returned a 106 kg meat consignment to Poland upon the request of the Polish supplier.

Ivana Matkova, co-owner of the butcher's in Kostelec nad Labem, told CTK they have their own slaughterhouse. They have never bought beef in Poland and will never do so, she said.

Meat processors reported over 14,000 tonnes of beef imported to Czechia from Poland last year (about 28,000 shipments), said SVS's Petr Majer. No major shortcomings were found on the basis of which the meat would have to be returned or disposed of in rendering plants.

Up to 600 kg of beef from the Polish plant where sick cows were slaughtered arrived in Slovakia, Jozef Bires, head of the Slovak State Veterinary and Food Administration, told CTK.

The original estimate was about 300 kg of Polish beef.

Slovak Agriculture Minister Gabriela Matecna said meat checks would continue. She met with the Polish ambassador to discuss the case. The Polish beef ended in Slovak restaurants, school canteens and retail shops.

Vets took samples of the meat and results of laboratory tests will be available next week.

CTK FARMERS, HUNTERS WANT STATE TO INTERFERE AGAINST

WOLVES – 4.2.

The number of wolves has increased in the CR considerably in the past five years and gamekeepers and livestock breeders therefore call on the state to interfere, daily Lidove noviny (LN) writes today.

Wolves have gradually returned to the Czech mountainous areas, mainly along the border, in the past few years, which conservationists welcome, and as protected species they cannot be shot down. However, they are causing extensive damage and their attacks on farm animals are on the rise.

On the other hand, farmers are entitled to a compensation from the respective regional offices if a wolf inflicts damage upon them, and they can also draw subsidies from the Environment Operational Programme.

LN writes that the tension around wolves was also debated in the Chamber of Deputies, the lower house of parliament. A special conference will be held there that is to result in legislative measures modifying the wolf status.

"We do understand the disillusionment of farmers and gamekeepers, but at the same time, we do not want to unleash any headless chase for wolves," Pirate MP Frantisek Elfmark, from the lower house environment committee, told the LN's server.

Conservationists argue that the wolf belongs to the Czech landscape historically, but wolves also cause damage to farmers and gamekeepers who are not prepared for their return, he said.

The CR does not face any dramatic wolf expansion yet, as some ten wolf packs and five wolf couples without cubs are living in the Czech territory now. Nevertheless these figures have been rising.

Five years ago, wolves occurred only sporadically in the Beskydy (Beskid Mountains), north Moravia, but now a dozen areas with the wolf population have been registered. Until the end of 2017, the authorities paid out CZK1.4mn in compensation for the damage caused by wolves, which means an alarming 300-percent rise in each of the past three years. Moreover, further damage worth CZK27mn is to be tackled, Martina Novotna said on behalf of the biggest association of hunters in the country, the Bohemian-Moravian Gamekeeper Association.

The organisation recommends that the state draft a concept to state how many wolves are bearable in the Czech landscape, including a particular emergency plan, she added. Wolves packs have been settling down mainly in border areas, in the Sumava, south and west Bohemia, Krusne hory (Ore Mountains), north Bohemia, and the Broumov locality, east Bohemia, of late.

Experts are not sure about the reasons for the wolf population recovery in Europe.

"One of the factors may be that people are abandoning the countryside and moving to towns, so there is more space in the country," Pavel Hulva, a wolf expert from the Faculty of Science of Prague's Charles University (UK), told LN.

Another phenomenon is "the new wilderness" - the places that are not used economically, unlike farmland and forests, are overgrown with vegetation and thus create more habitats for beasts of prey, he added.

Some experts say that paradoxically, gamekeepers alone may be responsible for the situation as they do not sufficiently regulate the game that wolves feed on then.

In reaction to the situation, the Environment Ministry wants to work out "a plan of care" and present it in mid-2019.

"We want to improve the system of compensations for farmers as well as to prevent the cases of wolves adapting to living close to human settlements," government spokeswoman Vanesa Sandoval said.

Gamekeepers urge the state to prepare a timely solution to the situation as they do not want to take the ultimate measure and start shooting down wolves, since this might harm their reputation in public eyes, LN writes, referring to Bohemian-Moravian Gamekeeper Association head Milos Fischer.

CTK NEARLY HALF OF BAD MEAT FROM POLAND SOLD TO CONSUMERS, RESTAURANTS – 4.2.

Some 137 kilos, of a total of 300 kilos of spoiled beef imported to Czechia from Poland, were sold to consumers or ended in restaurants, State Veterinary Administration (SVS) spokesman Petr Vorlicek told CTK today.

Unless meat bought in the butchers in Kostelec nad Labem and Varnsdorf has been eaten people should return it to the retailers, he said.

"Of the 300 kilos of Polish beef, 112 kilos were supplied to Prague, with 56 kilos being kept in a warehouse, which means the meat was not sold to customers," said Vorlicek.

The rest of the meat from the Polish slaughterhouse where sick cows were killed has been distributed to several restaurants in Prague and consumed.

Vets took samples of the meat kept in the warehouse that will be tested for antibiotics residues and Salmonella bacteria.

Twenty kilos of meat went to Varnsdorf and was sold to customers. Two shipments of 40 and 21 kilos ended in Kostelec nad Labem and were also sold to consumers.

The shipment of 107 kilos was returned to Poland from Novy Bydzov thanks to advance warning by a Polish supplier, said Vorlicek.

Czechia is considering imposing a ban on beef imports from Poland, Agriculture Minister Miroslav Toman said again today. He describes the spoiled meat shipments as a repeated failure of the Polish side. Delayed information on the problems is undermining trust in Polish food production, Toman said.

Starting on Tuesday, vets will check lorries with food in four Czech regions neighbouring Poland, namely Hradec Kralove, Pardubice, Liberec and Moravia-Silesia regions.

The EC said unsafe Polish meat had been exported to Czechia, Slovakia, Germany, France, Spain, Estonia, Finland, Hungary, Latvia, Lithuania, Romania, Sweden and Portugal.

EU inspectors arrived in Poland today to investigate the food safety scandal. Polish beef prices have started falling.

CTK POLISH SLAUGHTERHOUSES TO BE UNDER CONSTANT SURVEILLANCE – 5.2.

Polish slaughterhouses will be under constant camera surveillance and the change will be approved by the end of March, Polish Agriculture Minister Jan Krzysztof Ardanowski told his Czech counterpart Miroslav Toman today.

Moreover, veterinary inspectors will no longer be able to delegate their surveillance to private vets. Toman talked to Ardanowski on the phone today, Czech Agriculture Ministry spokesman Vojtech Bily told CTK.

The steps are a reaction to information that a Polish slaughterhouse killed sick cows and distributed their meat on the market.

Toman said he and Ardanowski had made a deal to cooperate more closely on checks.

Czechia will keep checking meat from Poland and in case the situation worsens, it is ready to ban meat imports, Toman said.

Vets and customs officials started checking lorries on Czechia's border with Poland. So far they have uncovered only administrative errors.

From January 28 until February 4, vets took almost 80 samples of Polish meat. They have checked a third of the samples and they were all right, according to Czech authorities.

Today, vets and customs officials were checking vehicles in the Liberec, Hradec Kralove, Pardubice and Moravia-Silesia regions. The most serious case was found in the Liberec Region where vets discovered 120 kilogrammes of beef of unclear origin.

Some 137 kilogrammes, of 300 kilogrammes of spoiled beef imported to Czechia from Poland, were sold to consumers or ended in restaurants.

Vets did not find any drug residue in the meat that ended up in Prague. Tests for salmonella are not ready yet, Petr Majer of the State Veterinary Administration (SVS) said.

According to Ardanowski, meat from animals that were sick or treated with antibiotics did not hit the market, the Czech Agriculture Ministry said.

Since Monday, inspectors of the European Union have been examining details of the case of slaughtering sick cows. The meat was distributed to 14 EU member states, the European Commission said.

Poland has reported a case of atypical bovine spongiform encephalopathy (BSE) on a farm near the Czech border, the World Organisation for Animal Health (OIE) said on Monday. The SVS said today that it would not take any extraordinary measures in the case as the disease was not infectious.

CTB MINISTER TOMAN: RESTAURANTS PASSING POLISH BEEF OFF AS ARGENTINE – 6.2.

Restaurants that got beef in Prague from the problematic Polish slaughterhouse passed the meat off as Argentine, Czech Agriculture Minister Miroslav Toman said at today's meeting of the Chamber of Deputies agricultural committee. The state will take extraordinary measures if veterinary drugs residue is discovered in the Polish beef, he said.

The deceit concerned luxury restaurants, especially in Prague, not some cheap ones, Toman said.

Restaurants presented the beef as meat from Argentina so that they could charge CZK1,000 a meal, Toman told deputies. He did not want to name any restaurants, however, he did say they had an Asian name, while not being Chinese restaurants.

At a press conference in the afternoon, Toman described this statement as an "example." Asked by journalists, he mentioned the U Motaka restaurant in Prague's Sokolovska street where 31 kilos of meat labelled as Czech were found as part of the investigation into the Polish beef case.

The State Veterinary Administration (SVS) said there was no information on the origin and the date when the meat was frozen, which is why the vets said it would be disposed of. The restaurant is considering taking legal action against the ministry as it feels harmed by Toman's words in connection with the unsafe Polish beef, said executive Roman Motovsky. SVS and the Agriculture and Food Inspection Authority (SZPI) are now checking said restaurants over customer deception, Agriculture Ministry spokesman Vojtech Bily said.

Customer protection is the minister's priority, and there cannot be doubts about breaking the law, Bily said.

A Polish slaughterhouse killed sick cows and distributed their meat. Some 137 kg, of 300 kg of spoiled beef imported to Czechia from Poland, were sold to consumers or ended in restaurants.

Vets did not find any drug residue in the meat that ended up in Prague. Tests for salmonella are not ready yet, Petr Majer of the SVS said on Tuesday.

lidovsky.cz THE RESTAURANT PROTESTS AGAINST TOMAN'S CLAIM. WE HAVE NO ARGENTINE MEAT AT ALL, KOBE WROTE – 6.2. (EXCERPT)

The restaurant opposed the allegations on Facebook. "We find it appropriate to correct the misleading information of Minister of Agriculture Miroslav Toman. We guarantee that this unfortunate formulation does not concern our restaurants," it wrote.

It emphasizes that there has been no investigation at the KOBE restaurants and Argentine meat is not on menu at all. Regardless of this, KOBE restaurants take all the meat (as well as all other raw materials) from established suppliers

with excellent reputation, so any excesses regarding its quality are totally impossible.

lidovsky.cz THE CASE OF POLISH MEAT. VETERINARIANS TO CHECK SIX PRAGUE ESTABLISHMENTS – 6.2. (SUMMARY)

Minister of Agriculture Miroslav Toman (CSSD) told journalists on Wednesday that at the Prague restaurant U Motáka 31 kg of meat labelled as Czech were found during the investigation of the Polish beef case. The State Veterinary Administration said that it was not possible to trace the origin and the date of the frozen meat, so the veterinarian ordered the disposal of the meat. The Karlin restaurant is considering legal action against the Ministry of Agriculture, according to its manager Roman Motovský, because it thinks the words of the Minister damaged its reputation, in connection with problematic Polish beef.

According to information from Lidovsky.cz, the inspections looked into six Prague's restaurants, which were linked to a suspicious 56 kg "Prague consignment" which arrived in the Czech metropolis from suspicious Polish slaughterhouse. In the remaining 5 establishments and U Motáka, however, inspectors have not found meat from a dangerous Polish batch. According to Petr Majer from the press department of the State Veterinary Administration (SVS), all the meat from this batch that has arrived in the restaurants, has been processed.

In a press release, veterinarians said that not only beef was found problematic in this restaurant – there were also less than 10 kg of unlabeled pork, less than 1 kg of chicken and turkey cuts, 1 kg of minced meat, over 2 kg of turkey and then meat labeled as fallow deer, deer or salmon. The veterinarians found 9.56 kg of unlabeled beef. The company is facing a fine of up to CZK50mn.

"The Minister does not know what he is saying. Beef, which is spoken of, is supplied by Gaube company. We did not know it was meat from Poland," Motovský said. He stressed that the meat was discarded on the basis of veterinary inspections, and that none of it was able to reach the customers. He also refused they would interchange the Polish meat for Argentine meat. "We take Argentine meat entirely from another company," Motovský said. "Beef from Poland is used for example in goulash."

ENERGY & INDUSTRY & TRANSPORT

CTB CEZ CHECKS OPTIONS OF EXTENDING DUKOVANY UNITS OPERATION BY 2045 – 31.1.

Czech energy group CEZ is examining the options of extending the operation of the nuclear power plant Dukovany's four units until about 2045, while now their phase-out is scheduled around 2035, Dukovany director Milos Stepanovsky told journalists today.

The extension should ensure continued power generation before a new source is launched at Dukovany, he said.

CEZ, which operates the plant, is preparing construction of one or two new units at Dukovany, but final decision is yet to be made.

Dukovany made CZK1.5bn investments related to the extension of its operation last year, and this year it plans to invest CZK2bn. Total investment topped CZK18bn over the past ten years, said Stepanovsky.

With a total output of 2,040 megawatts, Dukovany covers a fifth of the country's electricity consumption. The first unit has been in operation since 1985. The original estimate of the units' service life was 30 years.

The EDU+20 (Dukovany+20 years) strategy has been approved, and the work on the new strategy EDU+30 is under way. It should be clear by the end of the year if the new strategy is realistic, Stepanovsky said.

Construction of a new nuclear source in the country has long been hindered by uncertain financing of the project.

Industry and Trade Ministry Marta Novakova said on Monday that the investment model could be clear by April of the year. However, it is premature to say that a tender for the unit's construction will be declared this year.

Dukovany generated 14.25 terawatt hours (TWh) of electricity last year, about a fifth more year on year and the sixth best result in its history. The plant produced 15.689 TWh of power in the record year 2013.

Unlike in previous years when each unit was taken offline once a year due to replacement of part of nuclear fuel, Dukovany plans fewer shutdowns for this year. Fuel efficiency has improved, which is the reason, Stepanovsky said.

A unit shutdown which began in December is going to end next week, he added.

There will be three shutdowns this year, and the units should be offline for a total of 115 days, said Stepanovsky.

CEZ, the largest Czech energy company that is 70% owned by the state via the Finance Ministry, employs 1,385 people at Dukovany, 85 more in annual terms.

CTK KARLOVY VARY AIRPORT'S PASSENGER NUMBERS GROW BY 115% IN 2018 – 31.1.

The airport in Karlovy Vary handled 45,003 passengers last year, which was an annual increase of 115 percent, Martin Hurajcik, deputy governor of the Karlovy Vary region, told CTK today.

The rise can be attributed mainly to the successful launch of an air line operated by Russian low-cost carrier Pobeda between Moscow-Vnukovo and Karlovy Vary.

On the other hand, the traditional line between Karlovy Vary and Moscow-Sheremetyevo, operated by Czech Airlines (CSA), recorded an annual decrease of 24.7% to 11,618 passengers last year.

Private charter transported accounted for 53% of the airport's total aviation revenues.

The airport expects its passenger numbers to grow this year as well.

"I firmly believe that the number of passengers will be influenced mainly by an increase in the number of flights operated by Pobeda up to five times week," Hurajcik said.

"In the summer flight schedule we expect the line to Moscow-Sheremetyevo, operated by Smart Wings, to be resumed," Hurajcik added.

In 2017, the airport handled 20,034 passengers. Before the global economic crisis, in 2014, its passenger numbers exceeded 100,000.

CTK JANUARY MANUFACTURING SECTOR CONDITIONS WORST IN SIX YEARS – 1.2.

Conditions in the Czech manufacturing sector continued worsening in January when the Purchasing Managers' Index Y:\Economic Section\REPORTS\Weekly Reports\ES, Meeting, 2019-02-06.docx

(PMI) sank to 49 points, which is the lowest level since January 2013, IHS Markit company said today.

The December PMI was at 49.7 points.

The 50-point level sets the difference between growth and fall.

The PMI index monitors output, new orders, employment, suppliers' delivery times and inventories.

The main reason for the deterioration was a decline in output and new orders.

The sector also reported the first drop in employment since April 2013. The decrease was related to lower production demands and a smaller number of available workers.

The decline in employment is disturbing, IHS Markit economist Sian Jones said.

Producers' optimism about next year was dampened by worries over the uncertain global market and another impact of the car industry's slowdown, she said.

CTK CEZ SHOULD BUILD NEW NUCLEAR SOURCE WITH STATE GUARANTEE – 3.2.

CEZ energy group should build a new nuclear source in the CR with some form of state guarantee, and it is a model of the project's financing that is preferred by the government, Industry and Trade Minister Marta Novakova said today.

"It's an option on which we will certainly be working," Novakova said in the discussion programme Questions of Vaclav Moravec on the public broadcaster Czech Television.

She refused to comment on how the investment model would impact on CEZ's minority shareholders.

She reiterated that it was not realistic to call a tender for the new source's construction this year.

Building a new nuclear unit in the country has long been hindered by uncertain financing of the project.

Novakova said on Monday before a government meeting that the investment model could be clear by April of the year.

The tender will be declared after the investment model and the mode of financing is clear. There will most probably be some public aid, which needs to be discussed in Brussels, Novakova said today.

"That's our task this year," she added.

Six companies have expressed interest in the construction of new reactor units in the country: Rosatom of Russia, France's EDF, US-Japanese company Westinghouse, South Korea's KHNP, China General Nuclear Power and joint venture of Areva and Mitsubishi Atmea.

CEZ, the largest Czech energy company, is 70% owned by the state via the Finance Ministry.

CTK CZECH ARMY TO BUY TWO PASSIVE ESM TRACKERS FOR CZK645MN – 4.2.

The Czech Defence Ministry will buy two new passive surveillance systems, the deployable passive ESM tracker from the Czech firm ERA on the chassis of the four-axle Tatra truck, for CZK644.6m, Jakub Fajnor, from the ministry's press section, told CTK today.

The contact is expected to be signed by May and the Czech military is to receive the systems by 2021.

Defence Minister Lubomir Metnar (for ANO) reported about the purchase at the cabinet meeting today.

Metnar also told the other ministers about the planned signing of contracts worth about CZK580mn between the state-run Military Technical Institute and suppliers related to

the production of 80 light armoured vehicles for the chemical protection unit costing CZK5.1bn in total.

Fajnor said the main suppliers are the Slovak EVPU, which makes sensor containers with special optical equipment, and the Belgian FN Herstal, which produces the FN Mag machine gun.

Passive ESM (Electronic Support Measures) Trackers receive electromagnetic energy and can track many targets at once, but they do not emit any signals themselves and so no radar can reveal them.

The ERA firm is the traditional supplier of passive surveillance systems Vera and Tamara.

Fajnor said ERA is the only producer, except for Russia and China, that owns the patents for the development and production of systems based on the Vera NG technology that the Czech military has already been using.

He said the aim is to keep the national know-how in passive systems of electronic combat.

CTK CAR SALES DOWN 17% TO 19,278 UNITS IN CR IN JAN – 5.2.

Sales on new cars on the Czech market went further in January, by 17% yr/yr to 19,278 units, and Skoda Octavia was the best-selling model, making up nearly 12% of the sales volume, according to data from the Car Importers Association.

Skoda Auto sold 6,863 cars, the highest number, which was a drop of 19.5 percent.

Volkswagen ranked second with 1,989 units, down 16 percent, followed by Hyundai with 1,292 cars, which was a 15% drop. Next came Dacia, Peugeot and Toyota.

Skoda Octavia was the top-selling make (2,222 units), followed by Skoda Fabia (1,414), Skoda Rapid (1,262), Skoda Superb (625), Skoda Kodiaq (547) and Skoda Karoq (534), and by Hyundai i30.

Petrol cars accounted for 66.4% of sales, the share of company cars rising to 75.4 percent.

Used car imports decreased by 3.6% yr/yr to 13,239 units. Their average age is 10.3 years, with cars older than ten years making up 51.7% of the figure.

LUV sales saw a rise of 21% to 1,674 units. Volkswagen sold 358 cars, occupying the first place, Peugeot 278 and Renault 172 cars.

Lorry registrations were 0.7% lower yr/yr at 830 vehicles. Bus sales declined by 61% to 37 units.

Motorcycle sales rose by 2% to 568 units. CF Moto was the market leader, with 98 units sold, followed by Honda and KTM.

CIA GOVT SUPPORTED HIGHWAY E-VIGNETTES, PRICES WILL NOT GROW – 5.2.

From 2021, it will be possible to pay the highway toll for vehicles weighing up to 3.5 tons electronically or via a mobile application. Paper vignettes will be abolished. This stems from the amendment to the Road Act, approved by the government. The reimbursement method change will not result in higher fees. The rates of CZK310, CZK440 and CZK1,500 remain valid. The payment will be checked by the Customs Administration and the Police. The authorities will use stationary and mobile cameras. The amendment has been forwarded to the Chamber of Deputies.

CTK BRNO AIRPORT CLEARS OVER 500,000 PASSENGERS AFTER SIX YEARS AGAIN – 6.2.

The Brno airport handled more than half a million passengers for the first time in six years in 2018, their number rising annually by 30,000 to 500,727, airport operator Letiste Brno spokeswoman Katerina Pichalova said in a press release today.

People are returning to popular touristic destinations such as Turkey, Tunisia and Egypt, to which they feared to fly in the past years due to the security situation in these countries, Pichalova said.

After years of decline, regular flights from Brno started to be used more. Growth is expected this year as well, according to Pichalova.

The Brno airport records the biggest number of passengers during the summer season and on charter flights, which are used by more than a half of all passengers.

In July and August 2018 alone, the Brno airport was used by 225,000 people.

"During the summer season, the number of people flying from Brno was 40% higher than in 2017," Pichalova said.

Passengers flew most frequently to Greece, Bulgaria and Egypt.

In the previous years, the airport had to cancel some regular lines. This year, their number started to rise again.

Besides flights to London and Munich, the airport has introduced flights to Bergamo, Italy, and to Berlin, as of April. The capacity of the airline to London regularly exceeds 90% and that of the Munich line reached over 50% last year.

The Brno airport is the most used regional airport in the country. The Karlovy Vary airport handled 45,000 passengers last year, the Pardubice airport 147,000 passengers and the Ostrava airport 378,000 passengers.

INNOVATION & INVESTMENT

CIA AMSP: INNOVATION STRATEGY COUNTS ON SME DEVELOPMENT – 31.1.

The government strategy entitled CR: The Country for the Future counts on a significant support to small and medium-sized enterprises (SME). The strategy was prepared by Association of Small and Medium-sized Enterprises and Crafts of the CR (AMSP) chairman and Research, Development and Innovation Council (RVVI) deputy chairman Karel Havlíček and a team of innovators. According to the Association, the CR's innovation strategy allows for a bigger support of SME development. Among other things, the plan is to increase research expenditures, to connect research and innovation centres with the needs of the commercial sphere, and to implement polytechnic education at basic schools.

TRADE & SERVICES

CTK NO. OF CONTRACTS MEDIATED BY CZECHTRADE RISES BY 3.1% IN 2018 – 5.2.

The amount of contracts mediated by state agency CzechTrade last year increased annually by 3.1% to 4,138, and the number of companies which were provided assistance in their expansion by the agency rose by 40 to 2,195, CzechTrade CEO Radomil Dolezal said at a press conference today.

He did not disclose the value of the contracts. "Success cannot be measured by value only. In making the first contracts, a role is played by several parameters such as a new market, a complex market or a new exporter," Dolezal said.

There are approximately 20,000 exporters in the CR at present, he added.

According to Milan Raz, the head of CzechTrade's section of services for exporters, the number of successful projects in terms of paid contracts rose by 10% last year, approaching 200 annually. The most successful sectors include engineering (a rise of 21%), the food industry (13%) and energy (10%), he added.

The CzechTrade agency, subject to the Industry and Trade Ministry, was established in 1997. Its goal is to help Czech companies and entrepreneurs get to foreign markets.

The agency has 52 offices abroad, operating in 62 countries. According to estimates of the Association of Exporters and Raiffeisenbank, Czech exports showed a new record of CZK4,400bn last year.

Imports are, however, growing faster than exports, which is expected to lower Czech GDP by about CZK55bn in annual terms. The reason lies chiefly in the almost CZK20bn drop in exports of cars and car component parts after the Dieselgate affair.

The Industry and Trade Ministry said last June it had launched a merger of the CzechTrade and CzechInvest agencies.

CzechInvest focuses on support of businesses and investments with the goal to attract foreign investors to the CR and help small Czech enterprises find partners abroad.

"The procedural part of the merger has been settled," Industry and Trade Minister Marta Novakova said today without disclosing the date of the merger.

The CzechTrade and CzechInvest trademarks will be preserved, she added.

CZECHTRADE: CZECH EXPORT HAS REACH NEARLY CZK4.4 TRILLION – 6.2.

Czech export in the year 2018 is approaching CZK4.4 trillion according to preliminary estimates. Minister of industry and trade Marta Nováková (from the ANO movement) said that in the history of the separate CR, exporters have not used as many Czech goods, know-how and Czech technologies on foreign markets. The sector of means of transport and related fields remains the key one.

LABOUR & HEALTH & SOCIAL

WAGE GROWTH ON CZECH MARKET SLOWS DOWN IN H2 2018 – 5.2.

The growth of wages on the Czech labour market started to slow down in the second half of last year despite the critical lack of employees, and this development will continue this year, according to a survey conducted by recruitment and consulting firm Hays.

"In the past two years, wages have grown significantly in all sectors. Some sectors reacted to changes on the market later, so a further increase can be expected during 2019. On the other hand, some sectors are no longer supporting the ongoing wage growth or are even restricting it, as their current level has approached the maximum," said Ladislav Kucera, Hays director for the CR and Romania.

This trend was seen even in highly demanded sectors such as information technologies.

"In many other sectors there is a tendency to focus on benefits rather than on wage growth. This is why we can expect wages to grow further mainly in positions with lower qualification requirements or in retail," Kucera said.

The planned rise of salaries in the public sector may be reflected in wages of some professions in the private sector, he noted.

There is still a shortage of qualified and experienced experts on the market. Industry, manufacturing and information technologies are sectors that are affected by the lack of workforce most of all, according to Kucera.

Demand for employees increased in all sectors. Companies rely mainly on foreign employees and university graduates.

According data from the Czech Statistical Office (CSU), the average gross wages in the CR in Q3 2018 increased by CZK2,458 to CZK31,516. It was higher by 8.5% in nominal terms and by 6% in real terms.

CZECH PENSION SYSTEM SCORES LARGE SURPLUS – 6.2.

The pension system scored the surplus of CZK22bn in the CR last year, Labour and Social Affairs Minister Jana Malacova (Social Democrats, CSSD) said in a press release today.

The revenues amounted to almost CZK445.5bn and expenditures to CZK423.5bn.

The pension system registered the surplus for the second year in a row, while it was in a deficit before, since 2009.

The surplus is largely due to the good condition of the Czech economy, a record low jobless rate and a growth in salaries.

On the other hand, the surplus of sickness insurance has been falling since the revenues from continual payment are growing much slower than the expenditures.

Two years ago, the expenditures were CZK16.3bn higher than the revenues.

The biggest deficit was recorded in 2012 and 2013, when it reached almost CZK50bn.

Last year, the surplus of the sickness insurance shrank and only CZK630mn remained in it. In 2017, the sum was five times higher, CZK3.19bn. The expenditures are growing more rapidly than revenues.

Last year, the sickness and maternity benefits were joined by parental and long-term sickness benefits.

In total, almost CZK34bn were paid out, while CZK34.6bn were collected.

In 2018, the revenues of social insurance rose by almost one-tenth as against 2017. They reached CZK480.1bn.

"The data show that the budgets of social insurance systems are stable. As a result, one does not have to be afraid of negative scenarios some are trying to paint," Malacova said.

On the other hand, the expenditures were also record high. Last year, CZK457.5bn were spent on various forms of pensions and welfare benefits. This was 24.8bn more than in 2017.

By the end of last September, the Czech Social Security Administration was paying out almost 2.9mn old-age, disability and other pensions.

MISCELLANEOUS

CTK NO. OF CZECHS BUYING GOODS IN FOREIGN E-SHOPS GROWS TO 62% – 4.2.

A total of 62% of Czechs purchased goods in e-shops abroad last year, which was 11 points more than in 2017, while the European average was 58 percent, according to a European survey conducted by courier company DPD in July last year. The survey was carried out among 24,300 respondents, with 1,000 of them Czechs.

In 52% of cases, Czechs shopped on-line in e-shops based in EU countries, mainly Germany (25%), Britain (21%) and Slovakia (12%). Out of non-EU countries, they shop most frequently in China (67%) and the USA (26%).

As many as 43% of Czech on-line customers bought mainly clothing, up by 3 points y-o-y. Thirty-seven% of domestic customers ordered leisure-time goods, which was 1 point less on the year, and one third of Czechs bought cosmetics and health care products.

A total of 35% of Czech customers picked their consignments from foreign e-shops at collection points, which is twice the EU average.

CTK NO. OF PROGRAMMES FOR SPENDING EU MONEY TO FALL TO 8 AFTER 2020 – 4.2.

The government today approved a strategy for EU funding in the programming period 2021 to 2027 according to which the number of operational programmes should go down to eight from the current ten, the Regional Development Ministry said in a press release.

Czechia would like to have a greater possibility to make its own decisions on what the European money will be used for, the ministry said.

The EU's co-financing of projects will decrease. Taking into account inflation, the Czech share of the EU subsidies should reach EUR20.1bn (over CZK512bn).

"The approved proposal is based on the experience from the current period ...," said minister Dostalova. It plans to preserve a similar system, which will ensure a smooth transfer to the next period, and it is also good for recipients of EU funds who are familiar with the system, she added.

Dostalova said previously she wanted to preserve EU funding for large enterprises. According to her, the EC plans to stop providing aid to large companies. There are big differences as some European economies are based on small and medium-sized enterprises that will be provided aid also in the future, said Dostalova.

EU funding of most of the projects will go down to 55% in the next budget period from the current 85 percent.

The current rule known as the N+3 rule, with N being the start year when the money is allocated, will change into the N+2 rule, which means the money must be absorbed within two years at the latest, while nowadays it is three years.

The Regional Development Ministry said it would submit the final draft of operational programmes and a partnership agreement to the cabinet in March next year. Negotiations with the EC will follow.

Under the EC proposal, the CR might get up to EUR17.8bn (about CZK454bn) from new European funds within the cohesion policy in the 2021-2027 period.

The states such as Czechia, Poland and Hungary will get less in the next budget period than they have nowadays, the reason being new methodology combined with a solid economic performance and low unemployment. Taking inflation into account, the Czech share of the EU funding should reach EUR20.1bn (over CZK512bn).

In the current programming period 2014 to 2020, nearly EUR24bn has been allocated for Czechia. Unless certain conditions are met the country may lose 6% of the amount at the end of this year.

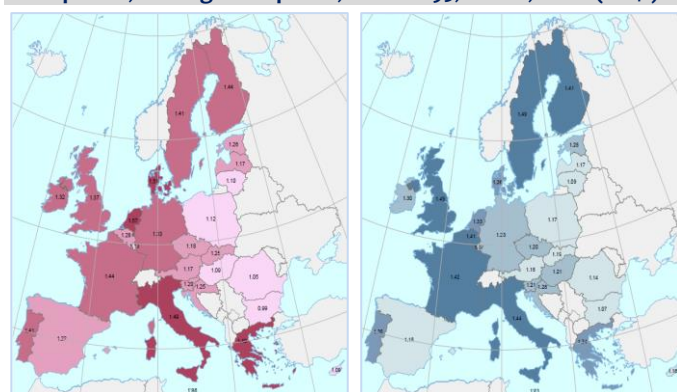
Operational programmes and supervising bodies in budget period 2021-2027 (preliminary version)

Operational programme	Supervising body
Competitiveness	Industry and Trade Ministry
Transport	Transport Ministry
Environment	Environment Ministry
Research and education	Education Ministry
Human resources	Labour Ministry
Integrated regional programme	Regional Development Ministry
Technical assistance and quality of administration	Regional Development Ministry
Cross-border cooperation	to be specified

STATISTICS

FUEL PRICES IN THE EU – 28.1.

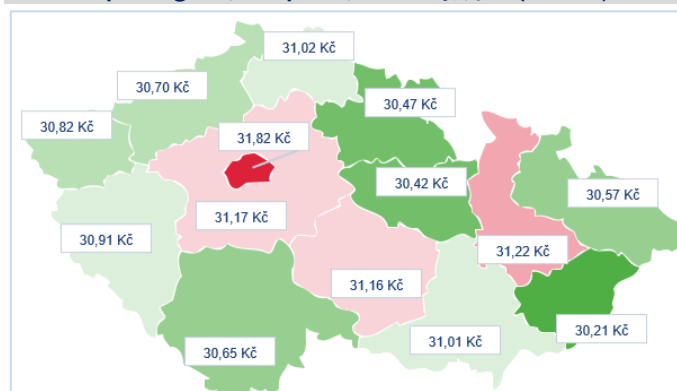
Map 1: EU, Average fuel prices, Natural 95, Diesel, 28. 1. (in €/l)¹



penize.cz

FUEL PRICES IN THE CR – 3.2.

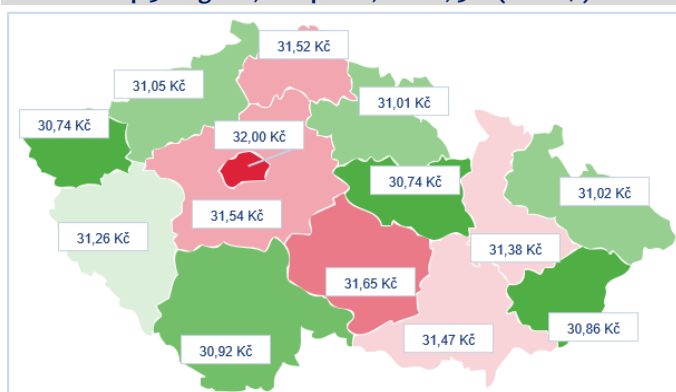
Map 2: Regions, fuel prices, Natural 95, 3.2. (in CZK/l)²



¹ data issued by the EC; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>
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² data issued by the mBenzin.cz; <https://www.penize.cz/ceny-benzinu-a-ceny-nafity>

Map 3: Regions, fuel prices, Diesel, 3.2. (in CZK/l)



RETAIL TRADE - DECEMBER 2018: SALES IN RETAIL TRADE FOR THE YEAR 2018 INCREASED BY 4.8% - 5.2.

In December 2018, sales adjusted for calendar effects increased at constant prices by 4.3%, y-o-y (y-o-y); non-adjusted sales increased by 3.1%, y-o-y. Seasonally adjusted sales in retail trade remained unchanged, m-o-m (m-o-m).

For the entire year 2018, sales in retail trade increased by 4.8%, y-o-y.

Seasonally adjusted sales in retail trade, except of motor vehicles and motorcycles (CZ-NACE 47) remained unchanged in December at constant prices, m-o-m. Sales for sale of automotive fuel and non-food goods increased by 0.2% each, while sales for sale of food decreased by 0.4%.

Sales in retail trade adjusted for calendar effects increased by 4.3%, y-o-y; sales for sale of non-food goods increased by 6.6%, sales for food by 2.9%, and sales for automotive fuel increased by 2.0%. In December 2018, there was one working day less than in December 2017.

Non-adjusted sales in retail trade increased by 3.1%, y-o-y. Sales for sale of non-food goods increased by 4.9%, sales for sale of food increased by 1.3%, and sales for sale of automotive fuel grew by 0.6%.

The highest sales growth was in retail sale via mail order houses or via Internet (+15.4%). Sales were increasing also in the following: retail sale of information and communication equipment in specialised stores (+7.3%), retail sale of clothing, footwear and leather goods in specialised stores (+4.6%), retail sale of cultural and recreation goods in specialised stores (+4.5%), and retail sale of other household equipment in specialised stores (+1.3%). On the contrary, sales decreased in retail sale of dispensing chemist, medical and orthopaedic goods (-0.6%). Sales in retail sale in non-specialised stores with food, beverages or tobacco predominating increased by 1.6%, while in retail sale of food, beverages and tobacco in specialised stores they dropped by 4.7%.

The price deflator (CZ-NACE 47) related to the corresponding period of the previous year (VAT excluded) was 100.3%. It was influenced mainly by higher prices of automotive fuel, dispensing chemist, medical and orthopaedic goods, cosmetic and toilet articles. On the other hand, prices decreased in retail sale of information and communication equipment in specialised stores, retail sale of clothing, footwear and leather goods in specialised stores, and in retail sale of cultural and recreation goods in specialised stores.

Seasonally adjusted sales for sale and repair of motor vehicles (CZ-NACE 45) increased by 1.0% at constant prices, m-o-m; sales adjusted for calendar effects decreased by 5.1%,

y-o-y. Non-adjusted sales decreased by 8.1%, y-o-y; sales for repair of motor vehicles decreased by 10.3% and sales for sale of motor vehicles (including spare parts) decreased by 7.4%, y-o-y.

Development in the fourth quarter of 2018

For the entire Q4 2018, sales in retail trade (CZ-NACE 47) adjusted for calendar effects increased at constant prices by 4.8%, y-o-y; non-adjusted sales increased by 5.1% (there was one working day more in Q4 2018 compared to Q4 2017). Non-adjusted sales for sale of non-food goods increased by 8.0%, y-o-y, sales for sale of automotive fuel by 3.5%, and sales for sale of food by 1.6%. In the automotive segment (CZ-NACE 45), sales adjusted for calendar effects decreased by 5.7%, y-o-y; non-adjusted sales dropped by 4.4%. Non-adjusted sales for repair of motor vehicles decreased by 5.8%, y-o-y, and sales for sale of motor vehicles (including spare parts) decreased by 4.0%.

Development in 2018

For the entire year 2018, sales in retail trade except of motor vehicles and motorcycles (CZ-NACE 47) increased at constant prices by 4.8%, y-o-y (there was the same number of working days in 2018 and 2017). Sales for sale of non-food goods increased by 7.3%, for sale of automotive fuel by 4.1%, and for sale of food by 1.9%. The highest growth was reported for sales in retail sale via mail order houses or via Internet (+19.8%). In retail sale of information and communication equipment in specialised stores sales increased by 11.0%, in retail sale of cultural and recreation goods in specialised stores sales increased by 7.1%, in retail sale of other household equipment in specialised stores sales increased by 6.1%, in retail sale of clothing, footwear and leather goods in specialised stores sales increased by 5.4%, and sales for dispensing chemist, medical and orthopaedic goods, and cosmetic and toilet articles grew by 3.6%. The price deflator for 2018 was 101.0%.

In the automotive segment (CZ-NACE 45), sales decreased at constant prices by 2.3%, y-o-y; sales for repair of motor vehicles decreased by 2.7%, y-o-y, and sales for sale of motor vehicles (including spare parts) decreased by 2.1%.

CONSTRUCTION - DECEMBER 2018: CONSTRUCTION PRODUCTION GREW BY 8.4% IN 2018 - 6.2.

In December 2018 the working days adjusted construction output increased by 5.3% y-o-y (y-o-y), in real terms. The unadjusted construction output grew by 3.9%. The planning and building control authorities granted by 0.9% less building permits, y-o-y, and the approximate value of permitted constructions jumped up by 28.0%, y-o-y. The number of started dwellings fell 4.4%, y-o-y, and the number of completed dwellings grew by 14.2%, y-o-y.

In 2018 the construction output increased by 8.4%, y-o-y, in real terms. The planning and building control authorities granted by 3.6% less building permits, y-o-y, and the approximate value of permitted constructions increased by 1.5%, y-o-y. The number of started dwellings increased by 5.1%, y-o-y, and the number of completed dwellings grew by 18.5%, y-o-y.

In December 2018 the seasonally adjusted, including working days, construction output increased by 3.0%, m-o-m, in real terms. The working days adjusted construction output in December 2018 was by 5.3% higher, y-o-y. The working days

unadjusted one increased by 3.9%, y-o-y. December 2018 was by one working day shorter than December 2017. The production in building construction increased by 3.6% (contribution

+2.7 percentage points (p.p.)), y-o-y. The production of civil engineering construction grew by 4.8% (contribution +1.2 p.p.), y-o-y.

The average registered number of employees¹⁾ in construction enterprises with 50+ employees in December 2018 grew by 1.2%, y-o-y. Their average gross monthly nominal wage increased by 5.0%, compared y-o-y, and reached CZK38,172.

In December 2018 the number of building permits granted decreased by 0.9%, y-o-y. The planning and building control authorities granted 6 246 building permits. The approximate value of the permitted constructions attained CZK28.3bn and jumped up by 28.0% compared to the same period of 2017.

The number of dwellings started in December 2018 fell by 4.4%, y-o-y, and attained 2 637 dwellings. The number of dwellings started in family houses decreased by 5.5% and that of dwellings started in multi-dwelling buildings declined by 29.0%.

The number of completed dwellings grew by 14.2%, y-o-y, in December 2018 and was 4 295 dwellings. The number of completed dwellings in family houses grew by 23.8%. The number of completed dwellings in multi-dwelling buildings increased by 18.1%.

According to Eurostat the WDA (working days adjusted) construction output in the EU28 increased by 1.8%, y-o-y, in November 2018. Buildings increased by 0.9% and civil engineering works grew by 4.8%. According to the preliminary schedule Eurostat shall release the data for December 2018 on 19 February 2019.

Construction in Q4 2018

Compared to Q3 2018 the seasonally adjusted, including working days, construction output was by 2.0% lower, q-o-q, in real terms in Q4 2018. In Q4 2018 the working days adjusted construction output increased by 4.2%, y-o-y, in real terms. The working days unadjusted construction output increased by 4.7%, y-o-y, in real terms. Q4 2018 was by one working day longer than Q4 2017. The production in building construction increased by 4.8% (contribution +3.4 p.p.), y-o-y, and the production of civil engineering construction grew by 4.5% (contribution +1.3 p.p.), y-o-y.

The average registered number of employees¹⁾ in construction enterprises with 50+ employees increased by 0.8%, y-o-y in Q4 2018. Their average monthly nominal wage increased by 7.5%, y-o-y and reached CZK40 670.

In Q4 2018 the number of building orders of construction enterprises with 50+ employees increased by 13.5%, y-o-y; the enterprises received and concluded 18 211 orders in the CR. The total value of the orders increased by 3.6%, y-o-y and was CZK60.7bn. The building construction orders were for CZK28.4bn (growth by 7.0%) and those for civil engineering constructions were for CZK32.3bn (increase by 0.8%). The average value of a new concluded building order was CZK3.3mn and was by 8.8% lower, y-o-y.

In Q4 2018 the number of building permits granted decreased by 1.8%, y-o-y; the planning and building control authorities granted 20 677 building permits. The approximate value of

constructions permitted in Q4 2018 accounted for CZK99.9bn and grew by 6.5% compared to the same period of 2017.

The floor area of new buildings permitted in Q4 2018 was 1 873 thousand m², which means a growth by 7.1%, compared y-o-y. The floor area of permitted residential buildings fell by 1.1%, and that of non-residential buildings increased by 14.5%.

The number of dwellings started in Q4 2018 increased by 2.4%, y-o-y and accounted for 8 379 dwellings. The number of dwellings started in family houses declined by 0.5%, and that in multi-dwelling buildings decreased by 1.9%. The number of dwellings in non-residential buildings was growing.

The number of completed dwellings in Q4 2018 increased by 20.1%, y-o-y and attained 10 564 dwellings. The number of completed dwellings in family houses jumped up by 26.2%, y-o-y, and the number of completed dwellings in multi-dwelling buildings grew by 13.3%.

Construction in 2018

In 2018 the construction output increased by 8.4%, y-o-y, in real terms. The year 2018 had the same number of working days compared to the year 2017. The production in building construction increased by 8.6% (contribution +6.3 p.p.), y-o-y, and the production of civil engineering construction grew by 8.0% (contribution +2.1 p.p.), y-o-y.

The average registered number of employees¹⁾ in construction enterprises with 50+ employees fell by 0.4%, y-o-y, in 2018. Their average monthly nominal wage increased by 8.2%, y-o-y and reached CZK37 330.

In 2018 the number of building orders of construction enterprises with 50+ employees increased by 3.0%, y-o-y; the enterprises received and concluded 63 256 orders in the CR. The total value of the orders grew by 16.4%, y-o-y, and was CZK108.6bn (growth by 16.4%) and those for civil engineering constructions were for CZK127.3bn (growth by 16.4%). In 2018 the average value of a newly concluded building order accounted for CZK3.7mn and was by 13.0% higher, y-o-y. At the end of 2018 construction enterprises with 50+ employees had 18.8 thousand orders contracted (growth by 9.1%) and these orders represented the inventory of still unimplemented construction works of the total value of CZK153.8bn (growth by 15.3%).

In 2018 the number of building permits granted decreased by 3.6%, y-o-y; the planning and building control authorities granted 81 174 building permits. The approximate value of constructions permitted in 2018 accounted for CZK358.1bn and increased by 1.5% compared to that of 2017.

The floor area of buildings permitted in 2018 was 6 920 thousand m², which means a growth by 7.4%, compared y-o-y. The floor area of permitted residential buildings increased by 0.9%, and that of non-residential buildings rose by 14.3%.

The number of dwellings started in 2018 increased by 5.1%, y-o-y and accounted for 33 121 dwellings. The number of dwellings started in family houses increased by 2.7%, and that in multi-dwelling buildings grew by 0.5%.

The number of completed dwellings in 2018 grew by 18.5%, y-o-y and attained 33 868 dwellings. The number of completed dwellings in family houses jumped up by 26.3%, y-o-y, and the number of completed dwellings in multi-dwelling buildings grew by 11.5%.


INDUSTRY - DECEMBER 2018: INDUSTRIAL PRODUCTION

3.0% UP IN 2018 – 6.2.

In December 2018, working days adjusted industrial production increased at constant prices by 1.8%, y-o-y (y-o-y); non-adjusted industrial production decreased by 1.4%. Seasonally adjusted industrial production increased by 0.6%, m-o-m (m-o-m). The value of new orders decreased by 4.8%, y-o-y.

In 2018, industrial production increased by 3.0%, y-o-y. The value of new orders was by 3.7% higher. Employment increased by 1.4% and the average wage increased by 7.5%.

In December 2018, seasonally adjusted industrial production (including adjustment for working days) increased at constant prices by 0.6%, m-o-m. In the y-o-y comparison, working days adjusted industrial production increased by 1.8%; non-adjusted industrial production decreased by 1.4%. December 2018 had one working day less compared to December 2017. The following economic activities contributed the most to the y-o-y change of industrial production: manufacture of motor vehicles, trailers and semi-trailers (contribution -1.2 percentage point (p. p.), drop by 7.0%), manufacture of machinery and equipment (contribution -0.7 p. p., drop by 7.1%), and manufacture of fabricated metal products (contribution -0.4 p. p., drop by 4.3%). Industrial production increased in the following economic activities: electricity, gas, steam and air conditioning supply (contribution +1.2 p. p., growth by 9.2%), manufacture of other transport equipment (contribution +0.7 p. p., growth by 31.7%), and manufacture of computer, electronic and optical products (contribution +0.4 p. p., growth +11.3%).

Sales from industrial activity at current prices increased by 1.1%, y-o-y, in December 2018. Direct export sales of industrial enterprises decreased at current prices by 0.5%. Domestic sales, which include also indirect export via non-industrial enterprises increased at current prices by 3.1%.

The value of new orders in surveyed industrial CZ-NACE activities decreased by 4.8%, y-o-y, in December 2018. Non-domestic new orders decreased by 5.4%, while domestic new orders decreased by 3.4%. The y-o-y decrease of new orders in total was the most contributed to by the following CZ-NACE divisions: manufacture of motor vehicles, trailers and semi-trailers (contribution -5.1 p. p., drop by 13.6%), manufacture of machinery and equipment (contribution -0.8 p. p., drop by 6.6%), and manufacture of electrical equipment (contribution -0.4 p. p., drop by 4.2%). New orders increased in manufacture of other transport equipment (contribution +0.8 p. p., growth by 28.2%), manufacture of computer, electronic and optical products (contribution +0.4 p. p., growth by 3.6%), and manufacture of paper and paper products (contribution +0.2 p. p., growth by 9.9%).

The average registered number of employees) in enterprises with 50+ employees in industry increased in December 2018 by 0.4%, y-o-y. Their average gross monthly nominal wage increased in December 2018 by 6.6%, y-o-y, and reached CZK34 271.

According to the Eurostat news release, working days adjusted industrial production in the EU28 in November 2018 decreased by 2.2%, y-o-y. According to a preliminary release calendar, Eurostat will release data for December 2018 on 13 February 2019.

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Industry in the Q4 of 2018

Seasonally adjusted industrial production in the Q4 2018 increased by 0.4% compared to the Q3 2018. In the y-o-y comparison it increased by 3.6%. There was one working day more in the Q4 2018 compared to the Q4 2017.

Sales from industrial activity at current prices were higher by 6.9%, y-o-y, in the Q4 2018. Direct export sales of industrial enterprises increased at current prices by 6.8%. Domestic sales, which include also indirect export via non-industrial enterprises, increased at current prices by 7.1%.

The value of new orders in selected industrial CZ-NACE activities increased by 4.6%, y-o-y, in the Q4 2018. Non-domestic new orders increased by 4.3%, while domestic new orders increased by 5.1%.

The average registered number of employees) in industrial enterprises with 50+ employees increased by 0.6%, y-o-y, in the Q4 2018. Their average gross monthly nominal wage in the Q4 2018 increased by 7.3%, y-o-y, and reached CZK35 825.

Industry in 2018

In 2018, industrial production increased by 3.0%, y-o-y. The following contributed the most to the y-o-y growth of industrial production: manufacture of computer, electronic and optical products (contribution +0.44 p. p., growth by 13.7%), manufacture of fabricated metal products (contribution +0.43 p. p., growth by 4.1%), and manufacture of electrical equipment (contribution +0.36 p. p., growth by 5.5%). Industrial production decreased in manufacture of leather and related products (contribution -0.04 p. p., drop by 21.0%) and mining and quarrying (contribution -0.02 p. p., drop by 0.8%).

Sales from industrial activity at current prices were higher by 3.5%, y-o-y, in 2018. Direct export sales of industrial enterprises increased at current prices by 2.9%. Domestic sales, which include also indirect export via non-industrial enterprises, increased at current prices by 4.3%. The value of new orders in selected industrial CZ-NACE activities increased by 3.7%, y-o-y, in 2018. Non-domestic new orders increased by 3.9%, while domestic new orders increased by 3.1%.

The average registered number of employees) in industrial enterprises with 50+ employees increased by 1.4%, y-o-y, in 2018. Their average gross monthly nominal wage in 2018 increased by 7.5%, y-o-y, and reached CZK33 775.


EXTERNAL TRADE - DECEMBER 2018: BALANCE OF TRADE

ENDED ALMOST EVEN – 6.2.

According to preliminary data in current prices, in December 2018 the external trade balance in goods ended in a subtle deficit of CZK15mn, which was by CZK3.6 bn better result, year-on-year (y-o-y).

The total balance in the national concept¹⁾, y-o-y, was favourably influenced mainly by a growth of a surplus in 'motor vehicles' by CZK4.2 bn and smaller deficits in 'computer, electronic and optical products' by CZK3.1 bn and 'basic metals' by CZK1.2 bn

The total balance was affected in an adverse manner mainly by a deeper deficit of trade in 'crude petroleum and natural gas' by CZK2.7 bn and 'chemicals and chemical products' by CZK1.2 bn. Surplus in 'machinery and equipment' decreased by CZK1.1 bn.

In December 2018 the trade balance with the EU28 Member States ended in a surplus of CZK42.3 bn, and thus it was by

CZK6.9 bn higher, y-o-y. The trade deficit with the non-EU countries increased by CZK3.3 bn to reach the amount of CZK40.7 bn.

Compared to November 2018 exports and imports in the national concept, both seasonally adjusted, decreased identically by 2.0%. The development trend shows increasing exports (+0.2%) and decreasing imports (-1.3%).

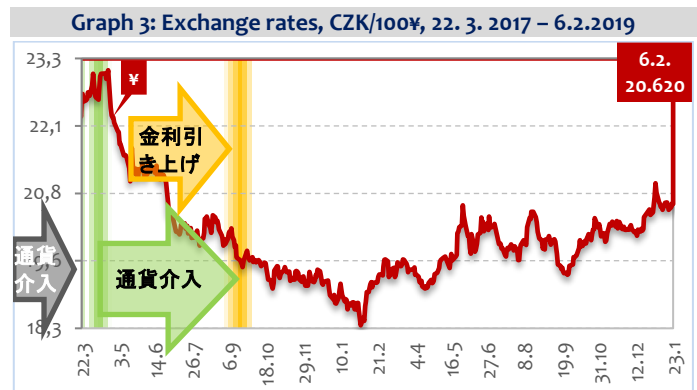
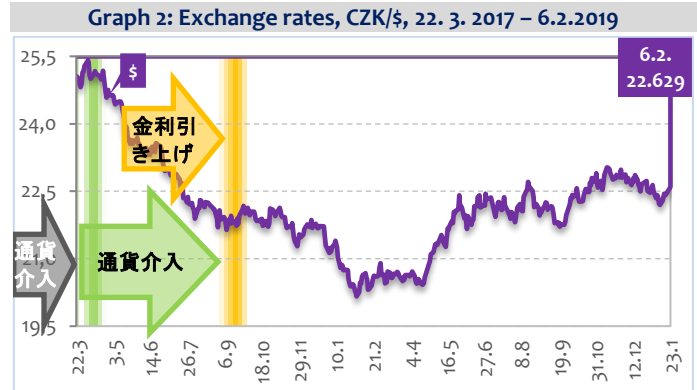
Compared to the same month of 2017, exports and imports rose by 1.6% and 0.2%, respectively, and reached the same value of CZK255.4 bn. December 2018 was by one working day shorter than December 2017.

In 2018 the trade balance in the national concept ended in a surplus of CZK132.7 bn, which represented a decrease by CZK30.8 bn, y-o-y. Compared to the previous year, exports and imports went up by 3.5% and 4.6%, respectively.

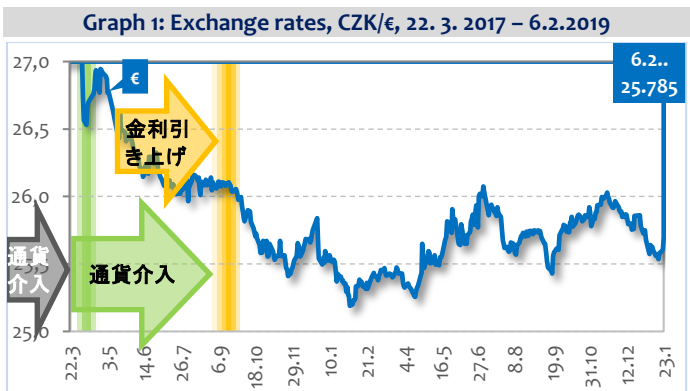
Information on the cross-border movement of goods According to preliminary data in current prices of the cross-border concept2) in December 2018 exports and imports increased by 2.0% and 2.8%, respectively. Total exports and imports of goods amounted to values of CZK316.1 bn and CZK296.9 bn, respectively.

In 2018 compared to 2017, exports and imports in the cross-border concept grew by 3.4% and by 5.0%, respectively. The external trade turnover went up by CZK336.7 bn to CZK8 382.8 bn, y-o-y.

According to the Eurostat statistics, in November 2018 the CR shares in the total exports and imports of the European Union were 3.4% and 3.1%, respectively.



CZKVs €, \$, ¥ – 6.2.



News outside the time span of this News summary

CIA 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 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 Český statistický úřad



lidovky.cz

penize.cz

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.

Lidovky.cz, news portal of Lidové noviny Daily; owned by Mafra a.s., a subsidiary of the Agrofert group, a company owned by Andrej Babiš from 2013.

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