

ECONOMIC NEWS SUMMARY APRIL 4 – APRIL 10

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ECONOMY & FINANCE

☰ INCREASING TAX ON TOBACCO, SPIRITS AND GAMBLING – 5. 4.

The MF¹ has proposed levying a higher consumer tax on tobacco, spirits and gambling.

The tax on cigarettes and tobacco should go up by 10%, that on spirits by 13%. Certain forms of gambling should also see a tax increase from 23% to 25% or even 30%.

The proposed hikes would increase state revenues by approximately CZK²10bn³ a year. If approved the amendment to the law would come into effect as of January 2020.

🇸🇰 NUMBER OF UNRELIABLE VAT PAYERS UP 36% – 9. 4.

As at the end of March 2019, 17,736 entities that pay VAT unreliably⁴ were active in the CR. Y-o-y⁵, their number increased by 36%. They included 7,932 unreliable VAT payers and 9,804 unreliable entities. The total number of entities on the black list had reached a new record high.

📉 IMF DOWNGRADES GDP GROWTH FORECAST – 9. 4.

The IMF⁶ downgraded slightly its GDP⁷ growth forecast slightly in 2019, from 3.0% to 2.9%, according to its latest World Economic Outlook report. The IMF expects GDP growth to ease to 2.7%, reflecting poor external demand, primarily in the euro area, with which the Czech economy is closely integrated.

There was no change in inflation forecasts, as the IMF expects inflation to reach 2.3% in 2019 and then ease to 2.0% in 2020, while external balances will be slightly less negative, but not by a considerable rate.

The IMF on the more optimistic side of recent forecasts, especially when compared to the Czech MF, which has just downgraded again its GDP growth forecasts to 2.4% in 2019 and 2020. Yet, the IMF forecasts tend to lag considerably, so if the IMF had to prepare new forecasts now, it would probably downgrade them again.

The IMF's overall outlook was not very optimistic, as it sees declining investment in Europe and slowdown caused by trade barriers. There is also ongoing uncertainty about Brexit⁸, which may have a negative impact on European economies, including the CR. Thus, the current forecasts

remain more uncertain than usual, with a possible downgrade to come.

🇸🇰 MF PREDICTS 2.4% ECONOMIC GROWTH FOR 2019 – 10. 4.

The MF has adjusted the GDP growth outlook for 2019 from 2.5% to 2.4% due to the deteriorated development in external environment. The MF's April forecast indicates that outlook for 2020 remains unchanged at 2.4%. In both years, household spending on consumption should be the dominant component, reflecting consistently strong wage dynamism with extremely low unemployment rate and the rapid increase in retirement allowances. According to the forecast, the average inflation will slow down from 2.3% in 2019 to 1.6% in 2020. The unemployment rate will stay at 2.2% in both years.

🇸🇰 MF PROPOSES BUDGET EXPENDITURES FOR 2020 – 10. 4.

The MF has proposed expenditure frameworks of the state budget and state funds at CZK1,598bn for 2020, at CZK1,661bn for 2021 and at CZK1,730bn for 2022 in its draft budget strategy.

Public finances should get from this year's planned surplus of 0.3% of GDP to a deficit of 0.2% of GDP next year, and the deficit should expand to 0.3% of GDP in 2021 and to 0.5% of GDP in 2022, according to an updated version of the Convergence Programme, which is part of the budget strategy drawn up by the MF.

The share of the government debt in GDP should fall from this year's planned 31.5% of GDP to 30.8% next year, 30.2% in 2021 and 29.7% in 2022.

AGRICULTURE & ENVIRONMENT

☰ WATER RESERVES LOW – 7. 4.

Water reserves in the ground have not been fully replenished over winter, the CHMI⁹ said.

Despite above-average precipitation in December and January, most of the CR's¹⁰ rivers are down to 50% of normal levels and the CR is most likely facing another drought.

Last year was the hottest year on the CR's territory since 1961. The average temperature was 9.6°C, which is 1.7°C higher than the long-term average. Damages caused by the drought amounted to around CZK11bn.

¹ MF: Ministry of Finance

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

³ bn: billion

⁴ Unreliable VAT payer: Companies that do not have tax documents in order and are imposed at least a CZK500,000 VAT and/or companies suspected of participating in fraud are considered unreliable.

Each company that is purposely and/or repeatedly ignoring tax return deadlines is also registered as unreliable.

In July 2017, an amendment introduced the unreliable person institute. A natural person and legal entity can become an unreliable person based on a tax authority's decision. The unreliable person term applies to those that are not VAT payers and breach their obligations concerning tax administration, or those that stopped being VAT payers once they were registered as VAT defaulters.

⁵ Y-o-y: year on year, compared, compared with the corresponding month of preceding year

⁶ IMF: International Monetary Fund; an international organization headquartered in Washington, D.C., consisting of "189 countries working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world."

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 Brexit: The withdrawal of the United Kingdom from the European Union. Originally, Britain was to leave the EU on March 29. Shortly before, an EU summit postponed the date on May's first request until April 12. However, the British Parliament has repeatedly refused the draft Brexit deal since. To avert no-deal Brexit, May asked for another delay of the departure date, Britain is to leave by October 31, 2019.

⁹ CHMI: Czech Hydro-Meteorological Institute

¹⁰ 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.

☰ CZECH BREWERIES PRODUCE RECORD VOLUME OF BEER – 9. 4.

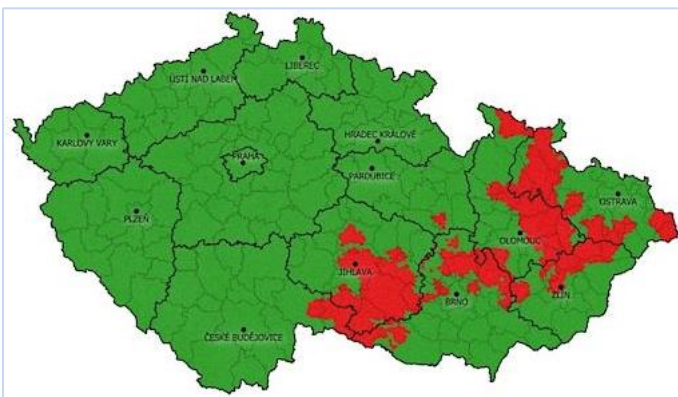
Czech breweries produced a record 21.3mn¹¹ hl¹² of beer last year, an increase of 4.7% on 2017. The main driver of that increase was a jump in exports, though domestic consumption was also up on the previous year. In 2018 the average Czech drank 14l¹³ of beer, which was 6l more than in the previous 12-month period.

TENDERS INFO A NEW PHASE OF THE BARK BEETLE FIGHT BEGINS – 9. 4.

Possibility of postponing land extraction, ie trees from which bark beetle has already flown, until the end of 2022 or extending the deadline for afforestation in selected areas for 5 years. These and other measures are issued by the MA¹⁴ in the fight against bark beetle. This was made possible by the amendment to the Forestry Act, which has come into force, and which will help to concentrate all efforts on the search and disposal of the active bark beetle.

“All the measures we take are a response to the lack of work capacity and the expected reforestation problems of calamity. Newly, it will be possible to postpone the extraction of land, ie simply trees from which bark beetle has already flown, by the end of 2022. We want to concentrate all the workforce on the search and extraction of bark beetle trees. The red zone will also extend the deadline for reforestation to five years,” said MA Minister Toman.

Map 1: Bark beetle Zones



Part of the measure is valid throughout the CR, some are targeted at specific, worst affected areas determined on the basis of so-called zoning. The possibility of postponing land extraction, including sterile bark beetle trees, until 31 December 2022 applies to the entire territory of the CR. However, the obligation of the forest owner to actively search for bark beetle trees, to extract them and to decontaminate them remains.

In the worst affected area, ie in the red zone, the owners now have the opportunity to completely withdraw from the use of defensive measures (traps, traps). Here, too, they are still obliged to actively seek out infected trees and to extract and clean them up in time. The timing for afforestation is

extended to 5 years (now 2 years) and the time to cover the crop for 10 years (now 7 years) since the erection. The aim is to address possible shortage of seedlings and labor for afforestation.

In the case of calamity clubs above 2ha (in the red zone), it will be possible to leave non-wooded strips inside the stands up to 5m wide at intervals of at least 20m. At the boundary of the forest and non-forest land, stripes up to 5m wide for the creation of a vegetation mantle. This measure will, for example, lead to saving seedlings and at the same time creating firing slots to maintain cloven-hoofed animals and to prevent game damage on the restored stands.

“We appreciate that the state, through the MA, has made it very quick to use extraordinary means in an extraordinary situation, which will help all forest owners to manage bark beetle calamity,” said LČR¹⁵. All measures will be effective at the moment of their publication on the official board of the MA. Measures of a general nature will also be published on official boards of municipalities with extended powers.

With regard to the extent of the calamity and the amount of technology that moves in the woods, the MA warns the public of the increased risk that it poses when moving in the woods. Whether in the context of mining and transporting calamity wood, and especially in connection with movement in dead forests where there is a risk of falling branches and whole trees. Even if access to forests is not directly prohibited in a particular area, forest visitors should be very careful.

The MA, through the LČR, has also in the past days sent all forest owners information about their basic duties, including the so-called Barker's Ten Commandments, which is a brief and practical summary of forest protection principles.

The MA is also preparing support for addressing the deteriorated economic situation of non-state forest owners as a result of declining coniferous wood prices. This year, the support could reach CZK3bn. At the moment, the MA is waiting for the rules to be notified by the EC¹⁶, in parallel with the MF to release the requested amount. For forest owners, the MA has set up a central web address where they can find complete information on all the support they can obtain to support forest management. It also includes all information related to support under the relevant government regulation, including a guide for applicants, methodologies, a module for applicants, etc.

GA SZIF TO DIVIDE CZK30MN+ IN SINGLE APPLICATION – 10. 4

The SZIF¹⁷ has begun accepting the 2019 Single Application. Farmers may use the universal form for applications for direct payments and non-project measures under the Rural Development Program. The applications are filed by 30,000 applicants per year and the divided allocation totals more than CZK30bn.

¹¹ mn: million

¹² hl: hectolitre, a unit of capacity equal to 100 liters

¹³ l: litre, is an SI accepted metric system unit of volume equal to 1 cubic decimetre (dm³), 1,000 cubic centimetres (cm³) or 1/1,000 cubic metre.

¹⁴ MA: Ministry of Agriculture

¹⁵ 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.

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.

¹⁷ 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).

EDUCATION & RESEARCH

ČVUT AND VUT ACQUIRE RICAP – 4. 4.

The CEITEC VUT¹⁸, together with the CIIRC CTU¹⁹ have acquired the RICAIP²⁰ project. PM Babiš has stated that a research centre for the application of artificial intelligence in modern industrial production with total funding of €50mn will shortly be established in CR.

ENERGY & INDUSTRY & TRANSPORT

PASSENGER CAR REGISTRATIONS DECREASE – 4. 4.

The number of new passenger car registrations in the CR decreased by 12.17% to 59,616 units in January - March 2019. There were also 5,029 light commercial vehicles, 194 buses, 2,388 trucks and 3,401 motorcycles registered in the period. This stems from the data of the CIA²¹.

TEMELÍN TO TEST FUEL FROM WESTINGHOUSE SWEDEN – 5. 4.

Technicians at Temelín NPP²² will transport 163 fuel aggregates to the reactor of the suspended block. They will include 6 trial fuel aggregates from company Westinghouse²³ Electric Sweden. The power plant intends to test them in coming years. The remaining fuel is from Temelín's existing supplier, company TVEL²⁴. The suspension of the 1st block commenced on March 1, 2019. Over a period of 2 months technicians will replace almost 1/3 of the fuel, check the security system and the turbine and test a new container for used fuel from new supplier Škoda JS²⁵. They have more than 12,000 activities including 70 investment actions planned.

MT MINISTER ŤOK LEAVES GOVERNMENT – 9. 4.

MT²⁶ Minister Ťok has decided to leave his position. He said that he had originally resigned in January 2019, however, the resignation was not accepted. He will now let Mr. Babiš to decide on the arrangement of his departure. Mr. Ťok has not made decision about his mandate as an MP²⁷, however, he does not want to be involved in politics any more. According to his words, the new MT Minister should continue in the construction and the acceleration of its preparation. It is also necessary to complete the project of electronic motorway vignettes.

¹⁸ **CEITEC VUT**: Central European Technology Institute - Brno University of Technology
¹⁹ **CIIRC CTU**: Czech Institute of Informatics, Robotics and Cybernetics of the Czech Technical University in Prague

²⁰ **RICAIP**: European Research and Innovation Centre on Advanced Industrial Production

²¹ **CIA**: Car Importers Association (Svaz dovozců automobilů), a voluntary association of legal entities importing, selling and servicing road motor vehicles in the Czech Republic, 39 members by 2014

²² **Temelín NPP**: Temelín NPP is owned by ČEZ Group, which employs 1000 workers at this site. It is, with 2,000 MW of installed capacity and 4 units, largest power resource in the Czech Republic.

²³ **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.

²⁴ **TVEL**: a Russian nuclear fuel cycle company headquartered in Moscow. It belongs to the Atomenergoprom holding company

²⁵ **Škoda JS**: the Pilsen-based engineering giant owned by Russian engineering group OJSC.

²⁶ **MT**: Ministry of Transport

²⁷ **MP**: Member of Parliament

²⁸ **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

INVESTMENTS & TRADE & SERVICES

OLD FLAT PRICES UP – 7. 4.

Prices of older Czech apartments grew by an average 10.9% y-o-y in February, to around CZK39,000/m².

The most expensive properties are in Prague, where the average price per m² for an old flat stood at CZK92,000. This is 5-times more than, for example, in the North Bohemian city of Ústí nad Labem.

The growth of apartment prices is fueled by a shortage of quality property and low building development in larger towns and cities.

CONDITIONS FOR FREQUENCY AUCTION APPROVED – 9. 4.

Cabinet²⁸ has approved the draft procedure and terms of the auction for granting rights to radio frequencies from the 700MHz and 3.5GHz bands for 5G²⁹ mobile networks. The proposal was submitted by the MIT and the CTO³⁰.

VIETNAMESE PM PHUC TO VISIT PRAGUE – 9. 4.

Vietnamese PM³¹ Nguyen Xuan Phuc will visit the CR from April 16 to April 18, and take part in the Czech-Vietnamese business and investment forum together with PM Babiš.

Babiš and Phuc met at the WEF³² in Davos in January. Babiš then asked Phuc to lift visas for Czechs who plan to stay in Vietnam up to 2 weeks.

Czech-Vietnamese Association said Phuc is to be accompanied by a business delegation. The delegation will have 45 members, including representatives of the Vietnamese trade and industrial chamber and the private Bamboo Airways airliner, PetroVietnam oil group and the Vietnam Airlines Corporation. Bamboo Airways is interested in launching a direct line from Vietnam to Prague.

Last summer, the CR suspended the acceptance of Vietnamese visa applications for long-term residence with the aim of either employment or business activities. MI³³ Minister Hamáček then said that the Czech diplomatic mission in Hanoi was overburdened and that there were security risks.

Former MFA³⁴ Minister Zaorálek said shortly before this that the National Security Council discussed the situation of issuing visas. He said Vietnam has become a top security risk.

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.

²⁹ **5G**: 5th generation wireless systems, abbreviated 5G, are improved networks deploying in 2018 and later. The primary technologies include: Millimeter wave bands (26, 28, 38, and 60 GHz,) are 5G and offer performance as high as 20 gigabits per second; Massive MIMO (Multiple Input Multiple Output - 64-256 antennas) offers performance "up to ten times current 4G networks;" "Low-band 5G" and "Mid-band 5G" use frequencies from 600 MHz to 6 GHz, especially 3.5-4.2 GHz.

³⁰ **CTO**: Czech Telecommunication Office, a central administrative body for the execution of state administration in matters of Electronic Communications, including market regulation and definition of the conditions for business activities in the areas of electronic communications and postal services (also ČTÚ in Czech).

³¹ **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.

³² **WEF**: World Economic Forum

³³ **MI**: Ministry of the Interior

³⁴ **MFA**: Ministry of Foreign Affairs

The Vietnamese embassy in Prague protested against Zaoralek's statements. The MFA then assured Vietnamese diplomats that Zaoralek's statements do not reflect the official position of the CR.

Vietnamese are the 3rd largest minority in the CR, after Ukrainians and Slovaks. According to the CSO³⁵, there are roughly 61,000 Vietnamese in the CR.

LABOUR & HEALTH & SOCIAL



EMPLOYEE SHORTAGE FELT BY 75% OF – 4. 4.

¾ of companies felt a lack of employees in 2018 and they mostly dealt with the situation by increasing the workload of their staff, according to the Raiffeisen³⁶.

The poll was carried out among Raiffeisen's corporate clients with a turnover of CZK50mn-CZK250mn.

½ of companies facing a shortage of employees said their staff have to do overtime. Other companies cope by taking on temporary workers and training future staff members in cooperation with schools. About 10% of companies recruit foreigners.

It is alarming that 10% of companies have had to lower production because of insufficient capacity, Raiffeisen said.

Firms are not optimistic. A total of 83% of those polled fear they will face a lack of employees this year as well.

Nearly ¾ of companies expect to raise wages by up to 5% this year. A total of 10% of companies do not project growth in wage costs, while 50% expect a 2-5% rise and 25% are ready for a 5-10% annual increase.

The biggest pressure on pay rise will be reported in construction and health care, with 29% of respondents expecting it. People working in the public sector will probably want a pay rise, too, Raiffeisen said.

The CR's minimum wage was raised by CZK1,150 to CZK13,350 in January.

A total of 25% of companies said that this change concerns more than 25% of employees, Raiffeisen said.



SPENDING OF CZECH FAMILIES ON HEALTH CARE – 5. 4.

Less than 1% of Czech families spend more than 40% of their incomes on health care, WHO³⁷ Czech office said, adding that this is better than in most countries.

In some European countries, more than 40% of the incomes are spent on health care in up to 10% of families. The WHO considers such spendings disastrous.

The World Health Day 2019 on April 7 focuses on general coverage of health care.

WHO said everybody who needed health care in the CR received the medical services when and where needed. It

said this was not so in many places in the world, unfortunately. Health care was easily available in the CR and the price was not too high for the people.

Czech people cover about 15% of the costs of medical treatment by themselves and the rest is covered through health insurance. Citizens of most EU³⁸ countries pay more by themselves.

MH³⁹ Minister Vojtěch said health care availability is not a problem geographically or economically. But he said the role of general practitioners and pediatricians should be stronger so that patients do not need to travel to see expert doctors only because they needed some prescription.

Vojtěch said the WHO inspired the CR in how to strengthen the powers of nurses or how to set healthcare quality in mental hospitals.

The MH also wants to raise awareness. This year, a national healthcare portal presenting information guaranteed by the state and experts is to be launched.

In 2019, the Czech healthcare system can use CZK320bn from the public health insurance. ½ of the money goes to hospitals and ½ of the rest is spent on drugs. General practitioners get 5-6%, dentists get 6% and outpatient specialists 6%.

The total expenses on health care are about 7% of GDP, which is under both the EU and the OECD⁴⁰ average.

WHO said population ageing will be a big challenge in the next 20 years in the CR because the Czechs are one of the fastest ageing populations in the EU.

It said the economic situation need not be good forever and it is necessary to focus on the long-term sustainability of health care.



OVER 20% OF CZECHS HAVE CHANGED JOB – 9. 4.

Over ¼ of Czech workers have changed jobs in the last 6 months, which is the highest level since 2010, according to the Randstad⁴¹. Over ¼ of respondents who had switched positions said higher pay had been the key factor in their decision.

Another ¼ of the workforce are actively seeking new jobs. 70% of respondents said they were satisfied with their current employment.



TRADE UNIONS WANT MINIMUM WAGE AT CZK15,000 – 9. 4.

The ČMKOS⁴² calls for an increase of minimum wage to CZK15,000 from CZK13,350 with effect from January 1, 2020. ČMKOS chairman Středula said that this would mean an increase in the ratio between average and minimum wages to 41.2%. According to Středula, the target is 45%. The CI⁴³ believes that the increase in minimum wage should be up to

³⁵ 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.

³⁶ 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 spořitelna), insurance (UNIQA pojišťovna) and leasing (Raiffeisen-Leasing, Raiffeisen-Leasing Real Estate). Raiffeisenbank has merged with eBanka, a.s., in 2008.

³⁷ WHO: World Health Organization

³⁸ 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, 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.

³⁹ MH: Ministry of Health

⁴⁰ OECD: Organisation for Economic Development and Cooperation

⁴¹ Randstad: personnel consulting company

⁴² 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 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.

⁴³ 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.

5%. The reason is not only a slowdown in the economy, but also a rise in corporate costs due to the cancellation of the waiting period.

EMPLOYERS REPORTEDLY FOR MIN WAGE HIKE – 9. 4.

Employers are reportedly ready to agree to a minimum wage hike in the vicinity of 5%, according to sources of HN⁴⁴. Social partner talks are kicking off soon, as the ČMKOS said it would propose a minimum wage hike of 12.4%, up to CZK15,000/month. Minimum wage increased by 9.4% as of 2019, up to CZK13,350/month. It was a government-imposed compromise, which met employers and unions half way.

This time, it appears that employers are ready to make some compromise and would accept an increase of the minimum wage by about CZK700, though it is expected that the real limit they would go to as more like CZK14,000, which means a 4.9% increase. This is more than anticipated, as doubt is that employers would propose more than a 3% hike (or an increase by CZK400). Yet, this is apparently the maximum employers are willing to agree to, which suggests that negotiations will extend for a long time, as they did in 2018.

If the government once again meets employers and TUs⁴⁵ half way, it would mean an increase of the minimum wage to CZK14,500, or an 8.6% hike. It will be a somewhat lower rate of increase than the latest one, though it might be eventually supported by the ČSSD⁴⁶. Last year, the ČSSD sided with unions, though it eventually adopted the proposed compromise. MLSA⁴⁷ Minister Maláčová argued back then that a minimum wage increase would affect not only those who actually receive it (about 3% of employees), but also those getting remuneration close to the minimum wage. Calculations, based on the lowest 10th percentile, suggest that about 7-8% of employees may be affected.

Regarding long-term goals, employers are reportedly not willing to increase the minimum wage more than 40% of the average one. The ČSSD and TUs have a goal to make the minimum wage ½ of the average wage by the end of the Cabinet's term in 2021. However, it is unlikely to happen, as it will mean a major increase of the minimum wage in a very short period of time, something that ANO⁴⁸ opposes. Employers are in a tough spot, however, as labour shortages are currently acute. It is probably why they are willing to swallow a 5% hike in the minimum wage, for the sake of it not being a bigger one. Labour costs have already increased steadily over the past couple of years, and while wage growth is expected to ease in 2019, it will remain a robust

one. Whatever proposal comes, a final agreement is not expected soon, certainly not before the autumn.

LINKING MINIMUM WAGE TO AVERAGE WAGE FALTERS – 10. 4.

Employers have dropped the idea of linking the minimum wage to the average wage, the CI said.

It said no agreement could be reached with the ČSSD and the TUs, many of which believe they can negotiate a higher minimum wage without an automatic adjustment.

MISCELLANEOUS

INTERNATIONAL CONFERENCE ON CYBER SECURITY – 4. 4.

Representatives of EU member state⁴⁹s, NATO⁵⁰ countries and other allies will discuss joint approach to cyber security in Prague in early May, deputy MFA Chmelař said.

In the CR, the debate on the communication technologies' safety was triggered by the NCISA⁵¹ warning over the Huawei⁵² and ZTE⁵³ technologies.

Chmelař said the heads of the national cyber security offices and agencies will attend the international conference. The representatives of Australia and Japan may also come to Prague.

The CR sees the conference as its contribution to the EU debate on the future of communication networks in the EU, Chmelař said. He reminded that the EU leaders debated cyber security at an EU summit 2 weeks ago and the EU-level technical solution was still to be debated by experts.

In March, the ChD's⁵⁴ committee recommended to PM Babiš to promote financial support for European telecommunication firms producing key network infrastructure components on the EU level.

Babiš said this was a good idea, adding that the European firms missed the train.

Last December, the NCISA report said the Huawei and ZTE technologies posed security risk for the critical infrastructure and important information systems.

Huawei denied the allegations, saying there was no evidence.

BIS'S CHIEF GETS CIA AWARD IN USA – 4. 4.

BIS⁵⁵ chief Koudelka received the George Tenet award for foreign cooperation in the seat of the CIA in the USA in early March. It is also confirmed that Koudelka and Babiš met CIA Director Haspel during Babiš's visit to the USA.

„BIS has received an award from CIA, the supreme decoration for foreign cooperation conferred once a year," Babiš said.

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

⁴⁵ TU: Trade union, around 1/6 of all employees are union members in the CR.

⁴⁶ ČSSD: Czech Social Democratic Party, centre-left party

⁴⁷ MLSA: Ministry of Labour and Social Affairs

⁴⁸ ANO: ANO 2011, centre-right party

⁴⁹ EU Member States: The EU comprises 28 member states. Each member state is party to the founding treaties of the union and thereby subject to the privileges and obligations of membership. Unlike members of most international organisations, the member states of the EU are subjected to binding laws in exchange for representation within the common legislative and judicial institutions. Member states must agree unanimously for the EU to adopt policies concerning defence and foreign affairs. Subsidiarity is a founding principle of the EU.

⁵⁰ NATO: the North Atlantic Treaty Organization, also called the North Atlantic Alliance, is an intergovernmental military alliance based on the North Atlantic Treaty which was signed on 4 April 1949. The organization constitutes a system of collective defence whereby its member states agree to mutual defence in response to an attack by any external party.

⁵¹ 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).

⁵² 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,

⁵³ ZTE: a Chinese multinational telecommunications equipment and systems company headquartered in Shenzhen, China. ZTE operates in three business units - Carrier Networks (54%) - Terminals (29%) - Telecommunication (17%). ZTE's core products are wireless, exchange, access, optical transmission, and data telecommunications gear; mobile phones; and telecommunications software. It also offers products that provide value-added services, such as video on demand and streaming media. ZTE primarily sells products under its own name but it is also an OEM. ZTE is one of the top five largest smartphone manufacturers in its home market, and in the top ten, worldwide.

⁵⁴ 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.

⁵⁵ BIS: Security Information Service

"I consider this most significant CIA award the recognition not only of my work, but above all the work of BIS," Koudelka added.

Security experts say this is a prestigious prize.

DNES AMSP'S PRESIDENT REDUCED BUSINESS ACTIVITIES – 5. 4.

President of the ASMP⁵⁶ Havlíček has significantly reduced his private business activities. At the end of March, he left the governing bodies of 3 companies from the Sindat Group, in which he had been involved for 20 years.

The current head of the RDIC⁵⁷ and university teacher Havlíček has been mentioned in recent weeks as a possible successor to the MIT⁵⁸ Minister Nováková. The function of Deputy PM for Economics was also in play.

CTK BABIŠ NOT TO ANTICIPATE POSITION ON BREXIT DELAY – 5. 4.

PM Babiš would not anticipate Prague's position on the British new request for a further Brexit delay, he said, adding that he wants to wait to see the development at the EU summit on April 10.

Babiš repeated that for the CR, the most advantageous scenario would be if a new referendum were called in Britain and resulted in its remaining in the EU.

Earlier today, British PM May asked for a Brexit delay until June 30, which would mean Britain's participation in the May elections to the EP⁵⁹.

Reacting to her, CoE⁶⁰ head Tusk said the best solution would be a year-long flexible delay that would enable London to leave the EU orderly even sooner, as soon as it approves the Brexit deal.

Babiš refused to anticipate Prague's position on either the British request or Tusk's proposal. "We'll see how the things will develop. Every day brings something new. Let's wait until April 10," Babiš said, referring to the EU extraordinary summit to deal with Brexit. "I still assert that the best [variant] are early elections and a new [Brexit] referendum, so that Britain remains in the EU," he said.

"This would definitely be most advantageous for the CR. It [Britain] has always been our ally. We have huge economic interests there, there are lots of our people there," Babiš said.

CTK CZECHS SLIGHTLY MORE AGAINST FOREIGNERS – 8. 4.

The number of Czechs believing that too many foreigners live in the CR increased by 5% to the current 40% as against last year, according to the CVM⁶¹.

However, the views of foreigners' long-term stay have not changed.

¾ of Czechs are of the opinion that foreigners should only stay in the CR on certain conditions, while ¼ say long-term stay should not be allowed to them at all.

⁵⁶ **ASMP:** Association of Small and Medium-Sized Enterprises and Crafts in the CR (Asociace malých a středních podniků a živnostníků České republiky), provides an open, apolitical platform for small and medium-sized enterprises, self-employed persons and their organisations across the Czech Republic.

⁵⁷ **RDIC:** The Research, Development and Innovation Council (RVVI Rada pro výzkum, vývoj a inovace) is a professional and consultancy body of the Government of the Czech Republic in the field of research, experimental development and innovation, established and its activities are governed by Act No 130/2002 on the support of research, experimental development and innovation from public resources.

⁵⁸ **MIT:** Ministry of Industry and Trade

⁵⁹ **EP:** European Parliament, is the directly elected parliamentary institution of the European Union. Together with the Council of the European Union and the European Commission, it exercises the legislative function of the EU. The Parliament is composed of 751 members, who represent the second-largest democratic electorate in the world

Some 5% are ready to offer residence to foreigners without any limitations.

½ of Czechs believe that the number of foreigners living here is just right.

Studies and practice (82%) as well as family unification (61%) are cited as the most serious reasons for the acceptance of foreigners.

The number of those saying employment is a reason to enable the foreigners' stay rose by 6% to 61%.

Roughly the same increase was recorded among those believing that foreigners should be allowed to stay in the CR over business. Now the figure stands at 52%.

The least acceptable reason (about 2%) is that they like the CR and want to live here.

Compared with last year, the Czechs' view of foreigners' adaptation to Czech customs and habits has not changed either. ¾ of Czechs say the foreigners should be adapted as much as possible.

The view that they should be allowed to live entirely according to their habits is only held by 2%.

HOSPODÁŘSKÉ NOVINY TAIWAN'S OFFICIAL HAS TO LEAVE – 9. 4.

The meeting that the MIT Ministry organised for foreign diplomats in late March was the first event that Taiwan's representative in Prague Chung-I Wang had to leave because China's ambassador demanded it, he said.

Chung-I Wang, who heads the Taipei Economic and Cultural Office in Prague, said the rare incident did not affect the very close relations between the CR and Taiwan.

Deputy MIT Minister Bártl asked Taiwan's representative to leave the meeting in order to prevent a diplomatic conflict, the MIT stated previously. After media criticised the MIT and some politicians labelled MIT Minister Nováková's step undignified and humiliating, Nováková addressed a letter of reprimand to Bártl.

CTK TAIWAN WANTS TO COOPERATE IN CYBER SECURITY – 9. 4.

Taiwan is interested in forming an alliance with Czechia in ensuring cyber security, Taiwanese National Security Council deputy head Vincent Chen said at a conference in the Czech Chamber of Deputies today, warning against cyber threats coming from China.

Chen said Taiwan has faced classical hacking attacks from China that seek access to classified information, but it has succeeded in stopping a crushing majority of them before they can cause any damage.

Beijing also uses a different strategy of using false profiles on social networks to promote the Taiwanese politicians with an accommodating approach to China, Chen said.

(after the Parliament of India) and the largest trans-national democratic electorate in the world (375 million eligible voters in 2009).

⁶⁰ **CoE:** Council of Europe is an international organisation whose stated aim is to uphold human rights, democracy and the rule of law in Europe. Founded in 1949, it has 47 member states, covers approximately 820 million people and operates with an annual budget of approximately half a billion euros. The organisation is distinct from the 28-nation European Union (EU), although it is sometimes confused with it, partly because the EU has adopted the original European Flag which was created by the Council of Europe in 1955, as well as the European Anthem. No country has ever joined the EU without first belonging to the Council of Europe. The Council of Europe is an official United Nations Observer.

⁶¹ **CVM:** Public Opinion Research Centre of the Institute of Sociology of the Academy of Sciences of the CR

According to him, China is trying to use cyber instruments to push through its interests in Taiwan and other parts of the world.

The main instrument in this respect are the companies established by the state, which present themselves as private firms abroad, and penetrate the respective local industrial sectors while closely cooperating with the Chinese state, Chen said.

In Europe, Beijing focuses on becoming the leader in the building of telecommunication networks, he said.

Chen offered cooperation to Czechia as well as the sharing of experience in fighting cyber threats, saying that both countries share values such as democracy and respect for human rights.

Interest in sharing experience was also expressed by Czech lawmaker Bartošek. He said Czechia must prepare for cyber security becoming a new battlefield.

"We have to prepare for the future and invest in cyber security. This is the crucial question of the CR's security," Bartošek said.

CTK BABIŠ WANTS HAVLÍČEK, KREMLIK FOR MINISTERS – 10. 4.

PM Babiš proposed to President Zeman that MIT Minister Nováková and MT Minister Ťok be replaced with senior state officials Karel Havlíček and Vladimír Kremlík, respectively. Havlíček is the deputy head of the RDIC. Kremlík is the deputy director of the UZSVM⁶².

Babiš said that Zeman sees no problem in appointing the two nominees. Zeman will make the changes in the cabinet on April 30, after returning from a visit to China. He will meet Kremlík and Havlíček before appointing them as ministers, Babiš said.

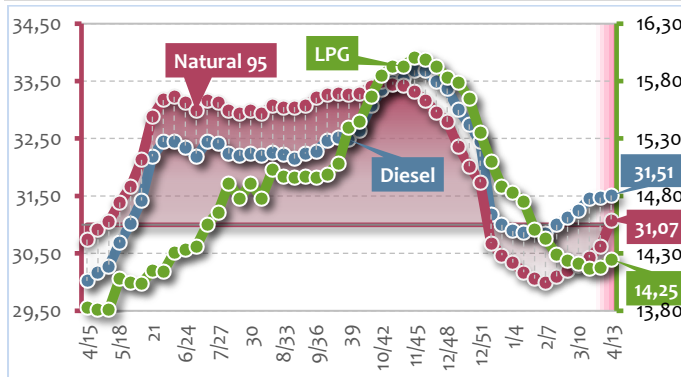
He said he and Zeman discussed the whole government lineup today. He did not rule out further personnel changes in the cabinet, but said he has proposed the replacement of Nováková and Ťok for the time being. "This is all for the moment," he said.

STATISTICS

FUEL PRICES – 5. 4.

Natural 95 increased by 46h⁶³ to CZK31.04/l over the past week. Diesel oil increased by 4h to CZK31.51/l.

Graph 1: Average prices⁶⁴, 2018 – 2019, Month/Week (in CZK/l)

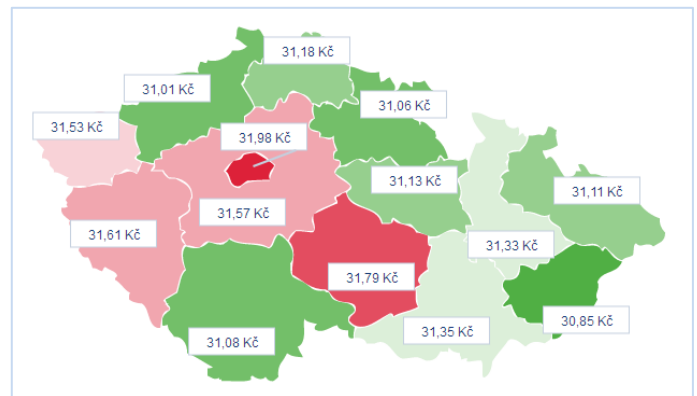


⁶² UZSVM: Office for the Government Representation in Property Affairs

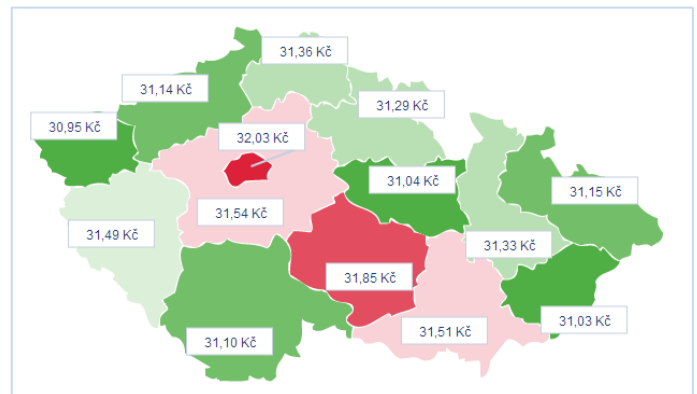
⁶³ h: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

⁶⁴ 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

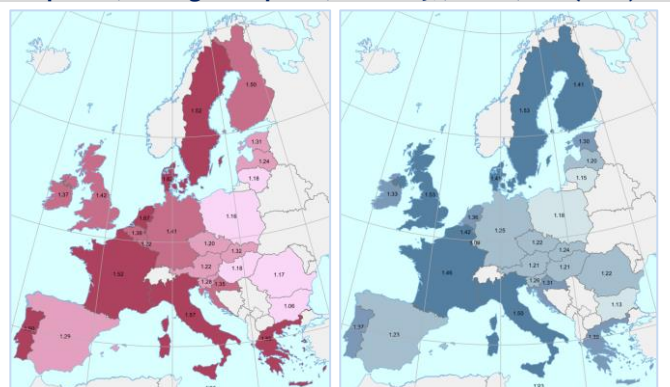
Map 2: Regions, fuel prices, Natural 95, 7. 4. (in CZK/l)⁶⁵



Map 3: Regions, fuel prices, Diesel, 7. 4. (in CZK/l)



Map 4: EU, Average fuel prices, Natural 95, Diesel, 1. 4. (in €/l)⁶⁶



INDUSTRY – 8. 4.

CoP⁶⁷ industrial production¹ increased in February 2019 by 0.5%, m-o-m. In the y-o-y comparison it increased by 1.5%. The following economic activities contributed the most to the y-o-y increase in industrial production: electricity, gas, steam and air conditioning supply (+0.8pps, +6.7%), manufacture of electrical equipment (+0.2pps, +3.0%), and manufacture of machinery and equipment (+0.2pps, +2.3%). Industrial production decreased in the following economic activities: manufacture of motor vehicles, trailers and semi-trailers (▲0.15pps, ▲0.8%), manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials (▲0.13pps, ▲7.0%), and manufacture of chemicals and chemical products (▲0.11pps,

⁶⁵ data issued by the mBenzin.cz; <https://www.penze.cz/ceny-benzinu-a-ceny-nafty>

⁶⁶ data issued by the EC; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

⁶⁷ CoP: constant prices are used to measure the true growth of a series, i.e. adjusting for the effects of price inflation.

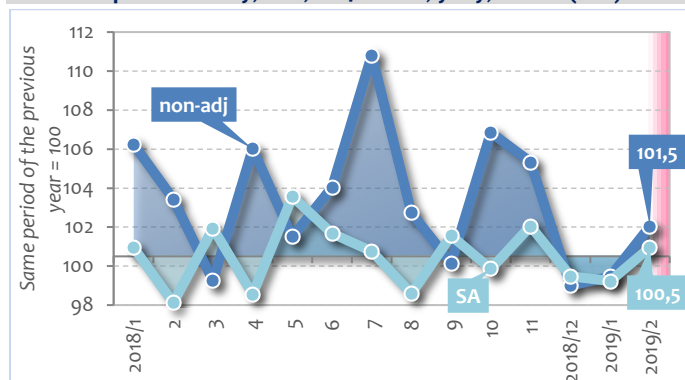
▲2.7%). Non-adj industrial production was by 1.5% higher, y-o-y.

CuP⁶⁸ sales from industrial activity increased by 3.6%, y-o-y, in February 2019. CuP direct export sales of industrial enterprises increased by 4.9%. CuP domestic sales, which include also indirect export via non-industrial enterprises increased by 1.9%.

The value of new orders in selected industrial CZ-NACE⁶⁹ activities increased by 1.4%, y-o-y, in February 2019. Non-domestic new orders increased by 1.3%, while domestic new orders increased by 1.5%. The y-o-y increase of new orders in total was the most contributed to by the following CZ-NACE divisions: manufacture of fabricated metal products (+0.6pps, +5.3%), manufacture of basic metals (+0.4pps, +7.1%), and manufacture of motor vehicles, trailers and semitrailers (+0.4pps, +0.9%). New orders decreased in manufacture of computer, electronic and optical products (▲0.4pps, ▲4.4%), manufacture of electrical equipment (▲0.14pps, ▲1.4%), and manufacture of chemicals and chemical products (▲0.10pps, ▲2.0%).

According to the Eurostat⁷⁰, WDA⁷¹ industrial production in the EU28⁷² in January 2019 decreased by ▲0.4%, y-o-y.

Graph 2: Industry, CoP, 2017 – 2018, y-o-y, m-o-m (in %)



EXTERNAL TRADE – 8. 4.

According to CuP preliminary data, in February 2019 the external trade balance in goods ended in a surplus of CZK17.6bn, which was by CZK1.4 bn lower, y-o-y.

The total NC⁷³ was favourably influenced mainly by a higher surplus in 'motor vehicles, trailers and semitrailers' by CZK4.0bn which was better due to growth of their exports by CZK4.2bn.

A y-o-y worse balance in 'other transport vehicles' (by CZK2.7bn), 'crude petroleum and natural gas' (by CZK2.3bn) and 'computer, electronic and optical products' (by CZK1.3bn) had the contrary effect on the total balance.

In February 2019 the trade balance with the EU28 Member States ended in a surplus of CZK65.4bn, and thus it was by CZK9.8bn higher, y-o-y. The trade deficit with the non-EU

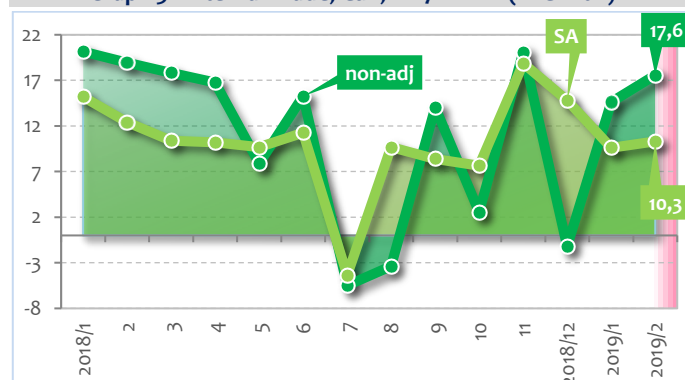
countries increased by CZK10.8bn to reach the amount of CZK45.6bn.

Compared to January 2019 the SA exports and imports decreased by ▲0.4% and ▲0.7% respectively. The development trend shows declining exports (▲0.1%) and increasing imports (+0.2%).

Compared to the same month of 2018, exports and imports rose by 5.1% (to CZK300.0bn) and 6.0% (to CZK282.4bn) respectively.

In the period from January to February 2019 the NC trade balance surplus reached CZK32.2bn which represented a decrease by ▲CZK6.9bn, y-o-y. From the beginning of the year exports and imports went up by 3.3% and 4.8% respectively, y-o-y.

Graph 3: External Trade, CuP, 2017 – 2018 (in CZKbn)

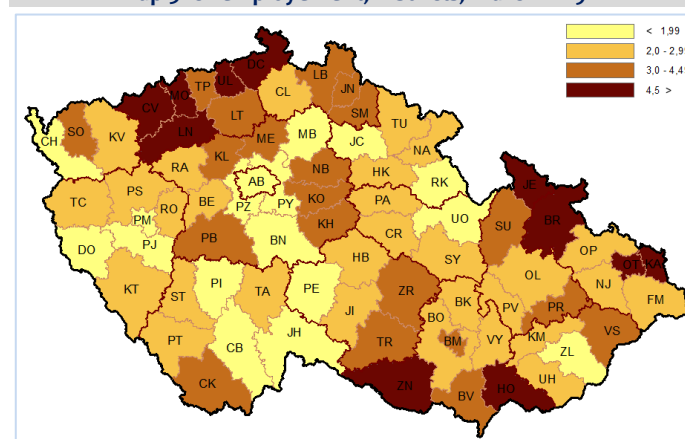


UNEMPLOYMENT RATE – 8. 4.

The unemployment rate in the CR dropped to 3.0% in March 2019 from 3.2% in the previous month, according to the LO⁷⁴. It is the lowest jobless rate since last November, with the number of unemployed persons decreasing by 14,000 from the previous month to 227,000.

The drop is attributed to the renewal of seasonal work and meets market expectations.

Map 5: Unemployment, Districts, March 2019



⁶⁸ CuP: current (or "nominal") prices for each year are in the value of the currency for that particular year, are influenced by the effect of price inflation.

⁶⁹ NACE: Nomenclature générale des Activités économiques dans les Communautés Européennes, Statistical Classification of Economic Activities in the European Community, the industry standard classification system used in the EU. The current version is revision 2 and was established by Regulation (EC) No 1893/2006. It is the European implementation of the UN classification ISIC, revision 4; CZ-NACE: Classification of Economic Activities according to the CSO

⁷⁰ Average registered number of employees: in industrial enterprises with 50+ employees, the registered number of employees indicator does not include persons working under various contracts for work, working owners of enterprises, and cooperating household members, who do not have contracts of employment. The piece of data on the registered number of employees in industry also excludes agency

workers, who have contracts of employment within activities of services (CZ-NACE 78.2).

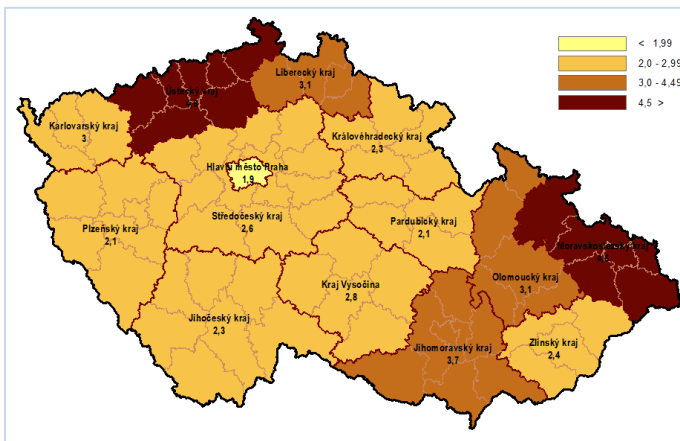
⁷¹ WDA: working days adjusted

⁷² EU28: 28 member states of the EU, which are party to the founding treaties of the union and thereby subject to the privileges and obligations of membership

⁷³ National Concept: the national concept of external trade reflects export and import performance of the Czech economy, i.e. the external trade balance of the CR as well. It measures real trade in goods carried out between Czech and foreign entities, i.e. a change of ownership between residents and non-residents.

⁷⁴ LO: Labour Office; 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 not only in the CR but also in the European Union, to register job seekers and vacancies.

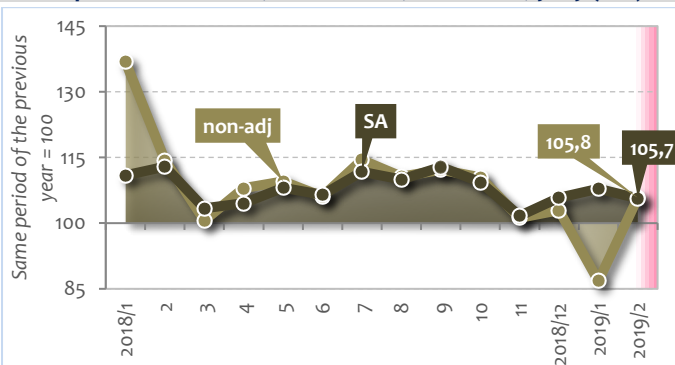
Map 6: Unemployment, Regions, March 2019



CONSTRUCTION – 8. 4.

In February 2019 the SA WDA construction output increased by 5.8% y-o-y, in real terms. The SA construction output fell by 0.5%, m-o-m. The planning and building control authorities granted by 10.0% more building permits, y-o-y, and the approximate value of permitted constructions declined by ▲3.0%, y-o-y. The number of started dwellings decreased by ▲1.8%, y-o-y; and the number of completed dwellings jumped up by 25.1%, y-o-y.

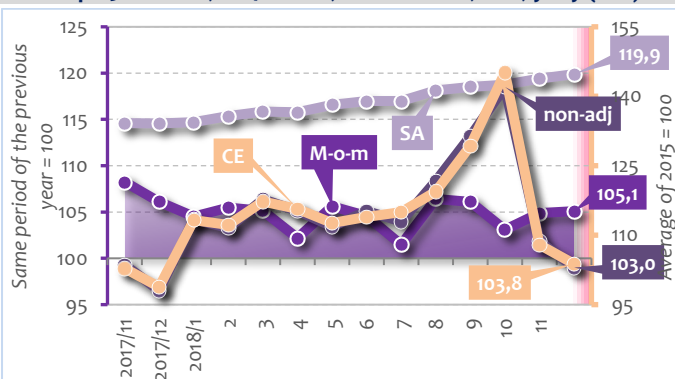
Graph 4: Construction, basic indices, 2017 – 2018, y-o-y (in %)



RETAIL TRADE – 8. 4.

In February, SA⁷⁵ CE⁷⁶ CoP⁷⁷ sales increased by 5.1%, y-o-y, the same as non-adj⁷⁸ sales. SA sales in retail trade increased by 0.4%, m-o-m⁷⁹.

Graph 5: Retail⁸⁰, 2017 – 2018, basic indices, CoP, y-o-y (in %)



⁷⁵ SA: seasonally adjusted, Seasonal adjustment is a statistical method for removing the seasonal component of a time series that exhibits a seasonal pattern, which allows to analyse the trend of a time series independently of the seasonal components.

⁷⁶ CE: adjusted for calendar effects, the pre-adjustment for calendar effects involves removing from the time series calendar effects such as working days/trading days effect, leap year effect and moving holidays effects.

CONSUMER PRICE INDICES – 10. 4.

Consumer prices in March increased by 0.2% compared with February. This development came primarily from a price rise in 'housing, water, electricity, gas and other fuels'. The y-o-y growth of consumer prices accelerated to 3.0% in March, which was 0.3pps up on February. It was the highest y-o-y price growth since October 2012.

The m-o-m rise in consumer prices in 'housing, water, electricity, gas and other fuels' came primarily from prices of electricity, which were higher by 2.7%. In 'alcoholic beverages and tobacco', prices of wine went up by 3.7%, beer by 1.2%, and spirits by 0.8%. In 'transport', the price development came from prices of fuels and lubricants for personal transport equipment. These prices rose by 1.1% in March after 4 months of decline. In 'furnishings, household equipment and routine household maintenance', prices of household appliances went up by 1.3% in particular. In 'food and non-alcoholic beverages', prices of bread and cereals were primarily higher by 1.1%, potatoes by 5.6%, and fruit by 1.4%.

The decrease in the overall consumer price level in March came from lower prices in 'recreation and culture', where prices of package holidays went down by ▲8.8% due to the end of winter season. In food, prices of vegetables were particularly lower by ▲2.2%, meat by ▲0.4%, UHT semi skimmed milk by ▲3.4%.

Prices of goods in total rose by 0.6% while prices of services went down by ▲0.3%.

In terms of the y-o-y comparison, in March, the consumer prices rose by 3.0%, i.e. 0.3pps up on February. An acceleration in the y-o-y price rise came primarily from the price development in 'food and non-alcoholic beverages'. Prices of potatoes increased by 74.5% (67.2% in February), bread and cereals by 3.3% (1.9% in February), butter by 8.6% (4.0% in February). The y-o-y price decline slowed down in a number of foods. Prices of eggs were lower by ▲8.1% (▲14.7% in February), fruit by ▲9.5% (▲11.8% in February), sugar by ▲28.3% (▲32.2% in February). An acceleration in the y-o-y price growth occurred also in 'housing, water, electricity, gas and other fuels' and 'transport'. In 'housing, water, electricity, gas and other fuels', prices of electricity went up by 11.9% (8.9% in February), prices of solid fuels by 1.5% (0.6% in February), heat energy by 4.5% (4.2% in February). In 'transport', prices of fuels and lubricants for personal transport equipment accelerated their rise to 2.1% (0.1% in February).

The biggest influence on the growth of the y-o-y price level came from prices in 'housing, water, electricity, gas and other fuels', where prices of actual rentals for housing rose by 3.6%, water supply and sewage collection identically by 2.6%, natural gas and town gas by 3.6%. Next in order of influence were prices in 'food and non-alcoholic beverages' (a rise by 1.9%). In 'alcoholic beverages and tobacco', prices of spirits were higher by 5.4%, wine by 3.3%, beer by 4.2% and tobacco products by 3.1%. The impact on the price level increase had also prices in 'miscellaneous goods and services', where prices of personal care rose by 4.1%, prices of both insurance

⁷⁷ CoP: constant prices are used to measure the true growth of a series, i.e. adjusting for the effects of price inflation. Constant series show the data for each year in the value of a particular base year

⁷⁸ Non-adj: non-adjusted

⁷⁹ M-o-m: month on month, compared with preceding month

⁸⁰ except of motor vehicles and motorcycles

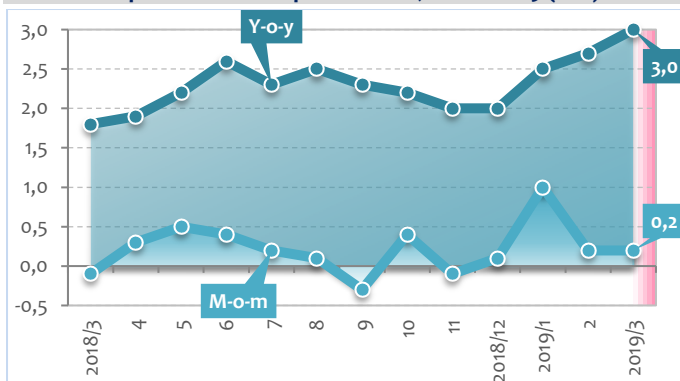
and financial services by 4.8%. In 'restaurants and hotels', prices of catering services were higher by 4.0% and prices of accommodation services by 2.9%.

A reduction in the price level in March came, as before, from prices in 'clothing and footwear' due to prices of garments, which were lower by ▲3.2%. In 'communication', prices dropped by ▲1.2%.

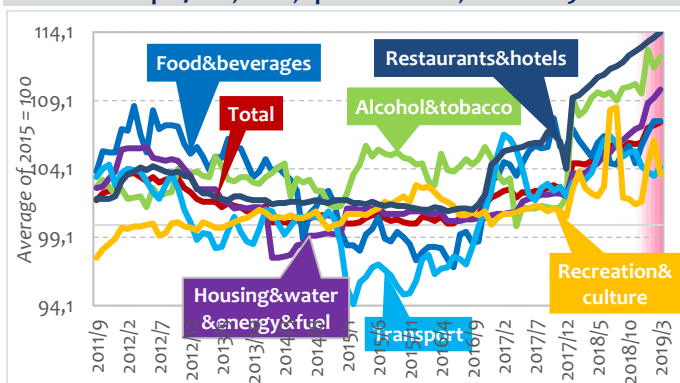
Prices of goods in total and services went up (2.6% and 3.7%, respectively). The overall consumer price index excluding imputed rentals for housing was 102.6%, y-o-y.

Inflation rate⁸¹ amounted to 2.4% in March.

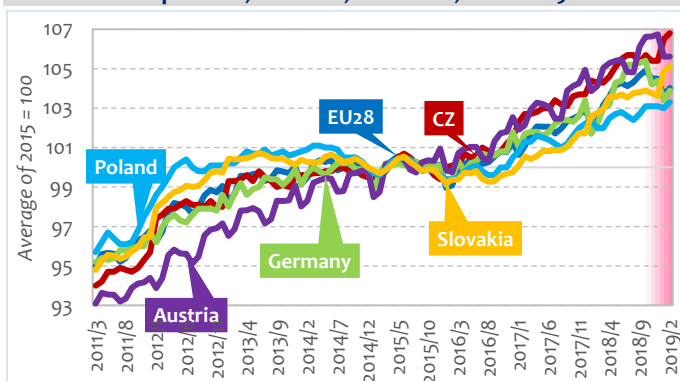
Graph 6: Consumer prices Index, 2018 – 2019 (in %)



Graph 7: CR, CPI⁸², specific indices, 2011 – 2019



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



⁸¹ **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

⁸² **CPI:** Consumer Price Index

⁸³ **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.

⁸⁴ **HICP:** Harmonized Index of Consumer Prices

⁸⁵ **MUICP:** Monetary Union Index of Consumer Prices

⁸⁶ **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.

According to preliminary data of Eurostat⁸³, the y-o-y change in HICP⁸⁴ in the EU28 member states amounted to 1.6% in February (0.1pps up on January). The rise in prices was the highest in Romania (4.0%) and the lowest price increase was in Ireland (0.7%). In Slovakia, the price rise accelerated to 2.3% in February from 2.2% in January. In Germany, prices were higher by 1.7% in January and February. According to preliminary calculations, the m-o-m change in the HICP in the CR in March amounted to 0.2% and the year-on-year growth was 2.6%. The MUICP⁸⁵ flash estimate for the EA⁸⁶ in March 2019 amounted to 1.4%, y-o-y.

CZK vs €, \$, ¥ – 10. 4.

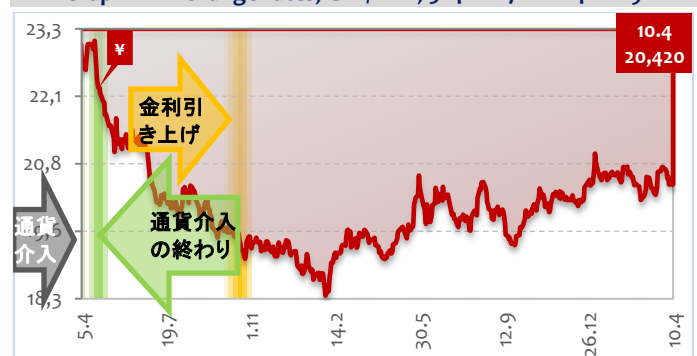
Graph 9: Exchange rates, CZK/€, 5. 4. 2017 – 10. 4. 2019



Graph 10: Exchange rates, CZK/\$, 5. 4. 2017 – 10. 4. 2019



Graph 11: Exchange rates, CZK/100¥, 5. 4. 2017 – 10. 4. 2019



News outside the time span of this News summary

Excerpt



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.



CEZ Group; ČEZ Group is a conglomerate of 96 companies. Its majority shareholder is the Czech government



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 Hubínák.



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



ČTK, Czech Press Agency (Česká tisková kancelář); a national news agency dealing with the gathering, processing, storing, and distributing of text and pictorial information. ČTK is a public corporation and is governed by the law on ČTK number 517/1992 Coll.



ČSÚ, Czech Statistical Office (Český statistický úřad), is the main organization which collects, analyses and disseminates statistical information for the benefit of the various parts of the local and national governments of the CR.



Euclid Infotech's News service provides news from various countries. Focusing primarily on tenders and procurement news, it presents, to its readers, business development opportunities from the private and public sector, as well as subcontracting opportunities. Updated daily, it covers several countries across the world.



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



LO, Labour Office of the CR (Úřad práce České republiky); 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.



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



MF Dnes Daily; Mladá fronta Dnes (Young Front Today), also known Dnes (Today), is a daily newspaper. As of 2016, it is the second largest Czech newspaper, after tabloid Blesk. The paper is owned by Mafra a.s., a subsidiary of the Agrofert group, a company owned by Andrej Babiš from 2013. Right-wing conservative, neoliberal view.



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



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