

ECONOMIC NEWS SUMMARY MARCH 28 – APRIL 3

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ECONOMY & FINANCE

FIVE OF SEVEN CNB BOARD MEMBERS VOTE FOR LEAVING RATES UNCHANGED – 28.3.

Five out of the seven Bank Board members of the Czech National Bank (CNB) voted in favour of leaving interest rates unchanged at today's policy meeting, while two voted for a rate hike by a quarter point, CNB governor Jiri Rusnok said at a press conference after the policy meeting.

The CNB board left interest rates unchanged today. The benchmark interest rate thus stays at 1.75%.

"It still holds that no rate hike or up to two rate hikes may occur this year. A lot will depend on what will happen in the months to come," Rusnok said.

In May, the CNB board will have a new macroeconomic forecast, he noted.

According to Rusnok, further data from the economy will be important, as they should show whether the fall of some economic indicators was a temporary swing or a trend.

A slower rise than estimated by the CNB has been recorded for household consumption and wages, for instance.

The board said the risks for the development of the economy estimated in the latest February forecast are more or less balanced.

An anti-inflationary risk lies in a potentially more notable slowdown of the global economy and faster fading away of domestic inflationary pressures, the board said.

An inflationary risk, on the other hand, stems from a future slower strengthening of the Czech crown in comparison with CNB's estimates, according to the board.

An uncontrolled Brexit and the growth of protectionist measures in global trade pose uncertainties, Rusnok said.

"Brexit was one of the reasons ... why we did not decide (on rate hike) for the time being," Rusnok said.

After a temporary acceleration of inflation in the first half of this year the CNB expects in its forecast that inflation will return to the 2-percent target, Rusnok noted.

"Stability of interest rates is consistent with the forecast," he said.

The CNB raised interest rates last time on November 1, 2018. The basic interest rate then rose by 0.25 percentage points. It was the fourth rate hike in a row and the fifth one in 2018. At the last policy meeting in early February, the CNB Bank Board left interest rates unchanged.

CNB POSTS CZK1.79BN PROFIT FOR 2018, REPORTING LOSS IN 2017 – 28.3.

The Czech National Bank (CNB) made a CZK1.79bn profit in 2018, while reporting a CZK249.3bn loss in 2017, according to the annual financial report the central bank published today. In January, the CNB released data reporting a CZK3.86bn loss for last year. After including all additional operations, however, it showed the said profit, which was due mainly to a change in the accounting method, the CNB said.

The new methodology enters unrealised gains and losses arising from debt securities in the business result directly,

instead of being recorded in the balance sheet, the CNB said. The change is reflected in performance of previous years.

The performance was helped by the Czech crown weakening because of the foreign financial markets development. Interest rate hikes had the opposite effect.

The CNB will use the profit to partly cover the accounting loss from previous years. It amounted to CZK188.9bn at the end of last year, and it will go down to CZK187.1bn.

The CNB expects to cover the accumulated losses from future profits.

The central bank reported losses in the past, without jeopardising its role in maintaining price stability and other activities, the CNB said.

"The domestic currency depreciated against the main reserve currencies," says the CNB's annual financial report, which was approved today by the CNB Bank Board.

The increase in the crown value of foreign currency assets and liabilities thus generated a foreign exchange profit totalling CZK42bn, the report said.

Growth in interest rates, on the other hand, increased costs of the CNB's market operations.

The performance was also impacted by foreign exchange management, which was hurt by low returns on fixed-income instruments combined with a fall of stock markets, the central bank said.

Foreign currency reserves of the CNB increased annually by about CZK53bn to some CZK3,204bn at the end of last year.

The growth reported over the past few years was due mainly to the forex intervention regime from November 2013 to April 2017 when the CNB invested CZK2,000bn in euro purchases.

The CNB sets monetary policy, issues banknotes and coins and controls money circulation, payment relations and interbank transactions.

The central bank also supervises the banking sector, capital market, insurance companies, private pension insurance, credit unions, electronic money institutions and the forex market.

STATE BUDGET ENDS WITH CZK 9.2BN DEFICIT IN Q1 – 2.4.

The total state budget income reached CZK 364.3bn as of March 31, 2019. Expenditures totalled CZK 373.5bn. The end result totalled CZK 9.2bn. The information was provided by the Ministry of Finance. At the end of March 2018, surplus of CZK 16.3bn was reported. The y/y comparison is affected adversely by the fact that the state budget received in Q1 2018 extraordinary funds from the EU totalling CZK 20.0bn in Q1 2018. Most tax items had a positive effect, most substantially the 12% VAT collection increase in March.

REVISED DATA: CZECH ECONOMY EXPANDING BY 2.9 PCT IN 2018 – 2.4.

The Czech economy decelerated its growth to 2.9% in 2018, from 4.5% in 2017; and in the last quarter of 2018, gross domestic product (GDP) rose by 2.6% annually and by 0.8% quarterly, the Czech Statistical Office (CSU) said today refining its estimates from the beginning of March.

In March, the CSU said the economic growth had slowed down to 3% in 2018, and that GDP had added 2.8% year on year and 0.9% quarter on quarter.

Household income grew at the fastest pace in 16 years, adding 4.7% in real terms, the CSU said.

Wage costs of companies increased annually by 9%, reflecting the dynamic wage growth, CSU's Vladimir Kermiet said.

Companies' profitability kept decreasing, which directly impacted capital outflow as many businesses are owned by foreigners, he said.

Profitability of companies hit 46.6% in the last quarter of 2018, which is the lowest figure since 2005, ING Bank analyst Jakub Seidler told CTk.

Real household consumption per capita increased annually by 3.4% last year.

Average monthly income from employment hit CZK32,147 in 2018, adding 5% year on year in real terms.

Households' savings and investment increased mildly, the CSU said. The saving rate increased to 11.7% in Q4, going back to its long-term average.

Households are getting worried about an economic slowdown, which often led to attempts at saving, Seidler said. Profit from foreign investment reached 7.8% of GDP.

Foreign owners distributed almost CZK294bn in dividend last year, which is the second largest volume after 2016's CZK314bn. Over CZK120bn was reinvested.

"This trend reflects high profitability of foreign direct investment in the Czech Republic," the CSU said.

Today's data suggest that the Czech National Bank (CNB) can take its time to think about raising interest rates, Generali Investments analyst Radomir Jac said.

CTK FOREIGN FIRM OWNERS' DIVIDENDS 2ND HIGHEST IN 2018, AT CZK294BN – 2.4.

Foreign company owners distributed CZK294bn in dividend in 2018, which is the second largest volume following 2016's CZK314bn and an annual rise of CZK18bn, the Czech Statistical Office (CSU) said today.

The dividend size is linked with the high profitability of foreign direct investment in the Czech Republic, statisticians said.

Foreign investment generated profits of over CZK414bn last year, with CZK120bn being reinvested, and the profits made up 7.8% of gross domestic product (GDP). The outflow was partly offset by a foreign capital inflow, the CSU said.

Czech Fund chief economist Lukas Kovanda said dividends went primarily to Germany, the Netherlands and Luxembourg.

The share of reinvested profits in total volumes is lower compared to the previous decade and the years 1998-2003, when the investment cycle started in Czechia, Kovanda said. According to data from the CSU, reinvestments surpassed dividends until 2002, and in 2005. The situation changed afterwards.

Capital outflow was high on the agenda of talks between Prime Minister Andrej Babis and CEOs of major foreign companies having a branch in Czechia last September.

According to the Lidove noviny daily's sources, Babis wants the firms' profits to remain in Czechia. He is not considering raising taxes but wants to agree with the companies about

raising their reinvestments in the country, the paper said earlier.

The previous government of PM Bohuslav Sobotka proposed a special bank tax, similar to those in 15 EU countries, to prevent capital outflow.

Capital outflow and reinvestments in 2010 to 2018		
Year	Dividend (CZKbn)	Reinvested profits (CZKbn)
2010	226.1	91.2
2011	243.1	99.1
2012	219.2	96.8
2013	222.7	78.2
2014	220.0	145.8
2015	269.3	142.2
2016	314.4	129.5
2017	275.9	176.5
2018	293.9	120.6

GIA FINANCIAL ADMINISTRATION COLLECTS 2.04M TAX RETURNS – 3.4.

The Financial Administration of the Czech Republic (FS ČR) has collected a total of 2.04 million tax returns. Some 1.76 million returns were collected from natural persons and 274,000 from legal persons. According to the estimates of the FS ČR, taxpayers will submit almost 600,000 additional returns in the extended deadline until July 1, 2019. Furthermore, FS ČR informed that its employees visited 172 smaller municipalities in 2019, in which they collected ca. 22,000 tax returns.

AGRICULTURE & ENVIRONMENT

CZECH AGRICULTURE'S PROFIT DOWN TO CZK 10BN – 28.3.

Czech agriculture's profit dropped to CZK 10bn in 2018 from CZK 12bn a year ago. The no. of workers decreased to 99,000 from 100,000 and is expected to decline further. CR's agrarian balance has been decreasing for the last four years. This was stated by the chairman of the Agricultural Union, Martin Pýcha, at the 226th Žofín Forum. According to Mr. Pýcha, the balance of milk was negative at CZK -3bn.

Animal production amounts to 54% of EU level. Mr. Pýcha has added that the union opposes the limits on agricultural subsidies, as it would have a negative effect on Czech animal production. CR depends on subsidies; if the subsidies are not awarded, companies will cease to produce and chains will turn to foreign producers.

GIA APPLICATIONS WORTH CZK 185M IN DEŠŤOVKA PROGRAM – 2.4.

Totally 4,000 applications worth CZK 185m were received in the Dešťovka (Rainwater) grant program. This was stated by the Czech Ministry of the Environment (MŽP). The program is intended to contribute to better water management. The ministry allocated a total of CZK 340m to it. Subsidies for rainwater systems for flushing and watering the garden account for about 70% of applications.

GIA LESY ČR OPENS TENDER FOR LEASE OF 85 HUNTING GROUNDS – 2.4.

Lesy ČR has announced a tender procedure for the ten-year lease of 85 hunting grounds. In the tender, the company increases the weight of the hunting plan to 30% while it decreases the weight of the bid to 70%. The aim is to improve

the condition of the forest. In previous years, the rent for hunting had a weight of 85% and a hunting plan of 15%. The company is expected to start concluding the respective contracts halfway through May 2019.

CTK SALMONELLA FOUND IN POLISH CONSIGNMENT OF CHICKEN

SLICES – 2.4.

Czech vets found salmonella in a 0.5-tonne consignment of chicken slices from Poland and the meat was mainly supplied to catering facilities, Petr Vorlicek, spokesman for the State Veterinary Administration (SVS), told CTK today.

The slices got to customers and the meat has been processed, he said.

SVS has not received any information that people who consumed the meat would have any health problems.

The meat comes from Polish company Dromico. In Czechia, it was distributed by Astra maso company, based in the Hradec Kralove Region, to five facilities including restaurants, cafeteria and a butcher's shop.

Petr Pluhar, Astra maso executive and owner, refused to comment on the affair. He only told CTK that the firm "did exactly what it should do."

If some of the meat is stored in a freezer it should be returned to a retailer, said Vorlicek.

Czech authorities have recently found several cases of salmonella in consignments of Polish meat exported to the country, which is why it took extraordinary measures that were in force between the end of February and the end of March.

CTK ORGANISATIONS, MINISTRY TO PLANT TEN MILLION TREES IN

CZECHIA – 3.4.

Alongside the Partnership Foundation and the Environment Ministry, 30 organisations, institutions and companies aim at planting ten million trees in the Czech Republic to help the environment, the foundation and the ministry have said in a joint press release.

The trees shall ease the impacts of drought, land erosion, surface and underground water losses and overheating of cities.

The initiative follows last year's Trees of Freedom 1918-2018 campaign which marked the 100th anniversary of the independent Czechoslovakia establishment.

The total of 2,762 trees were planted last year, Partnership Foundation PR manager David Kopecky told CTK.

While these were symbolic trees, the new initiative to be launched in the autumn has a clear goal and will be supported by the State Fund for the Environment (SFZP) for a number of years.

Experts from among the arborists (the tree surgeons), representatives of towns and villages, the SFZP, the State Land Office (SPU), the Nature Conservation Agency, the Brno Mendel University and environmental NGOs met on Tuesday to discuss the possibilities of returning trees to Czech towns and countryside to improve the country's resistance to the climate change.

Environment Minister Richard Brabec (ANO) said trees were useful to keep the water where it was needed, to cool down the towns, improve air quality and slow down land erosion as they divide farmland into smaller sections.

"All in all, trees are ones of the key medicines to treat ill landscape, which needs help," Brabec added.

Everybody will be able to register online and plant their own trees, which will become people's individual contribution to tackling the climate change, Partnership Foundation head Miroslav Kundra said, adding that the website will also feature useful information on tree planting and growing and possibilities how to get funding for such projects.

The organisers say the ten million trees will cool down some 200 square kilometers by up to three degrees Celsius, will evaporate ten billion hectolitres of water per day, create daily supply of oxygen for 30 million people and will do the job equal to 40 million air-condition units.

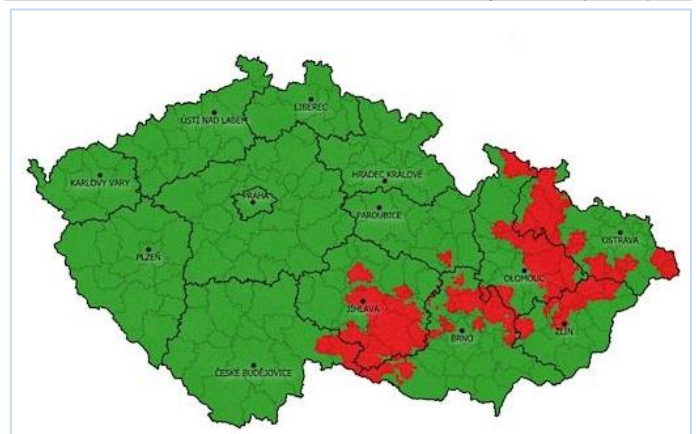
☰ BARK BEETLE INFESTATIONS TO GET WORSE – 3.4.

Bark beetle infestations in the Czech Republic are likely to get worse in the Czech Republic, experts from the Czech Agricultural University said at a news conference. In a report, the scientists said that such infestations have been isolated in the past but would appear in synchronized form on large territories in the future.

The university's Tomáš Hlásny said intervention would need to be targeted at areas where it could prove effective. In some places harvesting infected trees is not economically efficient, he said.

Seven of the country's 14 regions are currently suffering infestations. The problem was at its highest level in two centuries last year.

Bark beetle infestations in the CR as of 1st April 2019 (in red)



SCIENCE & RESEARCH

CTK CZECH SCIENTIST AWARDED IN USA FOR POLYMERIC

MATERIALS RESEARCH – 28.3.

Martin Zatloukal, from Zlin's Tomas Bata University (UTB), has been awarded by the Society of Plastics Engineers in Detroit, the USA, for his research into the technologies of extrusion and polymeric material coextrusion, UTB official Jan Maly told CTK today.

The prize he received is named after U.S. scientist Bruce H. Maddock and has been awarded since 1995.

Based in the USA, the Society of Plastic Engineers associates some 22,000 experts from 84 countries.

"I consider the prize a significant international confirmation of the research excellence in the area of rheology and polymeric material processing. I would like to thank my family, former postgraduate students, colleagues, mentors and the UTB in Zlin for their support and cooperation," Zatloukal said.

He received several scientific awards previously already.

"His qualities of an expert are also proved by the fact that in 2007, he became the youngest Professor in the Czech Republic at the age of 32," said Maly.

STATE SPENDING ON SCIENCE TO RISE TO 38.2 BILLION CROWNS IN 2022 – 29.3.

The state budget support for science and research is to rise by 0.7 billion crowns year-on-year to 38.2 billion crowns in 2022, the Czech Government Research, Development and Innovation Council (RVVI) confirmed today.

The budget of 37.5 billion crowns was approved for 2020 and 2021 each previously. It is 1.6 billion crowns higher than this year.

"We are heading for the key goal of science funding reaching 2.5% of GDP in 2025. The sources are not only from the state budget, but also from European funds and the business sector," RVVI deputy head Karel Havlicek, the chairman of the Association of Small and Medium-Sized Enterprises and Crafts board, said.

Sources from business are to make up 60 to 70% of the total sum for science.

Last year, 33.8 billion crowns were allocated from the state budget to science, research and innovations, of which 33.4 billions were spent, Havlicek said earlier.

This year, the budget spending on science is put at 35.9 billion crowns.

This year's plan also counts with the development of state offices' online services to enable the Internet communication with them, government digitisation commissioner Vladimir Dzurilla said today.

The respective bill was presented on Wednesday, he added. The RVVI also wants to focus on secondary school and university students' start-ups within the Czech Republic - Land for the Future strategy.

"The state should be more active in this respect," RVVI chairman and PM Andrej Babis (ANO) said.

The students' projects that the state would help fund are to be mapped in cooperation with the Education and Industry and Trade ministries. Good conditions for innovators will secure that top-quality projects will stay the Czech Republic and will not be sold abroad, Babis added.

The framework of the new school subject "Technology" is being completed and it should fulfil demands for modern technologies, Havlicek said at a press conference.

CABINET APPROVES 550 MILLION CROWNS FOR RESEARCH PROGRAMME – 1.4.

The Czech government approved today the support for the GAMA 2 research programme, aimed at putting the research and development results with great potential in practice, with 550 million crowns in the next three years, the government's press department has said on its website.

GAMA 2 will also support projects in line with the EU 2020 Horizon and Horizon Europe science-supporting programmes.

The Czech Technology Agency will distribute the support within the three-year programme to be launched next year.

The first sub-programme with the three-year budget of 510 million will target research organisations and concrete partial projects, which check the practical use of their applied research and development results, a document given to CTK says.

The government may cover up to 100% of the projects' costs. The second sub-programme will aim at projects in line with the EU-funded programmes and will be partially financed through private sources.

Alongside the 17.1 million crowns from private sources, the government will support it with 40 million over the three years and the subsidies may amount to 70% of the projects' costs.

ENERGY & INDUSTRY & TRANSPORT

STEELMAKERS UNION: STEEL PRODUCTION UP TO 5M TONS – 28.3.

Crude steel production in CR grew by a tenth y/y to 5 million tons in 2018. The information was provided by the Steelmakers Union. Export soared 6% to 4.9 million tons and its value reached record CZK 108bn, mainly thanks to the focus on more sophisticated products. Europe remains a key market for Czech steel (89%), mainly Germany (24%). Additionally, steel import into CR reached the all-time high of 7.5 million tons. Germany accounted for the biggest portion of the imports (21%). The commodity's domestic consumption totalled 7.2 million tons. In the next two years, the Steelmakers Union anticipates a slowdown of the domestic economy, incl. key neighbour countries, with negative effect on Czech steelmakers.

POLYSTYRENE CONSUMPTION IN CZECHIA GROWS TO 61.000 TONNES IN 2018 – 28.3.

Expanded polystyrene (EPS) consumption in the Czech Republic rose annually by 1.5% to 61,000 tonnes last year, reaching the fourth highest value since 2000, the EPS CR association told CTK today.

In comparison with the record-breaking year 2015, last year's consumption was 1.8% lower.

The result was influenced mainly by the growth of the domestic construction sector, which benefited from favourable weather.

Czech construction output grew by 9.2% last year, showing the biggest annual rise since 2003. The growth was four times higher than the EU average.

"An even bigger growth of EPS consumption was prevented by the toughening of fire safety regulations that took effect in August 2017, which led to a decrease in the use of the insulation systems with EPS by 15%. Despite the decline, polystyrene is still the most popular insulation material in the Czech Republic, its share on facades reaching 70%," association chairman Pavel Zemene said.

EPS CR, founded in 1998, has 13 members, representing a majority of EPS suppliers and processors in Czechia. They process more than 50,000 tonnes of EPS annually, their annual turnover reaching about CZK4.5bn. They employ over 1,000 people.

EPS annual consumption in the Czech Republic

Year	Consumption (tonnes)
2000	18,651
2001	20,443
2002	22,664
2003	27,728
2004	31,029
2005	33,632

2006	40,000
2007	48,400
2008	55,100
2009	50,000
2010	56,900
2011	62,000
2012	56,400
2013	61,050
2014	60,850
2015	62,100
2016	57,900
2017	60,100
2018	61,000

CTK COURT APPROVES VÍTKOVICE HEAVY MACHINERY'S REORGANISATION PLAN – 28.3.

The Regional Court in Ostrava has approved the reorganisation plan of engineering company Vitkovice Heavy Machinery (VHM), according to information from the Insolvency Register.

The company can thus be finally taken over by its new investor, SPV VTK owned by Jaroslav Strnad, the founder of Czechoslovak Group, who bought a stake in VHM nearly a year ago.

VHM, a unit of the Vitkovice group (formerly Vitkovice Machinery Group) of entrepreneur Jan Svetlik, is a producer of steel and steel products. It exports 80% of its output, mainly to EU countries. The company employs about 900 people.

VHM was declared insolvent in March last year. The company resumed production April, after SPV VTK entered it. It has been undergoing reorganisation since then.

In its insolvency petition VHM said it owed almost CZK3bn to more than 300 creditors. The creditors eventually lodged claims worth more than CZK5bn, but the insolvency administrator only recognised claims worth nearly CZK3.1bn. VHM said earlier it had got into the difficult financial situation as a result of the long-lasting crisis in the engineering sector and problems of other companies in the group.

Most of its creditors voted in favour of approving the reorganisation plan last November, while Komerční banka was the only creditor to vote against it. The decision on the approval therefore had to be made by a court.

To secure its production, the company has taken a loan of CZK76.5m from SPV VTK, VHM spokeswoman Eva Kijonkova said today.

VHM has also gained funds thanks to "tolling", a system where another company provides it with funds, for which it receives its products.

VHM can gain CZK1.3bn thanks to tolling, Kijonkova said.

The owner of the tolling firm Vitkovice Machinery Trade is SPV VTK again, she added.

SPV VTK's sole shareholder is the Strand Holding company based in Cyprus.

GIA AGC AUTOMOTIVE CZECH DELIVERS GLASSES FOR E-SUV MERCEDES – 28.3.

AGC Automotive Czech, based in Chudečice, Teplice district, participates on Mercedes brand's first fully SUV project. AGC Automotive Czech is supplying two types of fixed rear side glasses for the EQC model. The car is scheduled to be

launched on the market later in 2019. AGC Automotive Czech has previously participated on several electric vehicles of various brands, incl. the first fully hybrid Porsche Spyder 518, the electric BMW i3 or the special electric vehicle for handicapped persons, developed fully in CR.

GIA MPO ALLOTS CZK 10BN FOR COMPANIES' COMPETITIVENESS – 28.3.

The Czech Ministry of Industry and Trade (MPO) has prepared almost CZK 10bn in its TREND programme for research activities in companies between 2020 and 2017. The main objective is to increase the international competitiveness of companies. Auxiliary objectives include an increased number of companies carrying out their own research and development activities and strengthened orientation of research organisations towards applied research with benefits for the industry and society.

GIA TRANSPORT MINISTRY TO SUPPORT NEW RECHARGING STATIONS – 29.3.

The Ministry of Transport announced the third call of the Operational Program Transport (OPD) for those interested in the construction of further domestic fast-charging stations for electric vehicles. As part of the support program for alternative fuels, up to CZK 130m is allocated from European funds. Applications can be submitted until July 31, 2019. During May 2019, the winning project of the second call announced in August 2018 will be made public.

E15 PROFIT OF DPP TRANSPORT COMPANY DOWN TO CZK1.5BN IN 2018 – 29.3.

Prague's public transport company DPP saw its profit decrease by roughly CZK400m to CZK1.5bn in 2018.

It is the lowest profit in three years, with 2015's amount reaching CZK1.255bn.

Last year's operating costs of DPP amounted to some CZK15.4bn, according to earlier information.

The costs need to be cut, for example, by reducing the excessive capacity of lines, DPP head Petr Witowski told E15. DPP has been receiving subsidies for its operation from Prague amounting to over CZK10bn a year.

The company invested about CZK6.8bn in 2018, DPP's former head Martin Gillar told CTK at the end of last year. The biggest amount, CZK3.6bn, headed to the company's fleet renewal.

DPP is the largest municipal company of Prague, employing nearly 11,000 people.

DPP operates three metro lines with 61 stations, 539.8 kilometres of tram lines, 1,798 kilometres of bus lines and a funicular. DPP transports people in nearly 2,000 vehicles every day.

CTK TEMELIN NUKE PLANT TESTS NEW SPENT FUEL CONTAINER – 1.4.

Temelin nuclear power plant tested a new spent fuel container from Skoda JS engineering company, which technicians want to use for the first time during the shutdown of the plant's unit 2 starting in the second half of June, Temelin spokesman Marek Svitak told CTK today.

Temelin's unit 1 was shut down on March 1, according to plan, and it should resume operation at the end of April, Svitak said.

Technicians tried filling and transporting the container from the reactor hall to the spent fuel storeroom using fuel replica. The test lasted five days.

They tested things that cannot be tested unless there is a shutdown, Temelin head Jan Kruml said.

Skoda JS will provide 60 containers to Temelin by 2035.

Temelin received the container at the end of last year, Kruml said.

CEZ energy group, Temelin's operator, closed a deal with Skoda JS in 2015. The contract amounts to tens to hundreds of millions of crowns a year, CEZ has said.

The supplies will reach two to six items a year, based on Temelin's needs, said Bohdan Zronek, CEZ's head of the nuclear energy division and board member.

Empty container weighs nearly 105 tonnes, and it weighs almost 119 tonnes loaded. It can store fuel for up to 60 years. Skoda JS has been producing spent fuel containers since 1995. It has supplied over 400 of them to nuclear power facilities in Czechia, Germany, the USA, Switzerland, Lithuania and Bulgaria.

The company will provide containers for Dukovany nuclear power plant as of 2021, making 35 containers by 2031.

Temelin, launched in December 2000, is the largest power source in Czechia and covers a fifth of the country's consumption. Last year, it produced 15.66 terawatt hours (TWh) of electricity.

The power plant has generated 3.9 TWh of electricity this year.

PIVOVAR SVIJANY PLANNING MODERNIZATION OF BREWHOUSE FOR CZK 50M – 1.4.

For the 2019 to 2020 period Pivovar Svijany is planning the expansion and modernization of its brewhouse for CZK 50m. In 2019 it will continue with improving technology at its bottling plant. Further funds will be invested into its beer filtration and wastewater treatment segment. This was stated for ČIANEWS by director Roman Havlík, who added that in recent years the brewery has invested CZK 850m into development, for example more than CZK 100m into its new canning plant in 2018. In marketing it wants to continue to focus on cans with unpasteurized beer.

CZECHIA WINS DISPUTE WITH VIKTORIAGRUPPE OVER CZK75M – 1.4.

The Czech Republic has won a dispute over CZK75.3m claimed by German company Viktoriagruppe's insolvency administrator as an additional payment for the storage of Czech diesel oil in the firm's facility in Germany, the state property office UZSVM said today.

According to the insolvency administrator, the price the Czech Republic paid for the storage was inadequate.

The Czech Administration of State Material Reserves (SSHR) used to pay about CZK2m monthly for having its diesel oil stored in Krailing, Germany.

The Municipal Court in Prague has now confirmed the previous decision of a district court that rejected the insolvency administrator's claim.

The ruling is final, said UZSVM (the Office of the Government Representation in Property Affairs), which represented SSHR in the dispute.

Viktoriagruppe's insolvency administrator filed a suit with the District Court in Prague 5 against SSHR demanding back an

alleged unjust enrichment of about EUR2m (CZK51.6m) in 2016. Default interest has gradually increased the amount.

After Viktoriagruppe was declared insolvent in 2014, the Czech Republic had no access to the diesel oil stored in Bavaria for nearly two years. In July 2016, the SSHR signed a contract with Krailing Oils Development, the new owner of the warehouse in Krailing, based on which the diesel oil returned to the Czech Republic.

The transport started in October 2016, the last train arriving in November 2017. The transport cost CZK47m-CZK48m.

ŘSD AWARDS TWO CONTRACTS WORTH BILLIONS, OPENS MORE TENDERS – 2.4.

The Road and Motorway Directorate (ŘSD) has awarded the contract for the construction of the D3 highway, section 0310/I Úsilné - Hodějovice, to HOCHTIEF CZ, COLAS CZ and M - SILNICE. The contract's end value totals CZK 5.29bn. The spokesperson for ŘSD, Jan Studecký, has told ČIANEWS that construction work on the project is planned for April 2019-September 2022. ŘSD also awarded the contract for D1 highway modernisation, section 19, EXIT 141 Velké Meziříčí west - EXIT 146 Velké Meziříčí east. The CZK 1.48bn contract was awarded to Metrostav. ŘSD has also opened the tender for D48 Frýdek-Místek road, bypass - stage 2, with the estimated value of CZK 1.77bn. Mr. Studecký has added that he expects submission of bids by June 2019.

INDUSTRY MINISTRY EXPANDS COOPERATION WITH EIB – 2.4.

The Ministry of Industry and Trade has opened talks with the European Investment Bank's vice-president, Vazil Hudák. The talks' main top was how to transform the Czech-Moravian Guarantee and Development Bank into a classic development bank capable of covering the state's investment requirements and offering new forms of funding. The ministry has informed that new activities in EC's budget, boosting the role of financial instruments, offer CR a chance to raise the sum allocated for public investments, partially thanks to the involvement of private banks, investment funds, pension funds and insurers.

AMOUNT OF GOODS SHIPPED ON CZECH RIVERS IN 2018 LOWEST IN 15 YRS – 2.4.

Ships on Czech rivers transported 1.37 million tonnes of cargo in 2018, which is the lowest amount in 15 years, according to statistics of the Transport Ministry.

The reason is mainly the ongoing drought, limiting the Elbe (Labe) river navigability, and insufficient infrastructure, shipowners said.

This year, rivers could stay navigable longer, according to hydrologists. However, shipowners do not expect a major increase in cargo transport.

The volume of goods carried on rivers in the Czech Republic has been decreasing since 2015. The 2018 amount fell by nearly 15% year on year.

The reason for the long-term drop is Elbe's low water level, especially in the crucial section between Střekov and Czechia's border with Germany, the Confederation of Industry vice-president Miloslav Černý told CTK.

The section was not navigable for eight months last year, he added.

Shipowners and ports in the Czech Republic are in crisis because of the long-term decrease in cargo transport. The

coming years cannot be expected to bring a major improvement, Cerny said.

Last year, CSPL, the largest Czech river shipping company was sold to German group Rhenus which cannot be expected to head to Czechia as often, Cerny said.

Domestic ports' operation is low, he said.

The outlook is bleak, he said. No weirs have been built on Elbe in 30 years, Cerny said.

Construction of key locks and weirs near Decin, northern Bohemia, and Prelouc, eastern Bohemia, have been put off for many years, being complicated mainly by problems around their environment impact.

Cargo transport in 2006-2018

Year	Goods carried (mil. of tonnes)
2018	1.37
2017	1.56
2016	1.77
2015	1.85
2014	1.78
2013	1.62
2012	1.76
2011	1.89
2010	1.64
2009	1.64
2008	1.90
2007	2.24
2006	2.03

EC TO PROVIDE OVER EUR 150M FOR INFRASTRUCTURE IN CZECHIA – 3.4.

The European Commission has adopted an investment package in the value of EUR 4bn for infrastructure projects in the Czech Republic and other nine EU member states. The goal of the investment in the Czech Republic is a smoother road and railway connection with the trans-European transport network. A total of EUR 76m will be invested in the modernisation of the rail corridor between Prague and Plzeň. The project includes new or reconstructed tracks between Rokycany and Plzeň, shortening travel time by half on this section and reinforcing the attractiveness of Plzeň as a regional economic centre. A total of EUR 75m will be invested in the road between Nebory and Bystřice as part of a major link between the Czech D48 motorway and the Slovak D3 motorway.

PLZEŇSKÝ PRAZDROJ RAISES SALES OF BEER IN CR BY 3.8% - 3.4.

Czech brewery Plzeňský Prazdroj sold 7.2 million hectolitres of beer, some 3.8% up y/y, in the Czech Republic in 2018. It raised sales of beer in pubs and restaurants by over 2%. The total sales result was contributed to also by non-alcoholic beer, which contributed in the growth in the sales by nearly one half. Sales of Birell increased by over 20%. Sales of ciders grew by 12%. The company was also able to raise the number of concept pubs by 13.

INVESTMENTS & TRADE & SERVICES

CR SECOND MOST ATTRACTIVE COUNTRY FOR INVESTORS – 28.3.

The Czech Republic is the second most attractive country for investors in the region. After three years at the top of the attractiveness ranking, it has now been replaced by Estonia. Poland finished third. These facts stem from the latest cyclical survey conducted by the Czech-German Chamber of Commerce and Industry (ČNOPK). According to the investors, local lack of qualified labour and weak vocational education contributed the most to the lowered attractiveness. A total of 34% of companies, and 42% of industrial companies, expect the Czech economy to worsen in the coming period.

CR MUST SEEK NEW SOURCES OF INVESTMENT FUNDING – 3.4.

The Czech Republic must seek also other sources of investment funding than the state budget or EU funds. This was stated by Czech PM Andrej Babiš (ANO) after a meeting of the Council for Investments on April 2, 2019. He said that especially projects with a return could be funded for instance by capital financing or have a form of PPP projects.

LABOUR & SOCIAL

NO. OF WORKERS PAID FROM STATE BUDGET UP AT 469,737 IN 2019 – 31.3.

Czech ministries, offices and their subsidised organisations employ 469,737 people this year, some 17,000 more yr/yr, with 183,000 of them being teachers, the Finance Ministry said in its publication the State Budget in a Nutshell.

There are some 64,000 non-teaching staff in the education system, 64,500 police, prison service and customs officers, and the number of soldiers reaches 25,600, said the document.

The figures imply job positions for which funds are allocated in the state budget, however, all the jobs need not necessarily be filled.

This year's state budget including EU money envisages about CZK200bn for the wages. Overall budget expenditures are estimated at CZK1,505bn.

In the document, which is the Czech version of the Citizens Budget, the ministry said the state debt might be higher at end-2019 year on year in absolute terms.

State debt amounted to CZK1.622bn last year, or 30.5% of gross domestic product (GDP), and this year's estimate is 29.8% of GDP, or a maximum of CZK1.666bn, the ministry said. Comparing OECD (Organisation for Economic Co-operation and Development) countries based on 2017 data, Czechia has the second highest social and health insurance payments, their size at 15% of GDP. France ranks first, with 16.8% of GDP. When it comes to comparison of effective rates (tax rates lowered by tax relief and other relief packages in given states) regarding individual income tax (employee contributions only) and corporate income tax within the OECD, Czechia is below the EU and the OECD average, said the document.

The state budget has been approved with a CZK40bn gap for this year, with expenditures at CZK1,505bn and revenues at CZK1,465bn.

Publication of the Citizens Budget has been recommended by many international organisations such as the World Bank, the OECD and the International Budget Partnership.

GOVERNMENT TO RAISE MONTHLY PENSIONS BY 900 CROWNS ON AVERAGE – 1.4.

The Czech government of ANO and the Social Democrats (CSSD) has decided to raise the monthly pension indexation of some 700 crowns, given by law, to the promised 900 crowns on average as of 2020, Labour and Social Affairs Minister Jana Malacova (CSSD) told reporters today.

The difference will be covered by a special contribution.

The cabinet will not increase the pension calculation base, Malacova said.

According to the state economic results, the increase set by law is to amount to 720 crown.

The government will wait with the exact calculation until it receives further macroeconomic data, Prime Minister Andrej Babis (ANO) said.

"The exact figures will be known at the end of the summer," Malacova said after the government meeting, adding that the average monthly pension will amount to 14,200 crowns. The government is thus heading for the promised average pension of 15,000 crowns in 2021, Babis added.

At the end of 2018, the Czech state paid out old-age pensions to 2.4 million seniors.

The government-sponsored pension rise of 200 crowns, that is 2,400 crowns a year for each pensioner will cost seven billion crowns next year. The total pension increase will cost 33 billion crowns.

Pensions consist of a fixed calculation base and percentage parts. The fixed part is equal for all and it stands at 3,270 crowns this year. The percentage part, based on the principle of merit, reflects the recipient's size of earnings and the number of years at work.

Malacova originally proposed that the fixed part be raised to 10.6% from 10% of the average wage to reach the promised average rise of 900 crowns. This would help people with low pensions, while the other pensions would rise more slowly. The Babis cabinet made a similar change once in the past and was criticised for this. The Finance Ministry stood up against using this path again and some ANO MPs raised objections to it as well.

Last year, the fixed part made up some 22% of a pension, while the merit part was 78%. After the change pushed through by Babis's government as of 2019, the fixed part rose to 25% and the merit part dropped to 75%.

UNEMPLOYMENT RATE DROPS TO 2.0% IN FEBRUARY – 2.4.

Seasonally adjusted unemployment rate of people aged between 15 and 64 dropped 0.4 pp y/y to 2.0% in February 2019. The unemployment rate was 1.8% for men and 2.2% for women. Employment increased to 75.6% (+0.8 pp) and totalled 82.1% for men and 68.8% for women. The economic activity rate increased 0.5 pp to 77.1%. The men's economic activity rate (83.6%) exceeded the women's economic activity rate by 13.2 pp. This information was provided by the Czech Statistical Office.

MISCELLANEOUS

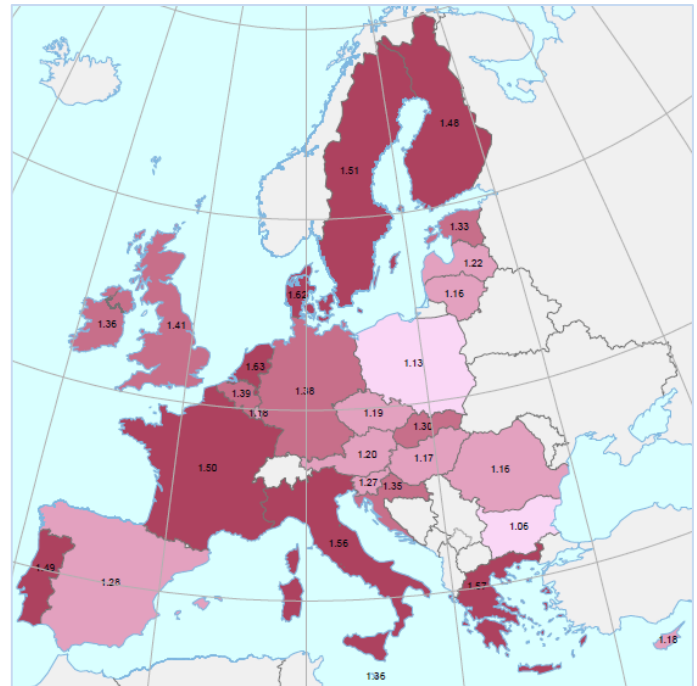
KOYO BEARINGS CONTRIBUTES CZK 22M TO OLOMOUC REGION – 2.4.

For the duration of its existence (since 2001), Koyo Bearings has donated more than CZK 22m to the region of Olomouc. It supports projects focused on helping others, the environment and education. In 2019, the company donated CZK 250,000 to eight schools in Olomouc.

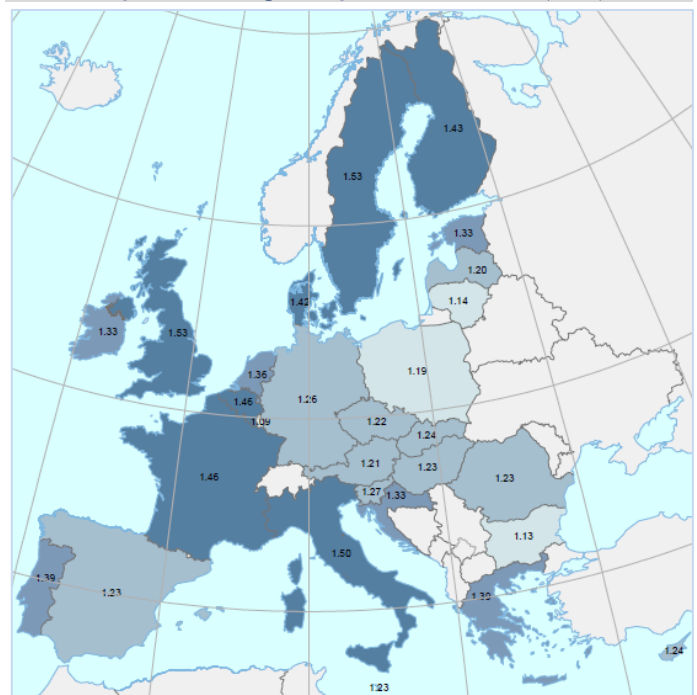
STATISTICS

FUEL PRICES IN THE EU – 25. 3.

Map 1: EU, Average fuel prices, Natural 95, 25. 3. (in €/l)¹



Map 2: EU, Average fuel prices, Diesel, 25. 3. (in €/l)

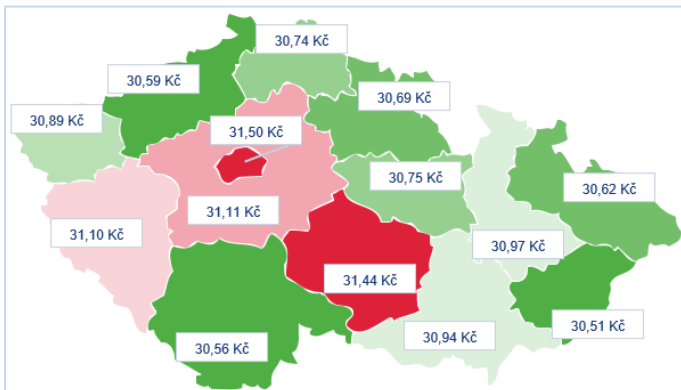


¹ data issued by the EC; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

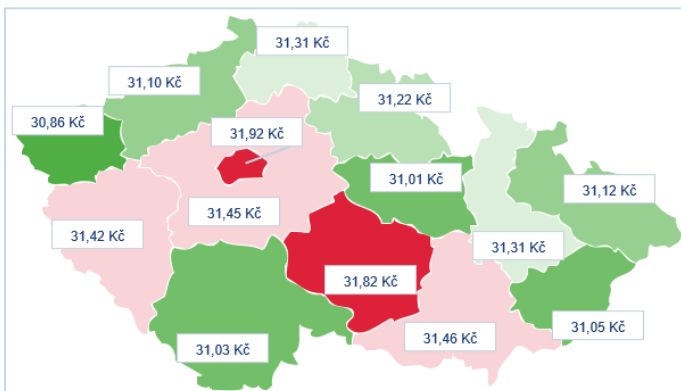
peníze.cz

FUEL PRICES IN THE CR – 31. 3.

Map 3: Regions, fuel prices, Natural 95, 31. 3. (in CZK/l) ²



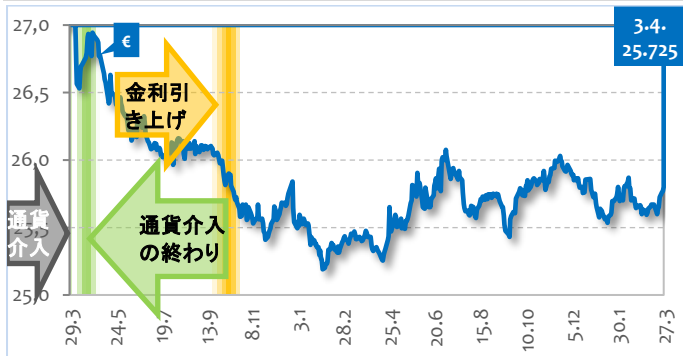
Map 4: Regions, fuel prices, Diesel, 31. 3. (in CZK/l)



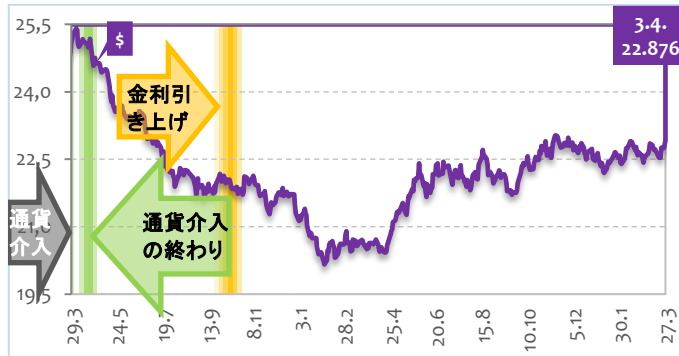
CNB

CZK vs €, \$, ¥ – 3. 4.

Graph 1: Exchange rates, CZK/€, 29. 3. 2017 – 3. 4. 2019



Graph 2: Exchange rates, CZK/\$, 29. 3. 2017 – 3. 4. 2019



Graph 3: Exchange rates, CZK/100¥, 29. 3. 2017 – 3. 4. 2019



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

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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, 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.

CTK

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.

E15

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.

EU

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

peníze.cz

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

RTK

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.