

ECONOMIC NEWS SUMMARY FEBRUARY 7 – FEBRUARY 13

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ECONOMY & FINANCE

GOVERNMENT REPORTEDLY NEEDS TO MAKE CUTS – 7. 2.

The Cabinet¹ reportedly needs to carry out big spending cuts in order to maintain the state budget deficit at CZK²40bn³ in 2020, according to a document prepared by the MF⁴, quoted by LN⁵. The document was discussed at a cabinet meeting on February 4. It has been already known that MF Minister Schillerová has insisted on a 10% cut in the number of civil servants, but the document argues that it won't be enough and cuts in capital expenditure will be also necessary. The proposal is particularly cruel to transport infrastructure projects, as it proposes a spending cut by CZK14bn in 2019 and by CZK9.9bn in 2020, which will reduce considerably the capacity of the MT⁶ to finance new road construction. Furthermore, there will be needed some cuts in other sectors, though the LN doesn't mention which exactly.

The primary reason for the cuts is a slowing economy, as the latest macroeconomic forecast of the MF projects GDP⁷ growth at 2.5% in 2019 (down from 3.1% in the budget law) and 2.4% in 2020. It will mean CZK13.5bn lower tax revenue in 2020 against 2019, which would boost the state budget deficit to about CZK90bn. PM⁸ Babiš told LN that it was a difficult situation, given the heavy social spending commitments that the government has taken over. He noted that higher pension spending would cost CZK6.6bn, while a higher maternity leave benefit - CZK11bn, both planned for 2020. Apparently, however, the ČSSD⁹ has not been very accommodating in cutting these, which is why Babiš seemed resigned that other spending cuts may be needed. We believe the reason why social spending will be kept is that it is taken very favourably by voters, judging from the growing popularity of the two ruling parties in recent months.

At any rate, this is only a preliminary document and the 2020 budget framework is not going to be fixed earlier than June. MT Minister Ťok, whose programmes will be one of the most

threatened, called the document a starting point for negotiations, not a done deal. Other ministers will probably resist spending cuts as well, but we doubt they will be able to, given how committed ANO¹⁰ appears to be on fiscal stability.

HOSPODÁŘSKÉ NOVINY ECONOMY FORCES TO CUT OFF FINANCING – 8. 2.

Easy times of the Czech government thanks to the growing economy and minimal employment are likely to be over. MF Minister Schillerová, together with PM Babiš, are slowly preparing government members for major financing cut offs next year. Budgets cut offs include lower budgets for the MT (by CZK14bn) and the MA¹¹ (by CZK6bn).

CNB GROWTH IN REAL GDP TO REACH 2.9% – 8. 2.

According to the CNB¹², the annual growth in real GDP in the CR¹³ will reach 2.9% in 2019, 0.4pps¹⁴ lower than the November forecast. The growth will reach 3.0% in 2020. The growth in the consumer prices index will reach 2.4% in February and 2.7% in March. The money-policy inflation will grow to 2.7% in March from 2.4% in February.

CNB LOWERS SURPLUS PROJECTIONS – 8. 2.

The CNB has lowered its surplus predictions for the public finances in 2019 and 2020. In November officials said the surplus should reach 1.3% this year. However, they have now revised that figure to 1.2%. Meanwhile, the CNB has reduced its surplus estimate for next year by 2pps.

Government debt is still very low in the CR compared to among its V4¹⁵ neighbours. In 2017 it stood at 34.6%, more than 15% lower than in Slovakia and nearly 40% behind that of Hungary.

EC PREDICTS CZECH ECONOMY WILL GROW STABLY – 8. 2.

CR's GDP is expected to show stable year-on-year growth dynamism of 2.9% for 2019. The economy will then slow down to 2.7%, the EC¹⁶ predicts in its winter forecast. According to

¹ **Cabinet:** The Government of the Czech Republic exercises executive power in the Czech Republic. The members of the government are the Prime Minister of the Czech Republic (Chairman of the Government), the deputy ministers and other ministers. It has its legal basis in the Constitution of the Czech Republic. The government is led by the Prime Minister, who selects all the remaining ministers. Government of the Czech Republic is responsible to the Chamber of Deputies of the Czech Republic. The Prime Minister is appointed by the President of the Czech Republic. The current Prime Minister is Andrej Babiš.

² **CZK:** Czech Crown, the currency of the CR since 8 February 1993

³ **bn:** billion

⁴ **MF:** Ministry of Finance

⁵ **LN:** Lidové noviny Daily, the publisher of the daily is Lidové noviny a.s. owned by Mafra a.s., that in 2013 became a subsidiary of the Agrofert group, a company owned by billionaire Andrej Babiš. Its internet version is server lidovky.cz

⁶ **MT:** Ministry of Transport

⁷ **GDP:** Gross domestic product, an aggregate measure of production equal to the sum of all resident and institutional units engaged in production in a period (plus any taxes, and minus any subsidies, on products not included in the value of their outputs).

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

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

GDP = GVA + Taxes on products - Subsidies on products

⁸ **PM:** Prime Minister, the Czech Republic is a parliamentary representative democracy, with the Prime Minister acting as head of government and the President acting as head

of state. The first Prime Minister of the Czech Republic was Václav Klaus, who served as the second President from 7 March 2003 until 7 March 2013. The current and 12th Prime Minister is Andrej Babiš, leader of the ANO 2011, who was appointed by the President on 6 December 2017.

⁹ **ČSSD:** Czech Social Democratic Party, centre-left party

¹⁰ **ANO:** ANO 2011, centre-right party

¹¹ **MA:** Ministry of Agriculture

¹² **CNB:** Czech National Bank, is the central bank and financial market supervisor in the Czech Republic and a member of the European System of Central Banks. In accordance with its primary objective, the CNB sets monetary policy, issues banknotes and coins and manages the circulation of the Czech koruna, the payment system and settlement between banks. It also performs supervision of the banking sector, the capital market, the insurance industry, pension funds, credit unions and electronic money institutions, as well as foreign exchange supervision.

¹³ **CR:** the Czech Republic, a nation state in Central Europe. The Czech Republic covers an area of 78,866 km² with a mostly temperate continental climate and oceanic climate. It is a unitary parliamentary republic, has 10.5 million inhabitants and the capital and largest city is Prague, with over 1.2 million residents.

¹⁴ **Pps:** percentage points

¹⁵ **V4:** the Visegrád Group, also called the Visegrád Four, or V4 is an alliance of four Central European states – Czech Republic, Hungary, Poland and Slovakia – for the purposes of furthering their European integration as well as advancing their military, economic and energy cooperation with one another.

¹⁶ **EC:** European Commission, is the executive body of the EU responsible for proposing legislation, implementing decisions, upholding the EU treaties and managing the day-to-day business of the EU.

the predictions, the inflation rate will accelerate by 0.1pps to 2.1% in 2019. A year later the consumer price growth is expected to slow down to 2.1%. A year later the consumer price growth is expected to slow down to 1.9%.

EC has also informed that given the process UK's exit from the EU, the forecasts for 2019 and 2020 are based on the fully technical assumption that business relations between EU27¹⁷ and the UK will remain unchanged.

CIA ANALYSTS EXPECT ONE TO TWO HIKES IN CNB RATES – 8. 2.

According to experts, the CNB will continue to tighten monetary policy at the moment when the main uncertainties stemming from the external environment are eliminated.

In response to the decision of CNB to keep the basic rate¹⁸ unchanged at 1.75%, experts said that the CNB' decisions were outweighed by foreign threats to the tight labour market and still a relatively weak crown. They expect the CNB to raise the basic rate by 25 to 50 basis points for the whole year 2019.

CIA ERA GAVE CR A RATING OF AA- – 11. 2.

The ERA¹⁹ gave the CR a rating of AA- with a stable outlook. The rating is in part owed to the fiscal surpluses of state management and low indebtedness.

According to the ERA, the advantages of the Czech economy include high competitiveness, which is evidenced not only by solid GDP growth but also low unemployment, which in 2018 fell below 2%.

The increase in salaries will in the medium term continue at an above-average rate. But the growth of salaries had climaxed in 2018 (+8%). The ERA expects the economy of the CR to slow in 2019 to just below 3%, primarily due to weaker external demand.

CNB PUBLIC FINANCES WILL END WITH A SURPLUS – 11. 2.

According to the CNB, the balance of the government sector will have a surplus of 1.2% for 2019. In 2020 it should reach 1.3%. As part of the development of consumer prices, CNB predicts that inflation will after a temporary acceleration at the start of 2019 return to its 2% target. It should remain in its vicinity also on the horizon of monetary policy.

In 2019 and 2020 GDP growth should be close to 3%. The increase in domestic economic activity will be driven primarily by household consumption.

¹⁷ EU27: 27 member states of the EU (after UK's exit from the EU), which are party to the founding treaties of the union and thereby subject to the privileges and obligations of membership

¹⁸ Repo rate: The discount rate at which a central bank repurchases government securities from the commercial banks, depending on the level of money supply it decides to maintain in the country's monetary system. To temporarily expand the money supply, the central bank decreases repo rates (so that banks can swap their holdings of government securities for cash). To contract the money supply it increases the repo rates. Alternatively, the central bank decides on a desired level of money supply and lets the market determine the appropriate repo rate. Repo is short for repossession.

¹⁹ ERA Rating: European Rating Agency, prepares rating assessments of European Union businesses, municipalities, and non-financial institutions, and their issued instrument. The company was formerly known as Slovenská ratingová agentúra. The company was founded in 2001 and is based in Bratislava, Slovakia. ERA operates as a subsidiary of JSC Analytical Credit Rating Agency. Long-term credit ratings are assigned on an alphabetic scale from 'AAA' to 'D'. ERA also uses intermediate +/- modifiers for each category between AA and CCC (e.g., AA+, AA, AA-, A+, A, A-, BBB+, BBB, BBB-, etc.). Short-term are assigned on scale from 'S1' to 'S4' and 'NS' and may be supplemented by intermediate +/- modifiers.

²⁰ Raiffeisenbank: is a member of Austrian Raiffeisen Group that also offers products and services in the Czech Republic in the area of building savings (Raiffeisen stavební

The current account of the CR's balance of payments showed a surplus of CZK38.2bn last year, according to preliminary data released by the CNB.

The surplus was recorded for the 5th year in a row. Until 2013, the balance of payments ran deficits regularly. The 1st surplus was registered in 2014, reaching CZK7.9bn. In 2015 it rose to CZK11.3bn, in 2016 it climbed to CZK52.6bn and in 2017 it posted a record of CZK54.16bn.

"The current account was influenced positively by the weaker crown and the better balance of foreign trade at the end of last year. This year we nevertheless expect the crown to strengthen and the foreign trade surplus to decrease moderately." Raiffeisen²⁰ said. For the entire 2019, the current account surplus should reach about CZK30bn.

The biggest contribution to last year's came from the first four months, in which the surplus reached almost CZK87bn despite a deficit in March. The balance of payments also showed deficits from June to September.

"Last year, imports joined the solid growth of exports. This was thanks to a considerable increase in investments and an increasing demand of households for goods from abroad," KB²¹ said.

According to ČSOB²², the positive result of trade not only compensated the decrease in profits, interest and wages but there was still something left.

"And there is much more than today's figure indicates, because there are still around CZK100bn worth of reinvested profit that actually stays in the CR," it said.

However, with regard to the strong position that foreign investors built for themselves in the CR during the CNB's forex²³ interventions, the surplus is rather symbolic, it added. In December alone, the current account showed a surplus of CZK0.5bn. It was influenced positively by a surplus in the balance of goods and services worth CZK16.2bn.

"A negative effect, on the other hand, came the traditional outflow of dividends abroad, which amounted to CZK20.3bn," Raiffeisen said.

CONTROVERSIAL TAX LAW PASSES FIRST HEARING – 13. 2.

After 8 attempts a new amendment to the EET²⁴ in the CR, has passed its 1st hearing in the ChD²⁵. The amendment extends electronic cash register obligations to artisans and other groups of tradesmen. The ChD's Budget Committee will now review the law, before it is submitted back to the

spořitelna), insurance (UNIQA pojišťovna) and leasing (Raiffeisen-Leasing, Raiffeisen-Leasing Real Estate). Raiffeisenbank has merged with eBanka, a.s., in 2008.

²¹ KB: Komerční banka, the parent company of KB Group and is a member of the Société Générale international financial group. KB is a universal bank providing a wide range of services in retail, corporate and investment banking complemented by specialised financial services produced by KB's subsidiaries or other SG Group companies.

²² ČSOB: ČSOB is a wholly-owned subsidiary of KBC Bank NV. KBC Bank is fully owned by KBC Group NV. Both companies are domiciled in Brussels, Belgium.

²³ Forex: foreign exchange market is a global decentralized market for the trading of currencies. This includes all aspects of buying, selling and exchanging currencies at current or determined prices.

²⁴ EET: electronic cash registers system, a method of online registration of sales, when the data on each transaction of merchant are sent online to the financial administration. EET system was launched in the CR on December 1, 2016, it has been introduced already in other countries: in Croatia (2013), in Hungary (2015), where it is operated via a hybrid system of cash registers and online registration, in Slovenia (early 2016); in Slovakia, where online registration of sales is optional. Offline registration of sales using cash registers was introduced also in other 15 EU countries by 2016.

²⁵ ChD: Chamber of Deputies, is the lower house of the bicameral Parliament of the CR. The seat of the Chamber of Deputies is Thun Palace in Malá Strana, Prague.

ChD for a 2nd hearing. The law has been the subject of much criticism from opposition parties since it was introduced in 2016 when Babiš was MF Minister, who justified its creation on the basis of cracking down on tax avoidance

 **CR SHOWS POSITIVE RESULT OF CZK181BN IN 2017 – 13. 2.**

According to the MF, the CR's assets for 2017 amounted to CZK5,200bn. The largest part of this amount is the buildings and land worth CZK2,901bn. Total state liabilities, including reserves, amount to CZK3,070bn.

The largest part of the state's liabilities consists of issued bonds totalling CZK1,755bn. State expenditures in the amount of CZK2,336bn increased by 6.4% compared to 2016 and revenues of CZK2,523bn increased by 8.3%. Consolidation unit The CR managed in 2017 with a positive result of CZK181bn.

LIDOVÉ NOVINY HARVEST OF BANKS – 13. 2.

According to preliminary results of the CNB, last year's profit of Czech banks reached to CZK81bn, which is an increase by more than CZK7bn. Some banks, such as ČSOB and ČS²⁶ have not yet announced annual results, and therefore, the final sum may be even higher. It is not yet certain what dividends will be set by Czech banks.

It is further highlighted that banks are one of the main payers of corporate tax. 5 banks were listed among the top 10 corporate tax payers in 2017.

AGRICULTURE & ENVIRONMENT

 **CZECH VETS FIND NO SALMONELLA IN POLISH MEAT – 7. 2.**

No salmonella has been found in the meat that got to Prague from the Polish slaughterhouse where the bacteria occurred, the SVA²⁷ said. The presence of veterinary drugs has been excluded, too. The checks conducted by SVA have nevertheless revealed that some Prague restaurants pass Polish meat off as Czech meat, SVA said.

Inspections are also being conducted by the CAFIA²⁸. It has not found any faults related to the origin of meat or discovered any meat of unknown origin.

The inspections are a reaction to the scandal involving a Polish slaughterhouse which killed sick cows and distributed their meat. Some 137kg²⁹, out of 300kg of spoiled beef imported to the CR from Poland, have been sold to consumers or ended in restaurants.

Retail shops that offer Polish meat in the CR claim their meat does not come from the problematic Polish slaughterhouse.

²⁶ **ČS:** Česká spořitelna, is the biggest Czech bank measured by the number of clients (4.7 million) with headquarters in Prague. It is a part of the Erste Group, Austria.

²⁷ **SVA:** Czech State Veterinary Administration), an administrative authority of the Ministry of Agriculture and the highest veterinary authority with nationwide jurisdiction.

²⁸ **CAFIA:** Czech Agricultural and Food Inspection Authority (SZPI, Státní zemědělská a potravinářská inspekce) a state administration body subordinate to the Ministry of Agriculture. It is a state authority responsible for supervision of safety, quality and labelling of foodstuffs. Within its competencies, CAFIA checks foodstuffs, raw materials for their production, agricultural and tobacco products. The above competences apply to production, storage, transport, and sale (including import).

²⁹ **Kg:** kilogram is the base unit of mass in the International System of Units and is defined as being equal to the mass of the International Prototype of the Kilogram (IPK)

³⁰ **AHRCR:** Czech Association of Hotels and Restaurants (Asociace hotelů a restaurací České republiky), a civil association, a professional and non-political organization that brings together the owners and operators of hotels, boarding-houses, restaurants, vocational schools, but also partners offering various products for the accommodation or restaurant operations.

³¹ **ME:** Ministry of the Environment

³² **LČR:** Forests of the Czech Republic, state enterprise based in Hradec Kralove founded by the Ministry of Agriculture. LCR main activity is the management of the majority of forests (over 1.3 million ha), which are owned by the CR. Furthermore, the company is in charge of nearly 20,000 kilometres of small watercourses.

MA Minister Toman said that some luxurious Prague restaurants offer Polish meat but pass it off as Argentinian. He said he had received this information from supervisory authorities.

According to AHRCR³⁰, Toman's words harm the entire Czech restaurant market. "It is very unfortunate, if not scandalous, when a government member says that restaurants deceive customers by mixing up products, let alone harmful products," it said.

 **MINISTER: DAYS OF "WATER PROSPERITY" OVER – 9. 2.**

The ME³¹ Minister Brabec says that this winter may partly compensate for the drought suffered by much of the country in 2018. However, he said large amounts of snow were no guarantee drought would not occur in summer and warned that Czechs would have to prepare for a lack of water.

Mr. Brabec said some municipalities needed to receive supplies of drinking water in February, which was unheard of. The days of "water prosperity" are over, he said.

This week the Cabinet announced water management plans aimed at preventing drought becoming a recurring long-term problem.

 **LČR REGISTERS CALLS TO RELEASE PROPERTY – 12. 2.**

LČR³² registered as of February 1, 2019, 2,313 requests for the release of property, in which the eligible entities requested the release of 49,279 lots and 1,398 structures. The LČR has entered into 2,100 agreements on the issue of claimed property consisting of 18,664 lots sized 79,876ha³³ and 261 structures.

 **SZIF ISSUES DECISIONS FOR SUBSIDIES – 12. 2.**

The SZIF³⁴ began issuing the decisions for 3 subsidies within VCS³⁵ for protein crops, consumer potatoes and hops. The sum of CZK443mn³⁶ has been prepared for the protein crops, CZK48mn for potatoes and CZK81mn for hops.

 **LČR ALMOST COMPLETES CZK8BN TENDER – 12. 2.**

LČR has so far awarded contracts for forestry work and timber sales in the CZK8bn tender for 210,864ha out of the total of 257,640ha. Contracts have been signed for 39 out of 47 parts of the tender. The tender for 1 part has not been completed yet. For 7 parts, the tender had been cancelled or split in parts and a new tender was opened.

³³ **ha:** hectare is a non-SI metric system unit of area equal to 10,000 m²

³⁴ **SZIF:** State Agricultural Intervention Fund, is an accredited paying agency that acts as an intermediary responsible for the administration of financial subsidies allocated from EU funds and Czech national resources. Under the EU's Common Agricultural Policy, EU subsidies are provided from the European Agricultural Guarantee Fund (EAGF) and, in the 2007–2013 and 2014–2020 programming periods, from the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF). The Horizontal Rural Development Plan (HRDP) and Operational Programme Rural Development and Multifunctional Agriculture have been replaced by the EAFRD-funded Rural Development Programme (RDP).

³⁵ **VCS:** Voluntary Coupled Support, support of the EU Member Countries under Chapter 1 of Title IV of European Parliament and Council Regulation (EU) No 1307/2013 to types of farming/specific sectors that are particularly important for economic/social/environmental reasons and undergo certain difficulties. VCS may only be granted to the extent necessary to create an incentive to maintain current levels of production. 21 potentially eligible sectors: cereals, oilseeds, protein crops, grain legumes, flax, hemp, rice, nuts, starch potato, milk and milk products, seeds, sheepmeat and goatmeat, beef and veal, olive oil, silkworms, dried fodder, hops, sugar beet, cane and chicory, fruit and vegetables and short rotation coppice

³⁶ **mn:** million

CTK FOREIGN AGRICULTURAL TRADE DEFICIT GROWS – 12. 2.

The deficit in the CR's agricultural foreign trade rose annually by CZK7.88bn to CZK40.3bn last year, which was the worst result ever, the AACR³⁷ said.

While agricultural imports to the CR increased by about CZK2bn to CZK228.6bn, exports decreased by more than CZK10bn to CZK186.1bn.

The results confirm the CR's dependence on foreign products, the association said.

"Unfortunately, our estimates from the autumn of last year have come true. The dependence on foreign products has been exposed fully. The worst result, as has become a tradition in recent years, was seen in meat, where the deficit reached CZK23bn, which corresponds to 60% of the total foreign agricultural trade deficit," it said.

10 years ago, deficit became a rule in dairy products and other food products of animal origin, the AACR said.

On the other hand, the trade is influenced positively by cereals with a surplus of CZK8.6bn, milk with a surplus of CZK7.9bn and live animals, it added. Improvement also comes from tobacco and tobacco products with a surplus of CZK5bn. "Even though we have modern agriculture in which we are fully competitive with other growers, we have become exporters of raw materials and importers of labour from other countries," the AACR said.

The CR's agricultural foreign trade showed a surplus last time in 1993. Until now, the worst result was seen in 2011 when the trade posted a deficit of more than CZK36bn.

Table 1: Foreign agricultural trade, 1993 - 2018

Year	Exports (CZK mn)	Imports (CZK mn)	Surplus/ Deficit (CZK mn)
1993 foundation of CR	32,276	31,497	779
2000	47,729	65,011	-17,282
2001	49,411	69,228	-19,817
2002	45,174	69,040	-23,866
2003	48,805	74,259	-25,455
2004 admission to EU	61,526	93,822	-32,295
2005	78,520	103,522	-25,003
2006	78,542	112,737	-34,195
2007	96,880	129,333	-32,453
2008	106,931	131,048	-24,117
2009	101,708	133,735	-32,027
2010	105,364	140,008	-34,644
2011	120,381	156,674	-36,293
2012 (biggest improvement)	148,309	173,026	-24,717
2013	160,594	184,674	-24,080
2014	180,247	199,909	-19,662

³⁷ AACR: Agriculture Association of the CR, Zemědělský svaz ČR; Organization of employers - entrepreneurs in agriculture. It is a voluntary, independent, non-governmental and non-political association of legal and natural persons - agricultural business companies, agricultural cooperatives, sales cooperatives and companies, farmers and other entrepreneurs whose business is primarily focused on agriculture, breeding, and services. As one of the three agricultural communities it is incorporated into the Agrarian Chamber of the Czech Republic together with the Czech-Moravian Association of Agricultural Entrepreneurs and the Agrarian Union of the Czech Republic.

³⁸ hl: hectolitre, a unit of capacity equal to 100 liters

³⁹ Y-o-y: year on year, compared, compared with the corresponding month of preceding year

⁴⁰ Eurostat: Eurostat is a Directorate-General of the European Commission. Its main responsibilities are to provide statistical information to the institutions of the EU and to promote the harmonisation of statistical methods across its member states and candidates for accession as well as EFTA countries.

⁴¹ RES: renewable sources

⁴² EU: European Union, is a politico-economic union of 28 member states that are located primarily in Europe. It has an area of 4,324,782 km², and an estimated population of over 510mn. The EU has developed an internal single market through a standardised system of laws that apply in all member states. EU policies aim to ensure the free movement of people, goods, services, and capital within the internal market,

2015	201,383	220,686	-19,303
2016	201,592	224,676	-23,084
2017 (notable deterioration)	196,121	228,563	-32,442
2018	186,077	226,398	-40,322

LIDOVÉ NOVINY BEER EXPORTS HAVE NEW RECORD – 12. 2.

According to the LN, domestic breweries are performing well. Last year beer exports exceeded 5mn hl³⁸, which is a y-o-y³⁹ increase by 11.5%. The fastest growing export destinations were Russia and Hungary. The 2 most important markets for Czech beer are Germany and Slovakia. It is expected that beer exports will continuously grow during the year 2019 and in upcoming years as well.

EIA CR EXCEEDS ITS RESTART FOR 2020 – 13. 2.

According to the Eurostat⁴⁰, the share of energy from RES⁴¹ in total consumption in the CR was 14.8% in 2017. The CR thus exceeded its national target within the EU⁴² for 2020, which was set at 13%.

The share of energy from RES in Slovakia was 11.5% in 2017, with a target of 14% in 2020. The EU average was 17.5% in 2017 and the target for 2020 is 20%.

EIA SZIF TO SPEND CZK1.4BN ON GREEN FARMING – 13. 2.

The SZIF has started issuing decision for the support for environment-friendly farming under the 2014-2020 EAFRD⁴³. Totally 4,334 farmers have applied for the subsidy and ca. CZK1.4bn will be administered among them.

HOSPODÁRSKÉ NOVINY DESPERATE FORESTERS EXPORT TO CHINA – 13. 2.

According to the HN⁴⁴, Czech forestry firms deal with the surplus of bark beetle wood by exporting to China. Last year China became the 3rd largest export market for wood. Traditional wood importing destinations, Germany and Austria, both have a surplus of bark beetle wood of their own and are uninterested in buying from the CR.

ENERGY & INDUSTRY & TRANSPORT

ŠKODA AUTO WINS 780MN CAR TENDER – 7. 2.

Škoda Auto⁴⁵ has won a CZK780mn tender announced by the MF to provide passenger cars to various state institutions. The Škoda Auto will provide over 1,370 vehicles to 10 ministries and subsidiary organisations. The CR's prison service has already received 30 Škoda Octavia models.

Škoda Auto had also won a CZK250mn tender to provide 4x4 drive passenger cars to the police, but the tender was cancelled by the OPC⁴⁶, which claimed its requirements

enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries, and regional development. Within the Schengen Area, passport controls have been abolished. A monetary union was established in 1999 and came into full force in 2002, and is composed of 19 EU member states which use the euro currency.

⁴³ EAFRD: the European Agricultural Fund for Rural Development, financial tools set up to implement the regional policy of the EU under CAP – Common Agricultural Policy.

⁴⁴ HN: Hospodářské noviny Daily, published by Economia a.s., publishing company issuing economic and professional periodicals in the Czech Republic that is owned by billionaire Zdeněk Bakala from 2008.

⁴⁵ Škoda Auto: is a Czech automobile manufacturer founded in 1895 as Laurin & Klement. It is headquartered in Mladá Boleslav, Bohemia, Czech Republic. The car manufacturer was acquired by Škoda Works in 1925 and became a wholly owned subsidiary of the Volkswagen Group in 2000, positioned as the entry brand to the group. Škoda Auto supplied 1.2mn cars to clients in the whole world in 2017. It has 3 production plants in the CR and produces cars also in China, Russia, Slovakia, Algeria, India, Ukraine and Kazakhstan. The company employs more than 35,000 people and is active on over 100 markets.

⁴⁶ OPC: Office for the Protection of Competition (Úřad pro ochranu hospodářské soutěže), the central authority of state administration responsible for creating conditions that favour and protect competition, supervision over public procurement and consultation and monitoring in relation to the provision of state aid.

unfairly favoured the Czech car-maker Auto against other bidders.

EIS DELOITTE'S STUDY ON IMPACT OF E-MOBILITY – 7. 12.

Traditional automotive suppliers in the CR could be left behind by electromobility, according to a survey by Deloitte⁴⁷. The most dramatic scenario of future e-mobility says that up to 1.4mn people could lose their jobs and public finances would suffer a loss of over CZK400bn.

However, this is an extreme scenario should the local automotive industry be unable to adapt to coming changes regarding e-cars and autonomous vehicles. Should the Czech automotive industry lose production of just engines and gear boxes, while assembly of vehicles would remain, the increase in electricity production would impact on employment increasing by 1.5% and GDP by over 3.1%.

Škoda's TU Kovo⁴⁸, has stated that e-mobility is a subject that the TU⁴⁹ intensively discuss with the company's management. Deloitte added that the important thing is to develop e-cars not just manufacture them. The country seriously lacks behind in e-mobility, with only 703 new e-cars registered in 2018 and only some 700 charging stations in operation.

NUCLEAR COMPANIES PRESENTATION – 11. 2.

The ChD is hosting the International Energy Forum with the theme Completion of new nuclear energy sources in the CR on February 21, 2019. The program includes presentations by potential suppliers CGN⁵⁰, Areva⁵¹, Atmea⁵², Westinghouse⁵³, KHNP⁵⁴ and Rosatom⁵⁵. The topic will be discussed not only by organizers and potential suppliers but also by PM Babiš, MIT⁵⁶ Minister Nováková, MF Minister Schillerová, the SONS's⁵⁷ chairwoman Drábová, the ČEZ⁵⁸ CEO Beneš, and the government commissioner for nuclear energy Míl.

NUMBER OF PRAGUE-SHANGHAI FLIGHTS TO RISE – 11. 2.

The number of flights between the Czech capital Prague and Shanghai Hongqiao International Airport in China is set to increase to 5 flights per week as of 6 May 2019. The Monday,

⁴⁷ **Deloitte:** Deloitte Touche Tohmatsu Ltd., a UK-incorporated multinational professional services network. Deloitte is one of the "Big Four" accounting organizations and the largest professional services network in the world by revenue and number of professionals. Deloitte provides audit, tax, consulting, enterprise risk and financial advisory services with more than 263,900 professionals globally.

⁴⁸ **KOVO:** the metalworkers trade union, affiliated member union of ČMKOS, with some 140,000 members.

⁴⁹ **TU:** Trade union, around 1/6 of all employees are union members in the CR.

⁵⁰ **CGN:** China General Nuclear Power Group is a major clean energy corporation under the State-owned Assets Supervision and Administration Commission of the State Council of the State Council. CGN has operating nuclear plants at Daya Bay Nuclear Power Plant, Ling Ao Nuclear Power Plant, Hongyanhe Nuclear Power Plant and Ningde Nuclear Power Plant, with five new nuclear power stations under construction and another 2 planned. CGN operates in other emerging energy industries like wind energy and solar energy, as well as more traditional industries like hydroelectricity.

⁵¹ **Areva:** is a French multinational group specializing in nuclear and renewable energy. It is the world's largest nuclear company. Its nuclear technology business group was created by absorbing the nuclear business line of German company Siemens; it has developed the EPR, an advanced 3rd generation pressurized water nuclear reactor.

⁵² **Atmea:** a joint venture between Mitsubishi Heavy Industries and Areva that develops, markets, licenses and sells the ATMEA1 reactor, a new generation III+, medium-power pressurized water reactor. The company is headquartered in Paris.

⁵³ **Westinghouse:** Westinghouse Electric Company LLC, a US based nuclear power company founded in 1999 offering nuclear products and services to utilities internationally, including nuclear fuel, service and maintenance, instrumentation, control and design of nuclear power plants. As of 2014 Westinghouse builds and operates approximately one-half of the world's operating nuclear plants. Toshiba Group is the majority owner of Westinghouse.

⁵⁴ **KHNP:** Korea Hydro & Nuclear Power, a subsidiary of the Korea Electric Power Corporation (KEPCO). It operates large nuclear and hydroelectric plants in South Korea, which are responsible for about 40% of the country's electric power supply. It was formally established in 2001 as part of a general restructuring at KEPCO.

Tuesday and Saturday flights will be direct, while the Thursday and Sunday flights will also stop in Xi'an. The service began in June 2016, with CEA⁵⁹ providing the service on 3 days per week.

CABINET TO DISCUSS MINERAL RESOURCES ACT – 12. 2.

Cabinet will discuss on February 18, 2019, the bill that amends the Act on Protection and Exploitation of Mineral Resources (Mining Act).

The agenda includes also the concept for hydro transport until 2023, the proposed procedure in the area of operation and administration of completed and planned hydric redevelopment of holes left over after the termination of brown coal mining in Ústí nad Labem Region and the Action Plan for CR's Regional Development Strategy for 2019-2020.

INDUSTRY IN GOOD CONDITION – 13. 2.

According to the Ipsos⁶⁰, Czech industry fares well in international comparison according to 84% of industrial companies' managers.

The view is shared by 59% of students in technical fields, while the rest view the industry as stagnating or declining. Both groups perceive automotive and engineering industry as the strongest.

On the other hand, they believe the clothing (textile) and glassmaking industries are in the worst condition. In 11% of cases, the directors perceive positively the development of energy industry, while this sector did not feature in the students' responses.

ŠKODA AUTO TO INVEST IN ALTERNATIVE PROPULSIONS – 13. 2.

Škoda Auto has showed 2 design sketches revealing its first model based on the MEB⁶¹ - a 4-door crossover with a coupe body.

The company will introduce the concept Škoda Vision iV at the Geneva Motor Show on March 5-17, 2019. In 2019 the automaker will introduce on the market the model Superb PHEV with a plug-in-hybrid engine and the electric Citigo using a battery. The 1st MEB-based series cars will follow in

⁵⁵ **Rosatom:** Rosatom State Atomic Energy Corporation, a state corporation (non-profit organization) in Russia, established in 2007, the regulatory body of the Russian nuclear complex. It is headquartered in Moscow. Rosatom is the only vendor in the world able to offer the nuclear industry's entire range of products and services. It runs all nuclear assets of the Russian Federation, both civil and weapons. Along with commercial activities which move forward nuclear power and nuclear fuel cycle facilities, it acts as a governmental agent, primarily in the field of national security (nuclear deterrence), nuclear and radiation safety, basic and applied science.

⁵⁶ **MIT:** Ministry of Industry and Trade

⁵⁷ **SONS:** State Office for Nuclear Safety, a governmental body as stipulated by Act. No. 2/1969 Coll., headed by Chairman appointed by the Government of the Czech Republic. The SÚJB is a regulatory body responsible for governmental administration and supervision in the fields of uses of nuclear energy and radiation and of radiation protection. The authority and responsibilities of the SÚJB, as stipulated by on Peaceful Utilisation of Nuclear Energy and Ionising Radiation (Atomic Act).

⁵⁸ **ČEZ:** ČEZ Group is a conglomerate of 96 companies (including the parent company ČEZ, a.s.), 72 of them in the CR. Its majority shareholder is the Czech government, owning 70% of shares. It is involved in the electricity generation, trade, distribution and heat, as well as coal mining. ČEZ is the biggest electricity supplier in the Czech Republic.

⁵⁹ **CEA:** China Eastern Airlines Corporation Limited is an airline headquartered in Shanghai. It is a major Chinese airline operating international, domestic and regional routes. Its main hubs are at Shanghai Pudong International Airport and Shanghai Hongqiao International Airport, with secondary hubs at Kunming Changshui International Airport and Xi'an Xianyang International Airport. China Eastern Airlines is China's second-largest carrier by passenger numbers.

⁶⁰ **Ipsos:** Agency for market research and public opinion polling

⁶¹ **MEB:** a modular car platform for electric cars, developed by the Volkswagen Group and its subsidiaries. It is used in models of Audi, SEAT, Škoda and Volkswagen. The architecture is aimed to "consolidate electronic controls and reduce the number of microprocessors, advance the application of new driver-assistance technology and somewhat alter the way cars are built" by the VW Group.

2020. Škoda Auto will invest roughly €2bn in the development of alternative propulsions and new services related with the mobility in next 4 years and it will introduce more than 10 electrified models by the end of 2022.

INVESTMENTS & TRADE & SERVICES

CTK EU-JAPAN COOPERATION IN ARTIFICIAL INTELLIGENCE – 7. 2.

The EU wants to cooperate with Japan in adopting artificial intelligence, rejecting the Chinese model based on unscrupulous data collection, European commissioner Jourová said at the Digital Czechia conference.

Europe is slower in terms of artificial intelligence adoption, however, it plans to invest €20bn in this field by 2020, with annual investments at €20bn after that year, she said.

Several innovation, knowledge and cybersecurity centres will be created in Europe.

"We want to create a European model of artificial intelligence that will be based on the protection of privacy, on knowledge and ethics," Jourová said.

"No protectionism, no disruptions to data flows," she added. Czechia would like to have an artificial intelligence centre, according to earlier information.

The MIT and other ministries are preparing a national artificial intelligence strategy that is to be submitted to the cabinet by April 30.

CTK NEW ČEZ SUBSIDIARY TO BUILD NEW UNITS – 11. 2.

A new subsidiary of ČEZ, the largest energy company in the country, will build new units in the Dukovany NPP⁶², Jaroslav Míl, the new government commissioner for nuclear power, said. He added that there weren't really any other options on the table, implying that investor interest is not as strong as implied in local media. He assured that the state would play a big role in the project, but he suggested that it would be mostly through guarantees that all required changes to regulations and legislation will be timely adopted.

As far as the financing model of the project is concerned, Míl refused to provide any comment. For instance, he neither confirmed nor denied that the government was ready to cover financial risks from potentially lower electricity prices, which could jeopardise the financial feasibility of the project. There was also no comment on the possibility that the state could join the financing of new nuclear units.

The financing of the project is the real stumbling block in the project, not whether new nuclear capacity is needed. The government expects that ČEZ should cover all the costs, while ČEZ's management and particularly its minority shareholders do not wish to commit to so much financial risk. ČEZ has always insisted that there should be sought a strategic investor, while the government insists that it shouldn't cede control to an outside party. It is the reason

⁶² **Dukovany NPP:** Dukovany NPP annually supplies approximately 14 TWhr of electric energy to the national power network. NPP is owned and operated by ČEZ Group. Dukovany covers a 1/5 of the total electricity consumption in the CR with its installed output of 2,040MW. The NPP has 4 units. ČEZ has submitted request for new licences for further operation of units 3 and 4 to the SONS. Current 10-year licences for the units will expire at the end of this year. SONS has granted new operation licences for units 1 and 2.

⁶³ **CTU:** Czech Technical University (České vysoké učení technické, ČVUT), is one of the largest universities in the Czech Republic, established as the Institute of Engineering Education in 1707. It is also the oldest non-military technical university in Europe. CTU currently has eight faculties (Civil Engineering, Mechanical Engineering, Electrical Engineering, Nuclear Science and Physical Engineering, Architecture, Transportation Sciences, Biomedical Engineering, Information Technology) and about 21,000 students across its bachelor, masters and doctoral programmes.

why the project has been delayed for so long. The latest deadline for making a decision how to fund the project is at end-April, but further delays can not be ruled out.

CTK HE3DA HOLDS ČVUT'S CERTIFICATE – 7. 2.

HE3DA batteries have gained certification from the CTU⁶³. The metering verified capacities, cyclical stability and proved compliance with the producer's tests. Serial production will start in late 2019 in the Magna Energy Storage factory in Horní Suchá near Havířov. At the same time, HE3DA has formed a strategic alliance with the University of Nevada for the project supported also by the US space agency, NASA, held in Camp David in the Nevada desert. The batteries are used for storing energy from renewable energy resources in the base involved with the research of bacteria living in the Nevada hot springs.

CTK AVERAGE PRICE OF APARTMENTS IN PRAGUE GREW – 8. 2.

The average offer price of free apartments in development projects in Prague grew by almost 11% y-o-y to CZK106,100/m² at the beginning of 2019. An average apartment covered an area of more than 68 m² and its price was CZK7.1mn.

The total number of new free apartments on the Prague market increased in November and December 2018 and at the beginning of January reached 6,114 (+35% y-o-y).

Developers listed housing units in 23 projects for more than CZK4.8bn. A total of 703 apartments with an average price of CZK109,900/m² were put on the market for direct sale.

CTK EXPORTS TO EU ACCOUNT FOR 84.1% – 10. 2.

The share of exports to EU countries increased slightly to 84.1% of the CR's total exports last year, which was the highest percentage in six years, according to the CSO⁶⁴.

In 2012, the share reached 81% in cross-border terms. 20 years ago it was even higher, reaching 86%.

EU countries received Czech exports worth CZK3,700bn out of the total Czech exports amounting to nearly CZK4,400bn. 10 of the biggest export markets account for 88% of Czech exports to the EU.

"At the same time, these 10 countries account for 74% of total Czech exports. In other words, ¾ of Czech exports depend on mere 10 countries, which poses a risk for the economy, as Czech companies will not be able to offset a weakening of demand in these countries by sales in other parts of the world," the CI⁶⁵ said.

German remains Czechia's main trading partner. Exports of Czech companies to Germany reached a record-breaking amount of CZK1,420bn last year. The annual rise of 2.8% was, however, the lowest since 2009.

Exports to Germany accounted for 32.4% of total exports.

⁶⁴ **CSO:** Czech Statistical Office, is the main organization which collects, analyses and disseminates statistical information for the benefit of the various parts of the local and national governments of the CR. It accomplishes this goal through the management of the Czech Statistical Service.

⁶⁵ **CI:** Confederation of Industry, Svaz průmyslu a dopravy, is an employer association in the Czech Republic founded in 1990. It is non-governmental, independent organization that influences the economic and social policy of the government and acting on the creation of optimal conditions for doing business. It defends the interests of employers in European and world organizations, especially as a member of the Confederation of European Business. The Association brings together 31 sectoral professional or regional associations and associations, 126 individual member companies and 6 observers, 11,000 companies employing 1.3 million workers.

Outside the EU, CR's main export market was the USA, which received Czech exports worth CZK91bn last year.

Table 2: CR's exports to EU (in cross-border terms, in CZK thousands)

Country	Value	Country	Value
Germany	1,422,205,312	Denmark	39,543,935
Slovakia	331,898,895	Ireland	26,301,841
Poland	265,591,703	Finland	24,931,027
France	224,235,128	Bulgaria	21,594,750
United Kingdom	205,579,654	Slovenia	21,467,272
Austria	195,525,110	Lithuania	15,543,907
Italy	170,391,196	Croatia	15,524,845
Netherlands	162,130,575	Portugal	15,037,503
Spain	132,671,415	Greece	11,140,191
Hungary	131,050,928	Estonia	8,354,099
Belgium	93,698,879	Latvia	6,672,228
Sweden	76,796,717	Luxembourg	5,749,101
Romania	65,672,023	Cyprus	1,649,253
Denmark	39,543,935	Malta	751,645

INVESTMENT SUPPORT FUND – 10. 2.

The future SFPI⁶⁶ should not be financed from the state budget only but should have a permanent source of income, which should ideally amount to CZK10bn annually, MRD Minister Dostálová said.

SFPI's income should partly come from a certain percentage of revenues from the real estate tax, according to Dostálová. At present, 100% of these revenues go to municipalities.

Last year, tax authorities collected CZK10.83bn in real estate tax. In 2017, the collection amounted to CZK10.76bn.

Under a draft bill approved by the government earlier this week, the SFPI is to be created from the existing State Housing Development Fund. Besides support of housing, SFPI should focus on regional development, territorial planning, tourism and building procedure regulation.

According to Dostálová, SFPI should become a source of money after the CR stops drawing EU funds⁶⁷.

In 2021-2017, the CR should receive about CZK100bn less from EU funds than in the current fiscal period of 2014-2020, in which almost €24bn have been earmarked for Czechia.

According to Dostálová, the drawing of EU funds should help the state budget results this year, as the budget may struggle will lower revenues due to the expected slowdown of the economic growth.

SALE PRICES OF OLDER CZECH FLATS ROSE – 11. 2.

The sale prices of older Czech apartments grew by 32% on average in 2018, to just under CZK53,000/m².

In Prague, the average price per m² for an old flat stood at over CZK80,000. According to earlier figures released by a group of prominent developers, for new apartments, the average price per sqm was just under CZK102,000.

MIT WANTS SUPPORT FOR SMART INVESTMENTS – 11. 2.

The MIT wants to introduce brand new support for investments that would put an end to subsidies for assembly plants, said MIT Minister Nováková. She added that the aim is to focus on smart investments, which will make use of research findings and offer high value added implemented in

the CR. Changes should be introduced by the amendment to the act on investment incentives, which is now in the ChD as part of the legislative process. The MIT's main aim is to get rid of legislative and business barriers and to support Czech companies in their use of technological opportunities and the digital economy so that they have the best possible conditions to climb to the top of their respective sectors.

DISCUSSION ON SAVINGS NOT AFFECT INVESTMENTS – 11. 2.

At the start of February 2019 the MF launched within the coalition council a discussion about possible austerity measures but it is not proposing any cuts to investments. MF Minister Schillerová highlighted concrete areas in which she sees room for savings. This is primarily about reducing the costs of operating ministries, a drop in the number of bureaucrats in the state administration and the modernization of the opaque and costly social benefits system so that it serves those truly in need. The concrete form of the measures and state budget will be the subject of the continuing discussion within the government coalition and government.

MD WANTS POWERS IN DEFENDING CYBER-SECURITY – 12. 2.

The MD⁶⁸ wants greater powers in defending the country's infrastructure against cyber attacks, the news site idnes reported.

MD Minister Metnar has prepared an amendment to the law on military intelligence which would allow military experts to trace and pre-empt cyber strikes effectively.

A similar proposal was rejected by ChD earlier due to concerns regarding invasion of people's privacy.

Minister Metnar argued that at a time when the functioning of the state depends on computer networks it is essential to protect hospitals, nuclear power stations, banking systems and other key institutions effectively.

The proposed amendment is to be debated in government in the coming days.

COUNTRY HAS LARGE NUMBER OF SUPERMARKETS – 12. 2.

The CR has one of the densest networks of large supermarkets in Europe, with over 1,000 large supermarkets in the country. The CR currently has some 320 hypermarkets and more than 700 supermarkets, with the number of corner groceries falling to around 5,500 from more than 12,000 in 2001. Discounting is prevalent in the CR's supermarket sector, with over 50% of goods sold now bought on sale.

EU-JAPAN DEAL MAY RAISE CZECH EXPORTS – 13. 2.

The FTA⁶⁹ between the EU and Japan may boost Czech exports to Japan which have stagnated in recent years, totalling some CZK20bn a year since 2013, business associations have said.

Czech exporters will save some CZK2.4bn in duties annually thanks to the agreement, said Gerlach, a company providing customs services for both exporters and importers.

⁶⁶ SFPI: State Investment Support Fund

⁶⁷ EU Funds: financial tools set up to implement the regional policy of the EU (CP – Cohesion Policy and CAP – Common Agricultural Policy), funds under CP consist of the Structural Funds (the ERDF – the European Regional Development Fund and the ESF – the European Social Fund), and the CF – the Cohesion Fund. Funds under the CAP, consist of the EAGF – the European Agricultural Guarantee Fund, the EAFRD – the

European Agricultural Fund for Rural Development, and the EFF – the European Fisheries Fund.

⁶⁸ MD: Ministry of Defence

⁶⁹ FTA: free trade agreement involve cooperation between at least two countries to reduce trade barriers—import quotas and tariffs—and to increase trade of goods and services with each other

Similar deals have always influenced positively mutual trade, said the CAE⁷⁰. Exports, however, need not necessarily increase immediately after closing the deal. Unless hindered by the business cycle whose peak is over there might be a mild growth in mutual trade, the CAE said.

The deal will boost the export of products such as mechanical devices, boilers, engineering products, artificial jewellery and precious metals fragments used for industrial products, for example, said Gerlach company. Czech exports to Japan may see the biggest hike of up to 65% in the textile industry, it said. The country has a strongly negative trade balance with Japan in the long run, and so the agreement will promote bilateral trade, the Chamber of Commerce said.

Japan is a major foreign investor in the CR, creating thousands of job positions, and closer economic ties usually have a positive effect on investment plans, according to the CCC⁷¹.

Some 230 Japanese firms have been active on the Czech market, employing more than 47,000 people. About 100 firms are involved in production operations and 10 companies in research and development.

Japanese are interested in small and mid-sized hydroelectric power plants, IT technologies, radars, protection systems against chemical, biological and radioactive weapons, glassware, healthcare equipment and agricultural products, said the association.

The trade deal entered into force in February, cancelling 99% of Japanese tariffs on goods sold in the EU and 94% of EU export tariffs, with the latter's share to rise to 99% in the future.

Table 3: Czech exports to Japan in 1999-2018 (in thousands of crowns)

year	exports	year	exports
1999	282,972	2009	8,013,755
2000	4,501,702	2010	10,140,209
2001	4,641,137	2011	10,315,286
2002	4,621,478	2012	13,976,283
2003	4,543,943	2013	17,084,065
2004	5,840,773	2014	21,251,472
2005	7,876,820	2015	21,335,627
2006	9,201,356	2016	22,761,015
2007	10,129,796	2017	18,172,294
2008	9,275,003	2018	19,878,070

LABOUR & HEALTH & SOCIAL

EIS SKODA REJECTS UNIONS PAY RISE PROPOSAL – 7. 12.

On 4 February 2019, the 1st round of 2019 collective bargaining negotiations took place between the management and the TU Škoda Auto.

The management rejected the TU's proposal for a maximum pay rise in 2019, stating that the economic situation in the CR

⁷⁰ CAE: Czech Association of Exporters, a voluntary association that represents its members in the promotion of common interests, a transparent, non-discriminatory and free business environment in order to maintain and increase the competitiveness of domestic companies and companies, especially export companies. AE acts with state administration bodies, promotes its goals in the media, organizes educational, social and promotional actions aimed at achieving the goals.

⁷¹ CCC: Czech Chamber of Commerce (also HK ČR in Czech), is an organisation which represents the business community in the Czech Republic and is an essential part of the Czech business environment. The chamber's competencies are defined by Act No. 301/1992 Coll., on the Czech Chamber of Commerce and the Czech Chamber of Agriculture. It is organised into two sections - region and industry-based chamber networks. The region-based network is broken down into district, area and Region chambers of commerce. The industry-based network is made up of business communities divided into four professional associations: Retail and tourism; Industry and transport; Business services and other; and Construction, technical crafts and technical equipment. It protects the interests of its members - small, mid-sized and large

is now declining and strong results, such as the ones in 2018, cannot be achieved every year. From 1 April 2018, Škoda's tariff salaries grew by 12%, with several one-off bonuses on the top of that. The management will submit its proposal at the next round of negotiations.

Power Data Monitor AGROFERT'S ALLEGED EXPLOITATION OF MIGRANTS – 7. 12.

Agrofert⁷² is alleged to have employed non-EU migrant workers from companies such as Ukraine and Vietnam and exploited them by giving them poor living and working conditions and inadequate pay for the jobs they were doing. Agrofert has denied the allegations. It is also alleged that under the previous scheme to recruit Vietnamese workers, work permits were only available via middlemen who charged unreasonable fees for arranging them. The scheme was stopped in 2018.

UNEMPLOYMENT CONTINUES TO RISE – 8. 2.

While January's unemployment rates were still the lowest since 1997, the LO⁷³ reports that the number of people without work has increased to 3.3%.

Analysts expected this increase due to seasonal factors. However, the numbers are higher by one decimal point than their projections indicated.

Economists do not expect another major decrease in unemployment like that seen in 2018. Furthermore, the growth in vacancies is also projected to go down this year.

Despite increases in the past 2 months, unemployment levels in 2019 are expected to continue being very low and to fall below 3.0% with the onset of spring. This trend is also expected to put further pressure on employers to increase wages.

TOUGHER MEASURES EXPLOITING FOREIGN WORKERS – 8. 2.

The MLSA⁷⁴ is considering more regulation of agency employment. It also wants the LO to have more powers to combat the exploitation of foreign workers, MLSA Minister Maláčová said. She said these measures were part of a larger set that will be included in an employment bill due to be published in the Q2⁷⁵ 2019.

The minister also reacted to an investigative article published by German broadcaster Deutsche Welle, which reported on miserable conditions for migrant workers employed at a Czech company owned by Agrofert, a conglomerate founded by PM Babiš. Ms. Maláčová said the article could act as an incentive for an investigation by labour inspectors. Mr. Babiš has said the Deutsche Welle story was 'made up'.

companies that are in the region-based chamber network and business communities. The Czech Chamber of Commerce has over 13,000 members organised in 65 regional and 83 industry subdivisions. Membership of the Czech Chamber of Commerce is voluntary.

⁷² Agrofert: an agricultural, food processing and chemical holding company based in CR. The holding consists of more than 230 companies mainly in CR, Slovakia and Germany. It is the 4th largest company in the CR by revenue with revenue exceeding CZK 117bn. It owns or has rented over 57 thousands ha of Czech arable land - 0.7 % of total area of the CR or 1.6 % area of Czech arable land. The company was founded in 1993. Its current CEO and sole owner is Andrej Babiš.

⁷³ LO: Labour Office; an administrative authority of the Czech Republic is subordinated to the Ministry of Labour and Social Affairs, its main activity is to provide information in the field of labour market not only in the Czech Republic but also in the European Union, to register job seekers and vacancies.

⁷⁴ MLSA: Ministry of Labour and Social Affairs

⁷⁵ Q: * quarter of the year



5-HOUR WORKING DAY IS MOST POPULAR – 10. 2.

The most popular out of atypical employee benefits in the CR include a 5-hour working day, share in their company's profit and unlimited leave, while the lowest interest has been registered for egg freezing and insurance against identity theft, according to a survey conducted by the Up CR company.

As many as 91% of Czech employees have shown interest in at least some of the unusual benefits, the survey has revealed. "Relaxation and wellness weekends, adrenaline adventures and contributions to charity are becoming growingly popular," Up CR said.

Most employees (½ of respondents below 26) are interested in a benefit in the form of a five-hour working day. A total of 40% of employees would like to profit from the success of their employer and have a share in its profit. Men (49%) are more interested in this type of benefit than women (31%).

The popularity of unlimited leave, which was introduced by several Czech companies last year, is similar.

Out of health-related benefits, 22% of respondents, predominantly women, showed interest in the possibility of having a masseur at their working place.

Employed women are also more interested in yoga courses, weight reduction courses and acupuncture. The overall interest in these benefits among both genders is below 10%. Nearly a ¼ of respondents around 40 years of age are interested benefits in the form of scholarships for their children.

The attractiveness of the possibility of free legal consultation is similar. Around 10% of employees are interested in a benefit in the form of a consultation with a psychologist.

On the other hand, less than 2% of female respondents would be interested in having their eggs frozen for the purpose of postponing pregnancy. This benefit, along with the possibility of insurance against identity theft, has placed at the bottom of the chart of atypical benefits.

DOCTORS MAY HAVE TO COMMIT TO STAYING – 10. 2.

Czech doctors may in future have to commit to remaining in the country for up to four years after completing their education, the MH⁷⁶ Minister Vojtěch says.

Mr. Vojtěch also said that higher pay and the provision of accommodation could help stem the flow of nurses out of the Czech healthcare system. He said that the measures were still being debated.

Czech hospitals lack around 3,000 nurses. The country is facing a lack of doctors as more and more approach retirement age and there are fewer medicine students per head than in surrounding states.



CR 25TH MOST ATTRACTIVE STATE BY WORK – 11. 2.

The CR ranks 25th in the world in terms of quality of employment conditions and opportunities and Prague occupies the same position among the cities, according to a report of Adecco recruitment agency.

Prague is the world's 8th best city when it comes to sustainable standard of living that it good enough to attract

⁷⁶ MH: Ministry of Health

⁷⁷ ČMKOS: a dominant union confederation in the CR, which had almost 400,000 members in 2011. ČMKOS is the Czech successor of the Czech and Slovak union

and retain talented people in the labour market, said the survey of 125 countries and 114 cities.

Czechs finished 22nd in terms of sustainable quality of life and professional and technical skills, ranking 32nd in terms of general knowledge, said the agency.

Table 4: Top 10 countries and cities in terms of quality of employment conditions and talent development opportunities

ranking	country	city
1	Switzerland	Washington
2	Singapore	Copenhagen
3	USA	Oslo
4	Norway	Vienna
5	Denmark	Zurich
6	Finland	Boston
7	Sweden	Helsinki
8	Netherlands	New York
9	Great Britain	Paris
10	Luxembourg	Seoul



WAGE RACES CONTINUE – 11. 2.

Weekly Euro writes that Czech employees have experienced a 2nd year of rapid wage growth. Average wages grew by 9% and exceeded CZK32,000 monthly. However, the prognosis for this year is quite uncertain. According to the CCC, wage should grow by an average of 8%. On the contrary, Hays CR Director Kučera, claims that wages will stagnate this year.

ČSSD AGAINST PLAN TO CUT JOBS IN PUBLIC SECTOR – 12. 2.

The ČSSD of the ruling coalition oppose the MF Minister's plans to cut the number of state employees by 10% next year in view of the slowing economy.

Chvojka, head of the ČSSD's deputies club said following a meeting with ČMKOS⁷⁷ Středula, who is likewise vehemently opposed to the plan, that the ČSSD would take up the issue with their coalition partner.

He said that while his party recognizes the need for cost-cutting measures they should not be across the board, but systematic and well-justified.

MF Minister Schillerová proposed the move in view of keeping next year's budget deficit down to CZK40bn.

LABOUR INSPECTORS TO FOCUS ON EQUAL CONDITIONS – 13. 2.

The Labour Inspection Office says it will crack down on foreign worker discrimination, the HN reports. Currently there are great disparities between Czech and migrant workers in areas such as salaries, working hours and holiday periods. The primary task is to ensure employers respect the EU employment law.

With low unemployment rates in the country, the number of foreign workers has been growing steadily in recent years reaching 5% of the population in June 2018. Many find work through so called employment agencies, which act as intermediaries and labour inspectors say they will also be one of the targets of the investigation. Data from previous years shows that especially among construction companies there is a large number of workers who lack work permits.

MISCELLANEOUS

ČSSD AGAINST GOVERNMENT DISTRICT IN PRAGUE – 8. 2.

ČSSD have come out against a plan by PM Babiš of ANO for the creation of a government district in Prague's Letňany

confederation. It has separate affiliated member unions divided broadly on an industry basis, of which the largest are the metalworkers union, OS KOVO, with some 140,000 and the teachers' union, ČMOS PŠ, with around 50,000 members.

district, Novinky.cz reported. The idea would involve moving state officials out of city centre buildings. The ČSSD have joined opposition parties in opposing the plan, with senior members saying it could threaten the historical locations currently housing ministries and needed to be analysed in more depth.

The idea's chances were recently boosted after a meeting between the PM and Prague Mayor Hřib, where the latter said he would be willing to give such a project the green light if the government paid for some crucial investments in the city's infrastructure. While no agreement has yet been reached, Mr. Babiš has said that he wants to continue with the negotiations.

☰ POLL PUTS ANO ON 32% AND ČSSD ON 5% – 10. 2.

If elections had been held last month ANO would have come 1st on 32%, suggests an opinion poll by the Kantar⁷⁸. The Pirates⁷⁹ would have come second on 16.5%, ahead of another opposition grouping, the ODS⁸⁰, on 13.5%.

All of the parties that are currently in the ChD would make it back in, the survey suggests. However, 3 of them – including the ČSSD – would receive 5%, which is the threshold for election to the ChD.

☰ CIGC PULLING OUT OF TV BARRANDOV – 11. 2.

CITIC⁸¹ is reportedly set to exit 2 media groups controlled by TV Barrandov owner and chief presenter Jaromir Soukup over his recent formation of a political party bearing his name.

Critics say TV Barrandov panders to populist and extreme right-wing parties, politicians and their voters. In January, Soukup announced the formation of his party (List Jaromíra Soukupa) with the stated aim of “defending national interests against corrupt politicians and oligarchs”.

CITIC is concerned that Mr Soukup's political ambitions will harm its investment, the daily Deník N reports, and plan to withdraw from his companies Empresa Media and Medea.

TV Barrandov, which Mr Soukup took over in 2012, is now the fourth-largest channel by viewership in the Czech market. President Miloš Zeman is a regular guest on his programme. The connection with the president reportedly secured Mr Soukup cash from China and Russia to finance the private cable TV station.

🌐 CR'S ECONOMIC LEVEL SEEN AS GOOD BY MOST – 12. 2.

Some 78% of Czechs saw the country's economic level as good in a January survey of CVVM⁸², which was the highest figure in 23 years, while 20% held the opposite view, making it the lowest rate since 1997.

⁷⁸ **TNS Kantar:** TNS is a company providing market research, global market information and business analysis. It is part of Kantar, one of the world's largest insight, information and consultancy groups.

⁷⁹ **Pirates:** The Czech Pirate Party is a political party in the Czech Republic, founded in 2009. It is a member of the European Pirate Party. The main topic of the Pirate Party is information and its fundamental meaning in modern society. The Pirates are focused mainly on civil liberties, sharing of information, effective use of technologies and privacy protection.

⁸⁰ **ODS:** Civic Democratic Party, Liberal conservative, centre-right party, soft Eurosceptic party

⁸¹ **CITIC:** CITIC Group Corporation Ltd., formerly the China International Trust Investment Corporation, is a state-owned investment company of the People's Republic of China, established in 1979. Its headquarters are in Chaoyang District, Beijing.

Czechs also assessed the economic level of another nine countries, namely Austria, Bulgaria, Germany, Hungary, Poland, Romania, Russia, Slovakia and Slovenia.

CR finished 3rd after Germany (94% of positive answers) and Austria (92%).

Positive answers have been growing since 2014. Last January saw 71% of positive answers and 28% of negative ones, and the positive assessment was also above the 70% level in 2006 and 2007. It went down all the way to 34% in 2010, which was hit by the global economic crisis. The share of negative views was 64% in that year.

In 1999, 26% of people considered the Czech economic level positive and 73% negative.

Of the monitored countries, the CR was 3rd ahead of Slovakia (66% of positive answers).

Bulgaria finished last but one, followed by Romania. Negative assessment prevailed in both cases. Only 13% of Czechs were positive about the latter's economic level, 76% of them holding a negative opinion.



NCISA RELUCTANT TO MEET HUAWEI – 13. 2.

The NCISA⁸³ has refused a personal meeting with representatives of the Huawei⁸⁴, whose technologies it has denoted as a security risk, daily LN writes.

In December, the NCISA warned of the use of the technologies offered by the Chinese Huawei and ZTE companies. Their hardware and software pose a security risk, the NCISA said.

Both the firm and the Chinese embassy in Prague have protested against the warning.

"The initial activity on the part of the Huawei management regarding a meeting with NCISA director Navratil occurred in quite an unusual and incorrect way," NCISA said.

"Based on this, further positions of NCISA's representatives have been more cautious," it added.

NCISA has declined to elaborate on what was unusual and incorrect and who was to blame, LN writes.

Huawei said it had tried to establish a contact after the NCISA issued its warning on December 17.

However, it dismisses the accusation that it made anything incorrect.

"In its official letter dated January 2 and delivered by a data box, the company Huawei asked for a personal meeting. The request was rejected and the NCISA informed us on January 14 that it preferred written communication due to the delicate character of the whole affair," Huawei is quoted as having said.

Huawei demands an answer to its letter before February 14. Huawei said it was ready to take the issue to courts and international arbitrations, adding that the NCISA warning

As of 2017, it is one of China's biggest conglomerates, with one of the largest foreign assets in the world.

⁸² **CVVM:** Public Opinion Research Centre of the Institute of Sociology of the Academy of Sciences of the CR

⁸³ **NCISA:** the National Cyber and Information Security Agency, NÚKIB (Národní úřad pro kybernetickou a informační bezpečnost), is the central body of state administration for cyber security, including the protection of classified information in the area of information and communication systems and cryptographic protection. It is also in charge of the public regulated service of the Galileo satellite system. It was created on August 1, 2017 on the basis of Act No. 205/2017 Coll., amending Act No. 181/2014 Coll., on the Cyber Security and on the Amendments of the Related Acts (Cyber Security Act).

⁸⁴ **Huawei:** Huawei Technologies Co. Ltd. is a Chinese multinational networking and telecommunications equipment and services company headquartered in Shenzhen, Guangdong. It is the largest telecommunications equipment manufacturer in the world.

breached Huawei's international rights, including agreements on investment protection.

"In the past two years, Huawei has repeatedly tried to establish a contact with NCISA and its head Navratil. The request for a meeting has always been rejected," Huawei told the paper.

On the other hand, the NCISA denies the allegations that there have been no talks with the firm.

"It is not true that there has been no communication at all. Last year, there were two talks between the representatives of the NCISA and Huawei. We will not disclose any details. For understandable reasons, we support a written communication at present," NCISA said.

"I can only say that we will send an answer to the letter. At the moment, I cannot presume anything else," it added.

NCISA's warning of the Chinese technologies caused a panic before Christmas. Czechs were afraid of Chinese spying their phones to the benefit of the Communist headquarters in China, LN writes.

Then the NCISA specified its warning, saying it did not target phones and common users. It said a security audit should be conducted by the authorities in charge of backbone infrastructure, taking into account the tenders they put up, it adds.

Based on the warning, the Czech General Financial Directorate has excluded Huawei from participation in the public tender to build the My Taxes portal for more than half abn crowns.

The MH is withdrawing the Huawei equipment and other authorities may follow suit, LN writes.

Huawei has set the deadline of February 14 because this Sunday the deadline by which a legal complaint can be filed will expire. As a result, Huawei will only have a single day, this Friday, to make the decision, it adds.

EIA EMPRESA MEDIA DENY CEFC'S EXIT – 13. 2.

Media groups Empresa Media and Médea Group have denied the information about the exit of Chinese investment group CEFC. TV Barrandov's CEO and media house Empresa Media's board of directors' chairman, Jaromír Soukup, who holds an option for CEFC's stake, said that he had no information that CEFC would want to sell its stake. Mr. Soukup has confirmed that he would be interested in CEFC's 30% stake in Empresa Media.

Stem.cz ANO WOULD WIN GENERAL ELECTIONS – 13. 2.

ANO would win the general elections in the CR with 31.9% of votes in January 2019. The 2nd position would be occupied by Pirates (15.7%) followed by ODS (11%). Political parties KSČM⁸⁵ (8.5%), SPD (7.7%), ČSSD (8.3%) and KDU-ČSL⁸⁶ (6%) would also make it to the ChD. The 5% limit would not be reached by STAN⁸⁷ (4%), TOPo9⁸⁸ (3.6%), Svobodní (1%) and the Green Party⁸⁹ (1%).

⁸⁵ **KSČM**: Communist Party of Bohemia and Moravia, far-left party

⁸⁶ **KDU-ČSL**: Christian and Democratic Union – Czechoslovak People's Party, centre party

⁸⁷ **STAN**: The Mayors and Independents (Czech: Starostové a nezávislí), abbreviated to STAN, is a political party in the CR. The Mayors and Independents focus on localism and promoting powers for municipalities. The party grew out of the Independent Mayors

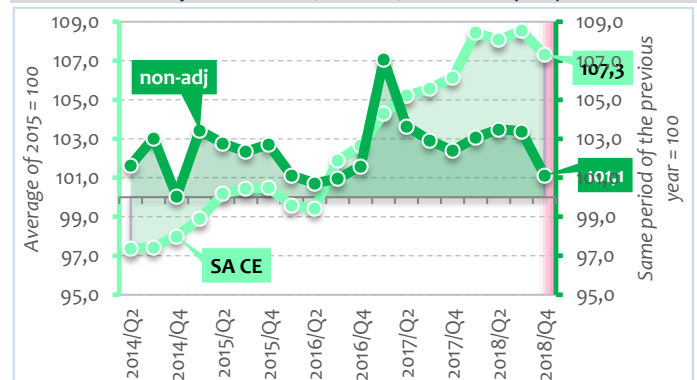
STATISTICS

SERVICES – 7. 2.

In the Q₄ 2018, CoP SA CE sales increased by 0.7%, y-o-y, non-adj sales grew by 1.1%. CoP SA sales in services decreased by ▲1.1%, q-o-q.

For the entire year 2018, CoP sales in services increased by 2.7%, y-o-y.

Graph 1: Services, indices, 2014-2018 (in %)



TOURISM – 7. 2.

In the Q₄ 2018, the number of overnight stays of guests in collective accommodation establishments increased by 3.1%, y-o-y. The number of guests from the CR increased by 5.5% and the number of foreign guests increased by 1.4%. In total, by 5.9% more guests accommodated there in the Q₄ 2018. Demand among the domestic guests grew by 6.9%; interest of foreign guests increased by 5.1%.

For the entire year 2018, collective accommodation establishments reported again historically record numbers of arrivals of guests as well as of their overnight stays. Over 21mn guests accommodated in collective accommodation establishments and spent there over 55mn nights.

The highest number of foreign guests (by citizenship) came from Germany. Almost 0.5mn of Germans accommodated in the surveyed establishments, which was by 4.0% more compared to the Q₄ 2017. The 2nd most numerous group of guests were guests from Slovakia with 184,000 arrivals, which was a 10.2% increase. Tourists from China ranked 3rd (+26.3%). The numbers of guests from the Russia were decreasing already for the 3rd successive quarter.

Development in 2018

The number of guests in collective accommodation establishments reached 21.3mn in 2018. It was by 1.3mn more than in 2017, which was an increase by 6.4%. Almost the same number of domestic as well as foreign guests accommodated there (10.6mn each). In the y-o-y comparison, the number of domestic guests in collective accommodation establishments increased by 8.1% and foreign guests by 4.7%. Also the threshold of 55mn of overnight stays has been overcome. The total number of nights spent by guests in collective accommodation establishments reached 55.5mn, which was by 2.3mn more compared to 2017 (+4.3%).

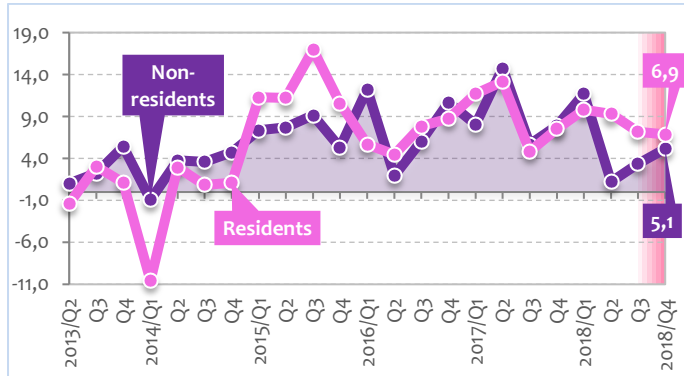
for Region, which allied itself to the liberal conservative SNK European Democrats, but now cooperates with the similarly liberal conservative TOP 09.

⁸⁸ **TOPo9**: conservative, centre-right party, it has been noted for its support of fiscal conservatism and is considered pro-EU.

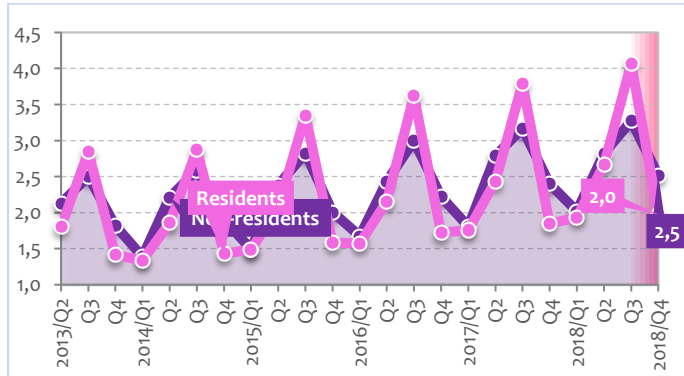
⁸⁹ **Greens**: The Green Party is a Czech political party, based on the principles of green politics, such as social justice and nonviolence

During the entire year 2018, by 550,000 more foreign guests came to accommodate in the CR compared to 2017. Germany remained to be the most important source country of guests in 2018; in total, 2mn guests came from there and accommodated in the CR (+3.6%). Slovakia ranked 2nd with 735,000 arrivals (+7.8%), and Poland remained the 3rd; 620,000 guests came from there (+7.8%). Dynamics of the number of arrivals from China is the highest from the TOP 10 countries (+26.5%).

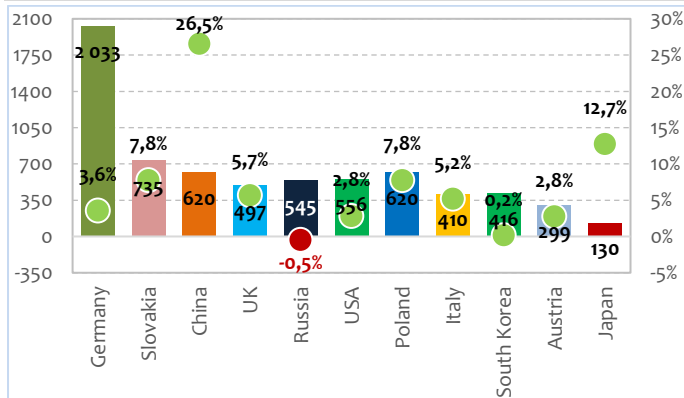
Graph 2: Tourism, 2013-2018, y-o-y (in %)



Graph 3: Tourism, 2013-2018, q-o-q (in mn)



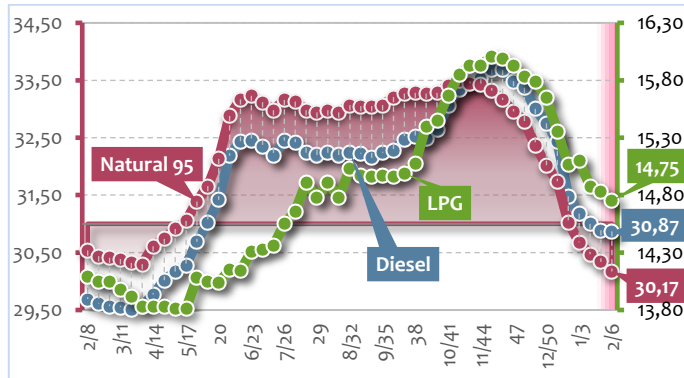
Graph 4: Tourism, TOP 10 countries + Japan, 2018 (in thousands of guests, in %)



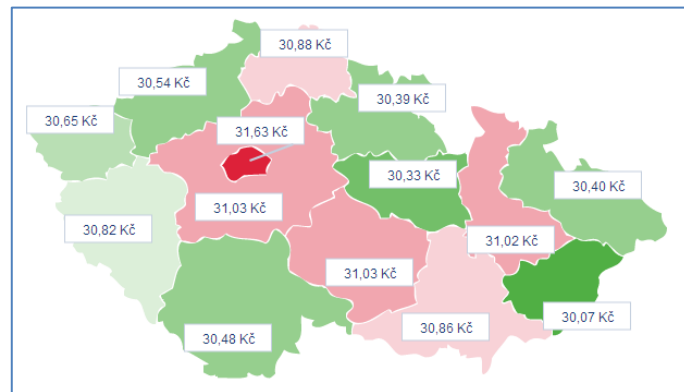
FUEL PRICES – 7. 2.

Natural 95 decreased by ▲71h⁹⁰ to CZK31.03/l over the past weeks, Diesel oil decreased by ▲96h to CZK31.48/l.

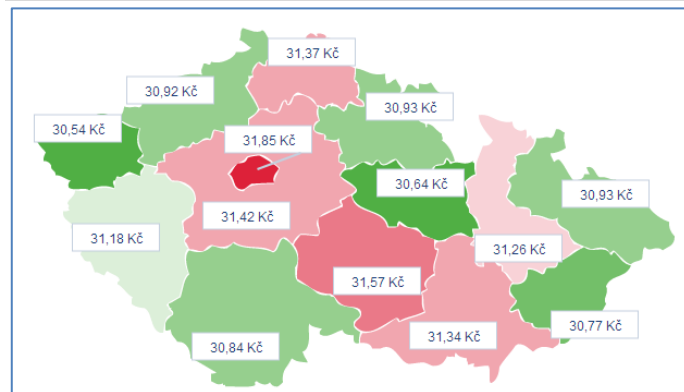
Graph 5: Average fuel prices⁹¹, 2018 – 2019, Month/Week (in CZK/l)



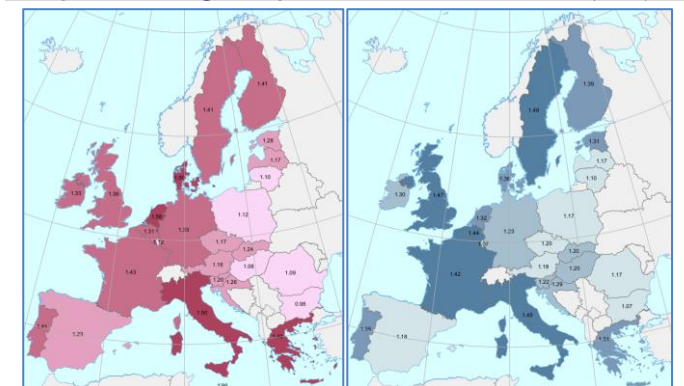
Map 1: Regions, fuel prices, Natural 95, 10. 2. (in CZK/l)⁹²



Map 2: Regions, fuel prices, Diesel, 10. 2. (in CZK/l)



Map 3: EU, Average fuel prices, Natural 95, Diesel, 4. 2. (in €/l)⁹³



⁹⁰ h: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

⁹¹ Consumer price indices calculated from the weekly price survey are not qualitatively adjusted and thus do not express the net price development applied at inflation measurement, data issued by the CSO

⁹² data issued by the mBenzin.cz; <https://www.penize.cz/ceny-benzinu-a-ceny-nafty>

⁹³ data issued by the EC; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

Consumer prices in January increased by 1.0% compared with December. This development came from a price rise in 'housing, water, electricity, gas and other fuels' in particular. The y-o-y growth of consumer prices accelerated to 2.5% in January, which was 0.5ppps up on December.

The **m-o-m** rise in consumer prices in 'housing, water, electricity, gas and other fuels' came primarily from higher prices of electricity by 5.3%, heat energy by 2.8%, actual rentals for housing by 0.7%, charges for both water supply and sewage collection by 2.6%, natural gas by 0.5%. In 'alcoholic beverages and tobacco', prices of spirits went up by 8.1%, wine by 8.4%, beer by 3.0%, and tobacco products by 0.3%. The rise in 'recreation and culture' was due especially to higher prices of package holidays by 11.5%. In 'food and non-alcoholic beverages', prices of vegetables were primarily higher by 2.8%, of which prices of potatoes went up by 3.1%. Prices of poultry increased by 2.9%, fruit by 2.0%, oils and fats by 2.2%, yoghurts by 3.3%. In 'miscellaneous goods and services', prices of personal care went up by 2.1%.

The decrease in the overall consumer price level in January came from lower prices in 'clothing and footwear', where prices of garments went down by ▲2.9% and prices of shoes and other footwear by ▲2.1%. In 'transport', the drop in prices of fuels and lubricants for personal transport equipment continued for the 3rd month (▲3.8% in January). The average price of petrol Natural 95 (CZK30.63 per litre) was the lowest since March 2018. The average price of diesel oil (CZK31.14 per litre) was the lowest since April 2018.

Prices of goods in total rose by 1.0% and prices of services by 1.1%.

In terms of the **y-o-y** comparison, in January, the consumer prices rose by 2.5%, i.e. 0.5ppps up on December. An acceleration in the y-o-y price rise occurred primarily in 'housing, water, electricity, gas and other fuels'. Prices of actual rentals for housing increased by 3.8% in January (3.3% in December), charges for both water supply and sewage collection by 2.6% (1.8% and 1.3%, respectively in December), electricity by 8.2% (5.6% in December), heat energy by 3.8% (1.0% in December). In 'alcoholic beverages and tobacco', the acceleration in the y-o-y price increase occurred as well. Prices of spirits rose by 3.4% (1.9% in December), tobacco products by 4.1% (3.9% in December) and prices of wine turned from a drop (▲2.9%) in December into a growth (0.3%) in January. The y-o-y price drop slowed down in two divisions of the consumer basket. In 'food and non-alcoholic beverages', prices of eggs decreased by ▲22.4% (▲27.8% in December), fruit by ▲8.5% (▲10.2% in December), prices of butter turned from a decline by ▲5.4% in December into a rise by 3.8% in January. Potato prices accelerated the y-o-y growth to 55.9% (41.7% in December). In 'clothing and footwear', prices of garments were lower by ▲2.4% (▲2.7% in December) and prices of shoes and other footwear rose by 4.5%, y-o-y (2.5% in December). In 'transport', the y-o-y price increase decelerated due to prices of fuels and lubricants for personal transport equipment, which were higher by 1.6% in January (6.1% in December).

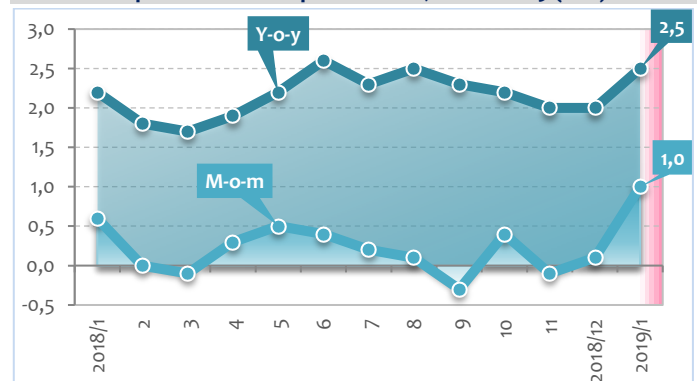
The biggest influence on the growth of the y-o-y price level (which was even stronger in January) came, as before, from prices in 'housing, water, electricity, gas and other fuels' (a growth by 4.9%). Next in order of influence were prices in 'alcoholic beverages and tobacco', (a growth by 3.2%). The impact on the price level increase had also prices in 'miscellaneous goods and services', where prices of personal care rose by 5.4%, insurance by 6.4%, and financial services by 4.3%. In 'restaurants and hotels', prices of catering services were higher by 3.9% and prices of accommodation services by 2.7%.

A reduction in the price level in January came from prices in 'food and non-alcoholic beverages', where prices of sugar fell by ▲30.6%, UHT semi skimmed milk by ▲5.4%, non-alcoholic beverages by ▲1.4%.

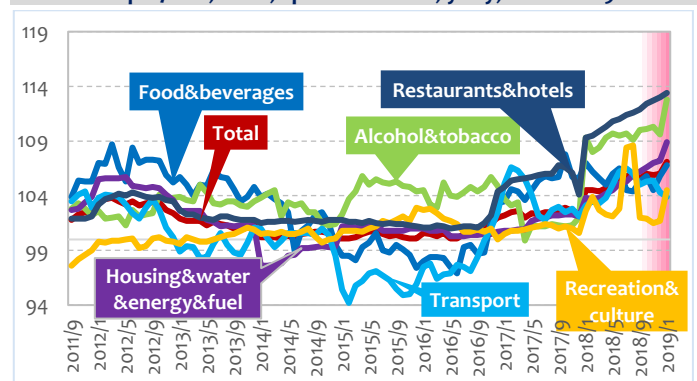
Prices of goods in total and services went up (1.5% and 3.9%, respectively). The overall consumer price index excluding imputed rentals for housing was 102.0%, y-o-y.

Inflation rate⁹⁴ amounted to 2.2% in January.

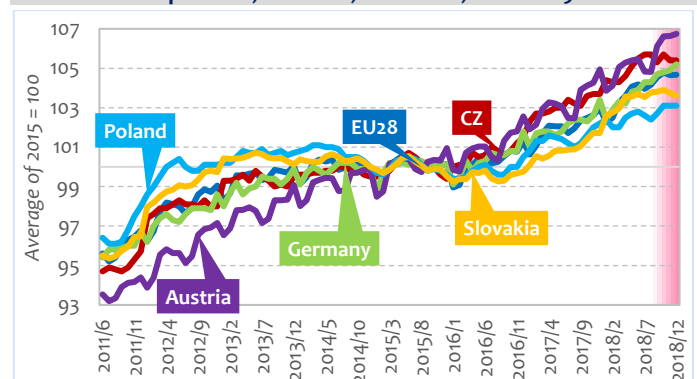
Graph 6: Consumer prices Index, 2018 – 2019 (in %)



Graph 7: CR, CPI⁹⁵, specific indices, y-o-y, 2011 – 2019



Graph 8: EU, Inflation, Countries, 2011 - 2019

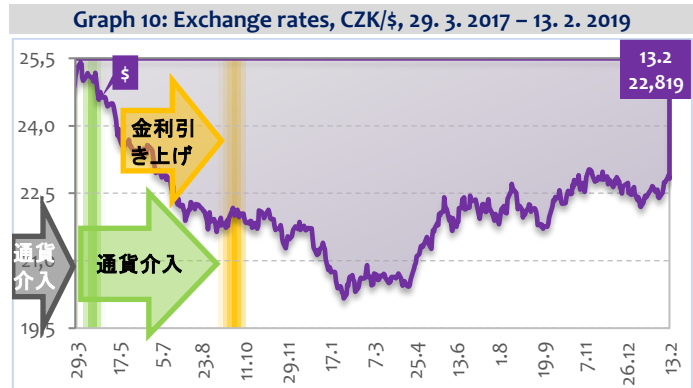
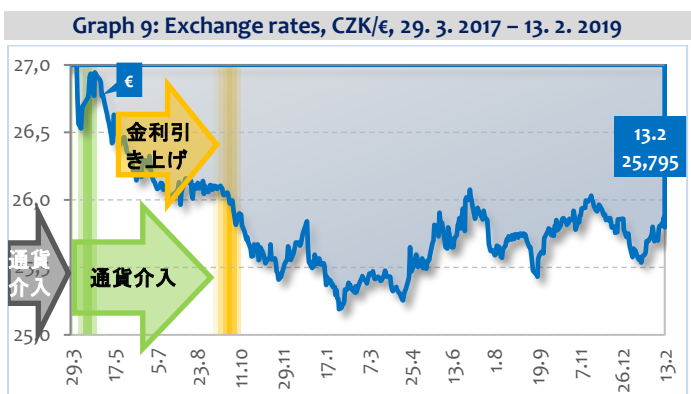


⁹⁴ Inflation rate: the increase in the average consumer price index in the 12 months to May 2018 compared with the average CPI in the previous 12 months

⁹⁵ CPI: Consumer Price Index

According to preliminary data of Eurostat, the y-o-y change in HICP⁹⁶ in the EU28 member states amounted to 1.7% in December (▲0.3ppps down on November). The rise in prices was the highest in Estonia (3.3%) and the lowest price increase was in Greece and Portugal (both 0.6%). In Slovakia, the price rise decelerated to 1.9% in December from 2.0% in November. In Germany, prices were higher by 1.7% (2.2% in November). According to preliminary calculations, the m-o-m change in the HICP in the CR in December amounted to 1.0% and the y-o-y growth was 2.0%. The MUICP⁹⁷ flash estimate for the EA⁹⁸ in January 2019 amounted to 1.4%, y-o-y.

CZKvs €, \$, ¥ - 13. 2.



⁹⁶ HICP: Harmonized Index of Consumer Prices
⁹⁷ MUICP: Monetary Union Index of Consumer Prices
⁹⁸ EA: Eurozone, officially called the **euro area** is a monetary union of 19 European Union (EU) member states that have adopted the euro (€) as their common currency and sole legal tender.

News outside the time span of this News summary

- CEEMarketWatch, is a subscription-based analytical service, covering the emerging regions of Central and Eastern Europe, Euro zone periphery, Middle East, Africa and Latin America.
- Chamber of Deputies of the Parliament of the CR
- CIA News (Česká informační agentura Ltd.); a news agency, specialising in the CR's economy and markets. It is owned by Inergo Slovakia Jsc., owned by Emil Hubinák.
- CNB, CNB (Česká národní banka); is the central bank and financial market supervisor in the CR and a member of the European System of Central Banks.
- ČTK, Czech Press Agency (Česká tisková kancelář); a national news agency dealing with the gathering, processing, storing, and distributing of text and pictorial information. ČTK is a public corporation and is governed by the law on ČTK no. 517/1992 Coll.
- ČSÚ, Czech Statistical Office (Český statistický úřad), is the main organization which collects, analyses and disseminates statistical information for the benefit of the various parts of the local and national governments of the CR.
- CVVM, Public Opinion Research Centre (Centrum pro Výzkum Veřejného Měnění) of the Institute of Sociology of the Academy of Sciences of the CR
- E15.cz Daily; is published by Czech Media Investment (CMI), a holding company that focuses on the acquisition and management of media assets in Central and Western Europe.

It is owned by Daniel Křetínský, Patrik Tkáč and Roman Korbačka.

euro
Euro Weekly; is published by Mladá fronta a.s. one of the largest publishing houses in the CR, which is owned by European Financial Services Inc. Its owner is František Savov.

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

LIDOVÉ NOVINY
LN Daily; is a daily newspaper. It is the oldest Czech daily still in print, covering political, economic, cultural and scientific affairs. The paper is owned by Mafra a.s., a subsidiary of the Agrofert group, a company owned by Babiš from 2013. Mostly with a centre-right, conservative view.

LO, Labour Office of the CR (Úřad práce České republiky); an administrative authority of the CR is subordinated to the Ministry of Labour and Social Affairs, its main activity is to provide information in the field of labour market.

MF, MF of the CR (Ministerstvo financí České republiky)

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

Office of the Government of the CR (Úřad vlády České republiky)

Prague Daily Monitor; is an English-language electronic daily about the CR.

Radio Prague (Český rozhlas); is the official international broadcasting station of the CR. Radio Prague broadcasts in six languages: English, German, French, Spanish, Czech and Russian. It broadcasts programmes about the CR on satellite and on the Internet. Broadcasting first began on August 31, 1936.

STEM; Public Opinion Research company, private company focusing on statistical surveys of public opinion on various topics.