

ECONOMIC NEWS SUMMARY MAY 30 – JUNE 5

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ECONOMY & FINANCE

CTK CZECH ECONOMIC PERFORMANCE STAYS SOLID – 31. 5.

Revised statistical data for Q₁¹ showed that the Czech economic performance stayed solid in spite of the threats of trade wars and Brexit², economists have said. The economic cycle, however, has reached its peak and growth will be slowing down in the coming quarters, they said.

The CSO³ said the economy expanded by an annual rate of 2.6% in the Q₁ 2019, which was the same growth rate as in Q₄ 2018, rising by 0.6% in q-o-q⁴ terms. In its preliminary estimate in mid-May, the CSO said GDP⁵ was 2.5% higher in Q₁ y-o-y⁶ and 0.5% higher in q-o-q terms.

In spite of the obvious slowdown in the EA's⁷ economy, Germany's in particular, the Czech economy is doing well for the time being, said Deloitte⁸. "It is a strong domestic demand that helps the economy offset the external shocks. Still, however, the economy will experience a slowdown this year," it said.

Though being no "staggering" figures they can be looked at optimistically, said ČS⁹. "In our forecast, we envisage a positive development of the Czech economy this year and in 2020. This year will see a 2.5% GDP rise," it said.

The economy expanded by 2.9% last year.

RF¹⁰ said GDP growth was solid in Q₁ and that slower activity was partly caused by external developments.

Economic growth is decelerating but at a slower pace, which is positive news, experts said.

CTK FIVE BIGGEST BANKS IN CR¹¹ CUTTING DIVIDENDS – 31. 5.

The 5 biggest banks operating on the Czech market will send about CZK¹² 34bn¹³ in dividends to their parent companies abroad this year, which is CZK3.5bn less than last year.

A record was hit in 2015, when the foreign owners of Czech banks received over CZK54bn in dividends.

This year, the biggest amount of dividends abroad will be paid out by ČSOB¹⁴, which will send CZK12.9bn to its parent company KBC, CZK2.2bn less than in 2018.

Over the past 10 years, there has not been any clear trend in the payout of dividends from Czech banks to their foreign parent companies.

According to the annual reports of ČSOB, ČS and KB¹⁵, the 3 biggest domestic banks that are majority or entirely controlled by foreign owners, their parent companies tried to cope with the globally difficult situation in 2009-2011 by taking higher dividends from their Czech subsidiaries.

ČSOB paid out almost 140% of its 2010's profit to KBC in 2011. Since then, its payout ratio has ranged between 59 and 106%. ČS distributed the highest dividend to its shareholders with Erste¹⁶ at the helm in 2010, when it paid out 128% of its 2009's profit. In 2011-2018, its dividend payout ratio ranged between 33 and 94%. KB has been paying out between 53 and 95% of its previous year's profits in the monitored period.

Banks on the Czech market saw their aggregate net profit rise annually by 9% to CZK82.1bn in 2018, which was a record-breaking figure, according to the CNB¹⁷. Czech banks' total assets exceeded CZK7,280bn at the end of 2018, rising by CZK280bn on the year.

CTK STATE BUDGET DEFICIT NOT TO EXCEED PLAN – 3. 6.

The CR's state budget will likely post a deficit for 2019, however, it will not exceed the approved CZK40bn despite the May figures, MF¹⁸ Minister Schillerová said.

At the end of May, the state budget deficit was at CZK50.9bn, growing from April's CZK29.7bn.

¹ Q: * quarter of the year

² Brexit: The withdrawal of the United Kingdom from the European Union

³ 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.

⁴ Q-o-q: quarter on quarter, compared with preceding quarter

⁵ 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

⁶ Y-o-y: year on year, compared, compared with the corresponding month of preceding year

⁷ 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.

⁸ Deloitte: Deloitte Touche Tohmatsu Ltd., a UK-incorporated multinational professional services network. Deloitte is one of the "Big Four" accounting organizations and the largest professional services network in the world by revenue and number of professionals. Deloitte provides audit, tax, consulting, enterprise risk and financial advisory services with more than 263,900 professionals globally.

⁹ ČS: Česká spořitelna, is the biggest Czech bank measured by the number of clients (4.7 million) with headquarters in Prague. It is a part of the Erste Group, Austria.

¹⁰ RF: Raiffeisenbank, 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.

¹¹ 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.

¹² CZK: Czech Crown, the currency of the CR since 8 February 1993

¹³ bn: billion

¹⁴ ČSOB: Československá obchodní banka, is one of the largest commercial banks operating in the Czech Republic. It is a universal bank that offers a full range of banking services to individuals and companies. It operates 280 ČSOB branded branches, and 3,300 Česká pošta (Czech postal company) branches under the brand name. ČSOB is a wholly-owned subsidiary of KBC Bank NV. KBC Bank is fully owned by KBC Group NV. Both companies are domiciled in Brussels, Belgium.

¹⁵ KB: Komerční banka, the parent company of KB Group and is a member of the Société Générale international financial group. KB is a universal bank providing a wide range of services in retail, corporate and investment banking complemented by specialised financial services produced by KB's subsidiaries or other SG Group companies.

¹⁶ Erste: Erste Group Bank AG (Erste Group) is one of the largest financial services providers in Central and Eastern Europe serving 15.7 million clients in over 2,700 branches in 7 countries: Austria - Erste Bank der oesterreichischen Sparkassen AG; Czech Republic - Česká spořitelna a.s.; Slovakia - Slovenská sporiteľňa; Montenegro - Erste Bank Montenegro; Hungary - Erste Bank Hungary Zrt.; Croatia - Erste & Steiermärkische Bank d.d.; Serbia - Erste Bank a.d. Novi Sad; Romania - Banca Comercială Română; Slovenia Banka Sparkasse d.d.

¹⁷ CNB: Czech National Bank, is the central bank and financial market supervisor in the Czech Republic and a member of the European System of Central Banks. In accordance with its primary objective, the CNB sets monetary policy, issues banknotes and coins and manages the circulation of the Czech koruna, the payment system and settlement between banks. It also performs supervision of the banking sector, the capital market, the insurance industry, pension funds, credit unions and electronic money institutions, as well as foreign exchange supervision.

¹⁸ MF: Ministry of Finance

Over the first 5 months of this year, the MF covered over a 1/2 of transfers planned for the entire year, Schillerová said.

The performance at the end of May was affected by periodic revenues and expenditures impacts, she said. It concerns, for example, aid for renewable energy sources and higher debt servicing costs.

In May 2018, the state budget ran a CZK23.1bn deficit. In January-April last year, the budget gained extraordinary CZK20.7bn as a part of final payments from the EU's¹⁹ 2007-2013 programming period, the MF said.

RATE STABILITY IS MOST LIKELY SCENARIO OF CNB – 4. 6.

Monetary policy normalisation reflecting a solid state of the Czech economy is the right thing to do, CNB board member Holub said.

"The CNB's forecast envisages gradual firming of the crown which is not happening," said Holub.

It can be an argument for rate adjustment, he added.

If, however, a weaker crown mirrors a slowing foreign demand it can create an "automatic buffer," Holub said.

The Czech crown is trading near CZK25.80/€ these days. In its May forecast, the CNB estimated the exchange rate of the crown at CZK25.30/€ on average this year and at CZK24.70/€ next year.

The CNB Bank Board delivered its last rate hike at the policy meeting on May 2, raising the basic interest rate²⁰ by 0.25pps²¹ to 2%.

The CNB discontinued its exchange rate commitment in April 2017, with interest rates growing eight times from zero values. Last year saw 5 - 4 straight - rate hikes in total.

CR RETURNED 26.4BN SUBSIDIES SINCE EU ENTRY – 4. 6.

The CR has had to return CZK26.4bn worth of EU subsidies to Brussels since its EU entry 15 years ago, according to the data the MRD²² released in a situation where Prague may be forced to return subsidies due to PM²³ Babiš's conflict of interest.

CR had to return the sum in the previous programme framework period of 2007-2013, and the sum made up some 4% of the whole sum it was eligible for.

According to a preliminary EC²⁴ audit report, Prague might be forced to return CZK450mn²⁵ due to a conflict of interest faced by Babiš, who, the critics say, still remains a beneficiary of Agrofert²⁶, a subsidised giant chemical, agricultural, food and media holding which he formerly owned and transferred it to trust funds in 2017.

¹⁹ **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.

²⁰ **Repo rate:** The discount rate at which a central bank repurchases government securities from the commercial banks, depending on the level of money supply it decides to maintain in the country's monetary system. To temporarily expand the money supply, the central bank decreases repo rates (so that banks can swap their holdings of government securities for cash). To contract the money supply it increases the repo rates. Alternatively, the central bank decides on a desired level of money supply and lets the market determine the appropriate repo rate. Repo is short for repossession.

²¹ **Pps:** percentage points

²² **MRD:** Ministry of Regional Development

²³ **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

In mid-December 2018, the EC suspended its subsidies for Agrofert, which went to the company mainly within the Rural Development Programme.

The EC suspended them pending its enquiry into Babiš's suspected conflict of interest.

Last week, it issued a preliminary audit report saying that Babiš still influences Agrofert while in his capacity as PM he influences the distribution of EU subsidies in CR. The state is threatened with having to return to Brussels 450 million crowns worth of subsidies that were drawn by Agrofert.

The CR started drawing EU subsidies immediately after its EU entry in 2004, still within the programme framework period ending in 2006. It drew the whole sum allotted to it for that period, 62 billion crowns, according to the ministry's data.

In the programme period of 2007-2013, the CR left about 3% of the total of CZK700bn of subsidies allotted to it undrawn.

Critics say unnecessary projects such as lookout towers from where nothing could be seen, golf greens and hotels that are unused now were often financed for EU money at the time. Some projects ended in courts over suspected corruption.

The programme period of 2014-2020 actually started in 2015 when the EC approved the operational programmes. In this period, the CR is eligible to an equivalent of CZK615bn.

MRD Minister Dostálová said the CR has succeeded in drawing the subsidies based on the N+3 rule that binds countries to use the given subsidy within 3 years after its allocation.

The Czechs met the requirement and did not have to return any money to Brussels last year. This year, 4 of the 10 programmes have already met the requirement and most of the others will meet it by the end of July, Dostálová said.

Last year, the EC reimbursed subsidies worth CZK80.5bn to CR, and this year the reimbursements should amount to some CZK90bn. Almost CZK20bn were reimbursed by the EC between January-April this year, and CZK165bn in the current programme period so far.

BANKRUPTCIES REACH 2.5-YEAR HIGH – 5. 6.

This May some 88 companies went belly up, the highest number of bankruptcies in two and a half years, according to the CRIF²⁷. The figure is up by 35 compared to April.

Last month 551 people in business for themselves also declared bankruptcy, the highest number since May 2018.

Despite the relatively high number of bankruptcies in May, their number continues to decline in the long term, CRIF said.

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.

²⁴ **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.

²⁵ **mn:** million

²⁶ **Agrofert:** an agricultural, food processing and chemical holding company based in CR. The holding consists of more than 230 companies mainly in CR, Slovakia and Germany. It is the 4th largest company in the CR by revenue with revenue exceeding CZK 117bn. It owns or has rented over 57 thousands ha of Czech arable land - 0.7 % of total area of the CR or 1.6 % area of Czech arable land. The company was founded in 1993. Its current CEO and sole owner is Andrej Babiš.

²⁷ **CRIF:** CRIF - Czech Credit Bureau, is administrator of CBCB - Czech Banking Credit Bureau (register of bank clients), and CNCB - Czech Non-Banking Credit Bureau (register of debtors). It is subsidiary of CRIF, which is a global company specializing in credit bureau and business information, outsourcing and processing services, and credit solutions. Established in 1988 in Bologna (Italy), CRIF has an international presence, operating over four continents (Europe, America, Africa and Asia).

AGRICULTURE & ENVIRONMENT

 DRAUGHT BEER EXPORT OUTPACES BOTTLES, CANS – 30. 5.

The export of Czech draught beer in tanks and kegs was higher than export in bottles and cans for the first time last year, Czech Beer and Malt Association representatives said. A record 5.16mn hl²⁸ of beer were sold abroad last year, mainly in Slovakia, Germany, Poland, Sweden, Hungary and Great Britain.

Exports will grow further while domestic consumption is unlikely to rise significantly, representatives said. Czech per capita consumption reached 14l last year.

Beer exports have increased by 62% since 2011, said the association. Russian exports were record-high last year, posting an annual rise of 54% thanks to the football championship. Exports may increase in Serbia, South Korea and Japan.

Beer exports are backed by the state. Subsidies for economic diplomacy projects in agriculture grew from 2015's CZK0.5mn to CZK10mn last year. Domestic brewers produced a record 21.3mn hl of beer last year, 4.7% more y-o-y.

 AGROFERT'S ACQUISITION OF UNITED BAKERIES – 30. 5.

The OPC²⁹ issued a decision authorizing Agrofert to assume sole control over UB Holding and its subsidiary United Bakeries. The decision has already come into force. In order to remove the anti-competitive concerns raised by the OPC, Agrofert has undertaken commitments of a structural nature which have the effect of selling several production sites of the merging parties. As a result, the market share of the acquiree will be significantly reduced in the merger of the affected markets and the creation of a new competitor or the strengthening of one of the existing competitors.

EDUCATION & INNOVATIONS & SCIENCE

 SUPPORT FOR BUSINESS-R&D COOPERATION – 4. 6.

The MIT³⁰ announced the 3rd call of the Support Program Cooperation - Technology Platforms within the Implementation of the OPEIC³¹. The allocation is set at CZK80mn. The call is intended, among other things, for coordination activities of the technology platform, Czech business entities and research organizations.

 ECONOMIC STRATEGY WILL BE BASED ON INNOVATIONS – 5. 6.

The government is preparing an economic strategy until 2030, which will be based on the Innovation Strategy. This was stated by the MIT Minister Havlíček at the meeting of Czech industry leaders. It will be necessary to create infrastructure not only for transport, but also for the energy sector, to reform education and to support the development

²⁸ hl: hectolitre, a unit of capacity equal to 100 liters

²⁹ OPC: Office for the Protection of Competition (Úřad pro ochranu hospodářské soutěže), the central authority of state administration responsible for creating conditions that favour and protect competition, supervision over public procurement and consultation and monitoring in relation to the provision of state aid.

³⁰ MIT: Ministry of Industry and Trade

³¹ OPEIC: Operational Programme Enterprise and Industry for Competitiveness 2014-2020

³² Leo Express: is an open-access train operator set up in 2010. It launched inter-city services in November 2012 on the Prague–Ostrava route, on which CD and RegioJet (open-access train operator) were already running trains. In 2013 LEO Express became the first private railway operator introducing direct connection between Prague and South Moravian Region.

³³ EU Funds: financial tools set up to implement the regional policy of the EU (CP – Cohesion Policy and CAP – Common Agricultural Policy), funds under CP consist of the Structural Funds (the ERDF – the European Regional Development Fund and the ESF –

of domestic businesses. The minister also said that due to the necessary investments, the National Development Fund could be created, where CZK50-100bn could be allocated. He added that the economic strategy would be developed in cooperation with businesses, taking into account their needs and opinions.

 MIT MINISTER PRESENTS CR'S ECONOMIC STRATEGY – 4. 6.

The long-term aim of the economic strategy is to support production with a higher added value as well as implementing changes that will help the CR to become a leader in artificial intelligence and innovation. The motto of the new policy line will be The CR: A Country for the Future.

ENERGY & INDUSTRY & TRANSPORT

 CONNECTION BETWEEN CR AND CRACOW – 31. 5.

On June 28, 2019 Leo Express³² will launch daily operations of a train route between Prague and Polish Cracow, on which it currently operates a weekend connection. A bus connection to Ukrainian Lvov will connect to the train. In Cracow passengers can use the door2door service and be transported between a selected address and the train by a minibus. As of June 1, Leo Express is also expanding its minibus connection between Ostrava and the airport in Katowice, which will newly stop at the museum in Auschwitz, entertainment park Energylandia and the Cracow Airport. The minibus route from Cracow to Košice will also be extended and the minibus will stop at the airport and offer winery destination Grand Bari Tokaj.

 CR USES EU FUNDS FOR TRANSPORT INFRASTRUCTURE – 3. 6.

The CR uses the EU funds³³ allocated for the 2014-2020 programming period mainly for the construction of transport infrastructure, according to the MRD.

The ŘSD³⁴ and RIA³⁵ are recipients of the money in ½ of the 10 largest projects, the statistics said.

The largest project is the construction of D35 motorway's Opatovice - Casy - Ostrov section with a CZK8.16bn subsidy, the statistics showed. The Sudomerice - Votice railway modernisation with aid worth CZK5.15bn is the 2nd biggest. 4 projects concerning employment and employee education follow with a total subsidy of CZK11.7bn for the LO³⁶.

The CR has up to €23.9bn (about CZK617bn) for the 2014-2020 programming period. The EC paid CZK164.8bn to CR by the end of April, and the CR has CZK424bn secured by contracts. The allocation has helped about 36,000 projects in CR.

Recipients of the largest amounts include ministries, Academy of Sciences' Institute of Physics, Masaryk University, Charles University and National Library of Technology.

the European Social Fund), and the CF – the Cohesion Fund. Funds under the CAP, consist of the EAGF – the European Agricultural Guarantee Fund, the EAFRD – the European Agricultural Fund for Rural Development, and the EFF – the European Fisheries Fund.

³⁴ ŘSD: Road and Motorway Directorate, is an organization established by the Ministry of Transport. Its basic task is the exercise of state ownership rights to the immovable property formed by motorways and roads of the first class, and maintenance of their administration, repair, and modernization.

³⁵ RIA: Railway Infrastructure Administration (also SŽDC in Czech), is the national railway infrastructure manager in the Czech Republic. Its main customers include passenger train operator České dráhy and its cargo subsidiary ČD Cargo. It manages 9,478 km of tracks in the Czech Republic - all main lines and almost all regional lines.

³⁶ LO: Labour Office; an administrative authority of the Czech Republic is subordinated to the Ministry of Labour and Social Affairs, its main activity is to provide information in the field of labour market not only in the Czech Republic but also in the European Union, to register job seekers and vacancies.

Analysts said supporting infrastructure was right and that these investments stimulated economic activity, also that the system of European subsidies is complicated and a major part of European money ends up with large companies which, unlike smaller enterprises, have departments specialising in funds absorption.

The system should be changed so that subsidies to specific companies are limited, while it is appropriate to allot the money to public projects helping the economy, they said.

EC draft audit report said that Agrofert food and agriculture group should return CZK451mn in subsidies. PM Babiš owned the group but transferred his stake to trust funds in February 2017 to avoid conflict of interest.

The report says there has been a conflict of interest as Babiš still controls Agrofert indirectly, which Babiš denies.

ELECTRONIC HIGHWAY STAMPS IN 2021- 3. 6.

The SFTI³⁷ has been tasked with launching electronic highway stamps as of 2021, said MT³⁸ Minister Kremlík, who met with the SFTI's CEO Hořelica. Another point on their agenda was financing for class II and III roads. The SFTI has already started to process regional applications and is preparing a budget for 2020.

REINFORCING THE SUBWAY TO AIRPORT LINE - 4. 6.

The 119 bus line, which stops between the Nadrazi Veleslavin metro station and Vaclav Havel Airport, will be reinforced from mid-June. Instead of more frequent connections, two 119 buses will be operating from each metro on summer weekends.

Ropid, the organizer of Prague public transportation, has planned to strengthen the bus line 119 on weekends and holidays from 15 June to 15 September, and the 2 buses will run between 9 am and 8 pm.

"We are reinforcing buses on line 119 as the main tourist season is starting. Doubled connections will solve capacity problems at longer metro intervals during the weekend when one bus connecting each metro is no longer enough," said Ropid.

In the direction towards Nadrazi Veleslavin, the interval between connections will be shortened to 3-4 minutes. In the

³⁷ SFTI: State Fund for Transport Infrastructure

³⁸ MT: Ministry of Transport

³⁹ 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

⁴⁰ Škoda Auto: is a Czech automobile manufacturer founded in 1895 as Laurin & Klement. It is headquartered in Mladá Boleslav, Bohemia, Czech Republic. The car manufacturer was acquired by Škoda Works in 1925 and became a wholly owned subsidiary of the Volkswagen Group in 2000, positioned as the entry brand to the group. Škoda Auto supplied 1.2mn cars to clients in the whole world in 2017. It has 3 production plants in the CR and produces cars also in China, Russia, Slovakia, Algeria, India, Ukraine and Kazakhstan. The company employs more than 35,000 people and is active on over 100 markets.

⁴¹ VW: Volkswagen is a German car manufacturer headquartered in Wolfsburg, Lower Saxony, Germany. Established in 1937, Volkswagen is the top-selling and namesake marque of the Volkswagen Group, the holding company created in 1975 for the growing company, and is now the second-largest auto maker in the world

⁴² Dacia: Automobile Dacia S.A. is a Romanian car manufacturer. The company was founded in 1966, and has been a subsidiary of the French car manufacturer Renault since 1999.

⁴³ Hyundai CZ: Hyundai Motor Manufacturing Czech based in the Industrial Zone of Nošovice was founded in 2006.

⁴⁴ Peugeot: is a French automotive manufacturer, part of Groupe PSA. is a French multinational manufacturer of automobiles and motorcycles sold under the Peugeot, Citroën, DS, Opel and Vauxhall brands. Peugeot is the largest PSA brand worldwide, while Opel and Vauxhall are the largest PSA brands in Europe.

⁴⁵ Renault: Groupe Renault is a French multinational automobile manufacturer established in 1899. The company produces a range of cars and vans, and in the past has manufactured trucks, tractors, tanks, buses/coaches and auto rail vehicles.

opposite direction, buses from Nadrazi Veleslavin will operate in pairs. "It is a temporary solution until the acquisition of higher capacity buses than the current 18-meter articulated vehicles," Ropid added.

CAR SALES DECREASE IN 2019 - 5. 6.

Czech sales of new passenger cars fell by an annual rate of 9.6% to 106,596 units between January and May, going down by 6.5% in May alone, the CIA³⁹ said.

Companies bought 71% of cars. Škoda⁴⁰ was the best-selling brand, with 36,804 registrations. VW⁴¹ ranked 2nd with 9,177 units, and Dacia⁴² was next with 7,407 units, followed by Hyundai⁴³, Peugeot⁴⁴, Renault⁴⁵, Kia⁴⁶ and Toyota⁴⁷.

ŠKODA AUTO PAYS HIGHEST CORPORATE INCOME TAX - 5. 6.

Škoda Auto paid the biggest amount in corporate income tax last year again, with the ČS and ČSOB bank groups ranking 2nd and 3rd, respectively, according to the MF.

ČS's position improved by two notches on the year, while that ČSOB deteriorated by one notch.

ČEZ⁴⁸ ended 4th, falling from the 3rd place in 2017.

The list is compiled by the MF annually in an effort to appreciate the companies that contribute the highest amounts of money to public budgets. The companies are selected based on the amount of payments made to the account of corporate income tax in the course of the year.

"Corporate income tax collection makes up a significant part of state budget tax revenues. Last year, the 20 biggest payers paid more than CZK40bn in total. This is more than the budgets of the culture and environment ministries combined," MF Minister Schillerová said.

The PPF⁴⁹ group said its Czech firms had paid CZK2.6bn in corporate income tax in total last year, which would rank the group 7th.

Out of individual PPF's companies, only telecommunication operator O2 CR made it among the top 20, ranking 14th.

Large tax payers also include Ceska telekomunikacni infrastruktura (CETIN), Škoda Transportation⁵⁰ and PPF bank. The MF started to compile the chart in 2003. The chart does not contain companies that have not responded to the request for a release from the obligation to maintain

⁴⁶ Kia: Kia Motor Corporation, headquartered in Seoul, is South Korea's second-largest automobile manufacturer, following the Hyundai Motor Company.

⁴⁷ Toyota: Toyota Motor Corporation (トヨタ自動車株式会社), multinational automotive manufacturer headquartered in Toyota, Aichi, Japan. In 2017, Toyota's corporate structure consisted of 364,445 employees worldwide and, as of October 2016, was the 5th-largest company in the world by revenue. As of 2016, Toyota is the world's largest automotive manufacturer. Toyota Motor Corporation produces vehicles under five brands, including the Toyota brand, Hino, Lexus, Ranz, and Daihatsu. It also holds a 16.66% stake in Subaru Corporation, a 5.9% stake in Isuzu, as well as joint-ventures in China (GAC Toyota and Sichuan FAW Toyota Motor), in India (Toyota Kirloskar), in the Czech Republic (TPCA), along with several "nonautomotive" companies. TMC is part of the Toyota Group, one of the largest conglomerates in Japan.

⁴⁸ ČEZ: ČEZ Group is a conglomerate of 96 companies (including the parent company ČEZ, a.s.), 72 of them in the CR. Its majority shareholder is the Czech government, owning 70% of shares. It is involved in the electricity generation, trade, distribution and heat, as well as coal mining. ČEZ is the biggest electricity supplier in the Czech Republic.

⁴⁹ PPF: PPF is a privately held international financial group. It operates in the area of consumer financing, retail banking and insurance. It develops its activities in many countries. Its headquarters is located in the Netherlands. The largest shareholder of PPF is Petr Kellner (98.94%). PPF invests into a number of sectors, from banking and financial services to telecommunications, insurance, real estate, agriculture, retail services and biotechnologies. It operates in Europe, Russia, Asia and the USA.

⁵⁰ Škoda Transportation: a Czech engineering company headquartered in Plzeň. Its operations are in the area of transport engineering, manufacture of rail vehicles for urban and railway modes of transport, traction motors and drives for transport systems in the tradition of Škoda manufacturing plants. It has a strong footprint in the local and international market. Škoda Transportation with over 5,000 employees is the biggest company active in transport engineering in Central and Eastern Europe.

confidentiality or have not given consent to publishing the data on their income tax payment. Public budgets gained CZK174bn from the corporate income tax collection last year. The state budget alone received CZK117.5bn.

Table 1: List of biggest corporate income tax payers in 2018

| | company | tax paid (CZK) |
|----|----------------------------------|----------------|
| 1 | Škoda group | 9,073,075,412 |
| 2 | Ceska sporitelna group | 3,516,506,930 |
| 3 | ČSOB group | 3,354,239,318 |
| 4 | CEZ group | 3,026,344,987 |
| 5 | Komerční banka | 2,905,785,251 |
| 6 | Continental group | 2,835,308,671 |
| 7 | Unipetrol RPA | 2,088,632,572 |
| 8 | Hyundai group | 1,902,595,517 |
| 9 | UniCredit Bank CR and Slovakia | 1,390,627,660 |
| 10 | Plzenský Prazdroj | 1,334,819,737 |
| 11 | Avast Software | 1,302,380,622 |
| 12 | E.ON group | 1,140,964,690 |
| 13 | Raiffeisenbank | 1,073,612,681 |
| 14 | O2 CR | 956,396,912 |
| 15 | CE - Beteiligungs-GmbH (Lidl CR) | 943,506,430 |
| 16 | Philip Morris CR | 932,328,910 |
| 17 | T-Mobile CR | 920,734,597 |
| 18 | NET4GAS | 634,156,930 |
| 19 | Letiště Praha (Prague Airport) | 619,632,470 |
| 20 | Iveco CR | 595,012,168 |

INVESTMENTS & TRADE & SERVICES

CR TO BUY COMBAT VEHICLES – 30. 5.

The CR will buy combat vehicles for CZK50bn, said PM Babiš. He added that exports of Czech military material had increased by 450% between 2013 and 2017 to CZK20bn per year. More than 90% of the local production are exported, he said. The MD⁵¹ and DSIA⁵² supports presentation of Czech products and penetration of exporters on new markets. The ČZ⁵³ brand invests in the world and builds a factory in Hungary and in the USA, and Aero⁵⁴ has manufactured a hi-tech plane.

ČEZ TO INVEST IN NUCLEAR ENERGY PREPARATIONS – 30. 5.

ČEZ estimates it will invest €100-200mn in the preparation of nuclear energy in the next 5 years. The group provided the information within the update of its corporate strategy and dividend policy. The utility will keep the debt limit target at 3x net debt/EBITDA⁵⁵. ČEZ will use the revenues from the sale of foreign assets for reducing its indebtedness, investments into RES⁵⁶ and the distribution network in CR and potentially for a dividend payment. The management has not ruled out an extraordinary dividend.

⁵¹ MD: Ministry of Defence

⁵² DSIA: Defence and Security Industry Association of the Czech Republic

⁵³ ČZ: Česká zbrojovka a.s., a company based in Uherský Brod, which produces small arms. Since 2014, the majority owner is EHC CZUB, SE. Revenues for 2016 amounted to approximately CZK 4 billion and profit of CZK 600 million. Currently, there are 2,000 employees in Česká zbrojovka.

⁵⁴ Aero: Aero Vodochody, a Czech aircraft company, active from 1919, notable for producing the L-29 Delfin, L-39 Albatros, L-59 Super Albatros, and the L-159 Alca military light combat jet. Aero was controlled for several years, 1998 to 2004, by Boeing. At the end of October 2006 Aero Vodochody was privatized once again by a Czech-Slovak investment group Penta Investments. Currently, Aero Vodochody produces the Sikorsky S-76, center wing box for the Alenia C27, door subassemblies for the Embraer 170 and Embraer 190, cockpit for the UH-60, gun bay doors for the F/A-18 Super Hornet, subassemblies and parts for the Airbus A320 family, fixed leading edge kits for the Boeing 767, and the L-159 advanced light combat aircraft.

ČS has commented that room for the payment of an extraordinary dividend may be provided primarily thanks to the sale of ČEZ's Romanian assets. In the case of the Bulgarian assets (CZK8-9bn), it predicts the obtained resource will be used for reducing the debt and investments into renewables in CR.

BUSINESSES USE ONLINE BOOKING SYSTEMS – 30. 5.

An increasing number of SMEs⁵⁷ use the tools for smart services. They use online booking or ordering systems most (56%), social media and blogs (45%) and cloud services (41%). These are followed by online shops (35%) and online marketing (29%). About 40% of entities invested at least CZK10,001 in accounting and financial programs in 2018, according to an IPSOS⁵⁸.

ČEZ MANAGEMENT PROPOSES DIVIDEND – 31. 5.

The ČEZ has proposed to pay out a dividend of CZK24 per share before taxes. The proposal will be voted on by the general shareholders meeting on June 26, 2019. Of the 2018 profits totaling CZK23.78bn, CZK12.91bn should be paid out to shareholders. The proposed transfer to the retained earnings account totals CZK10.86bn. The record date for the listed dividend amount is calculated from the overall number of issued company shares. The dividend attributed to own shares held by the company on the record date will not be paid out. The dividend is payable on August 1, 2019.

HYUNDAI MANUFACTURED 3M CARS IN NOŠOVICE – 31. 5.

Hyundai produced 3mn cars. The jubilee car was the high-performance model Hyundai i30 N, whose owner is from Germany. Of the 3mn cars produced, 50% are SUVs⁵⁹, and 1st to 3rd generation Hyundai i30 account for 36%. The production plan for 2019 anticipates 318,000 cars that will be exported to 69 countries.

TARIFFS FOR BUSES ENTERING TOURIST HOTSPOT – 2. 6.

Český Krumlov, which draws over a million tourists every year, has begun imposing charges on buses entering the South Bohemian town in a bid to regulate short-term visitors. It is the 1st scheme of its kind in the CR, though similar measures are in use in Salzburg and other places in nearby Austria. The local authorities say up to 20,000 coaches arrive in Český Krumlov every year. The tariff per vehicle is CZK625 with advance booking and there are two designated bus stops in the town.

BATTERY PRODUCER HE3DA TO RAISE CAPITAL – 5. 6.

HE3DA is preparing a growth in its registered capital to CZK5.5bn, the investment will make it possible to achieve the production of batteries with a total capacity of 1.2GWh⁶⁰ a

⁵⁵ EBITDA: a company's earnings before interest, taxes, depreciation, and amortization; an accounting measure calculated using a company's net earnings, before interest expenses, taxes, depreciation and amortization are subtracted, as a proxy for a company's current operating profitability, i.e., how much profit it makes with its present assets and its operations on the products it produces and sells, as well as providing a proxy for cash flow.

⁵⁶ RES: renewable sources

⁵⁷ SME: Small and medium enterprises

⁵⁸ Ipsos: Agency for market research and public opinion polling

⁵⁹ SUV: a sport utility vehicle or suburban utility vehicle, a vehicle classified as a light truck, but operated as a family vehicle. They are similar to a large station wagon or estate car, usually equipped with four-wheel drive for on- or off-road ability. Some SUVs include the towing capacity of a pickup truck with the passenger-carrying space of a minivan or large sedan.

⁶⁰ GWh: gigawatt-hour, 1 GWh is equal to 1 billion (10⁹) watts per hour.

year. The factory will likely start its production at the end of 2019.

LABOUR & HEALTH & SOCIAL

☰ NUMBER OF SMOKERS DOWN SINCE SMOKING BAN – 30. 5.

The anti-smoking bill, which came into effect in the CR 2 years ago, has had a positive effect on people's health, MH Minister Vojtěch said.

Since June 2017, when smoking in pubs, restaurants and other facilities was strictly banned, there were fewer people hospitalised with heart attacks or asthma. Experts say the effect of the ban on cancer can be assessed in about ten years' time.

The number of smokers in the 15 to 19 age group dropped by 15% between 2017 and 2018. There has also been a drop in the number of young people aged 15 to 24 who start smoking.

☰ BILL SEEKS TO EASE CLEARANCE OF CHILDHOOD DEBTS – 1. 6.

People in the CR who have debts from their childhood should be able to clear their debts under the same preferential regime as pensioners and the infirm, under an amendment to the law on insolvency put forward by a cross-party group of MPs⁶¹. Under the proposed legislation such individuals would be able to clear their financial liabilities within three years, if they meet certain conditions.

In the CR over 6,500 children are facing distraint orders and tens of thousands of adults are still straddled with debts acquired in childhood. Such debts can arise from failing to pay mobile phone bills or fare-dodging.

☰ TUS AGAINST HIGHER WAGE FOR UKRAINIANS – 4. 6.

The government decree under which Ukrainian employees will get higher minimum and guaranteed wages than domestic employees breaches Czech laws as well as the European Social Charter, the ASO⁶² said.

The decree does not comply with the rule of the same remuneration for the same work, discriminating against Czech employees, ASO said, calling on employees to go on a strike and stage protests.

The government decided on June 3 to double the quota for Ukrainians with work permits at Czech companies from 19,600 up to 40,000 annually. The aim of the measure is to bring more qualified workforce to the country.

At the same time, the government set the minimum wage for Ukrainian employees at 1.2% of the guaranteed wage for individual professions.

The guaranteed wage is the lowest wage to which an employee is entitled depending on the complexity and qualification of the work performed. It currently ranges between CZK13,350 and CZK26,700.

The main TU⁶³ associations in the CR disagree on the setting of wage limits. While ASO has rejected it, ČMKOS⁶⁴ has supported it since the beginning.

⁶¹ MP: Member of Parliament

⁶² ASO: the second largest trade union confederation in the CR

⁶³ TU: Trade union, around 1/6 of all employees are union members in the CR.

⁶⁴ 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.

⁶⁵ CCC: Czech Chamber of Commerce (also HK ČR in Czech), is an organisation which represents the business community in the Czech Republic and is an essential part of the Czech business environment. The chamber's competencies are defined by Act No. 301/1992 Coll., on the Czech Chamber of Commerce and the Czech Chamber of

According to ČMKOS leader Středula, the measure is to prevent the abuse of foreign employees. If employers need workers from abroad, they should not offer them lower wages than to domestic employees, he said. The CCC⁶⁵ is against the setting of higher minimum wages for Ukrainian employees. According to data from the MSLA⁶⁶, a total of 121,086 Ukrainians were employed in the CR at the end of 2018, making up over 20% of all foreign employees in the CR.

☰ PURCHASE OF NEW FLATS IN PRAGUE – 5. 6.

It would take 14.6 years to a Prague inhabitant to earn enough money to buy an average new 70m² flat, provided that he had no other expenditures, according to a study relating to data as of the end of Q₁. A year ago, the period was 13.8 years, and in Q₃ 2014, it was below 10 years.

According to joint statistics of developers, the average price of new flats sold in Prague rose by 18.2% y-o-y to CZK104,666 per square metre at the end of March.

Since mid-2015, prices of new flats in Prague have grown by 88%. An average flat covering 70m² now costs CZK7,438,589. According to the CSO, the average wage in Prague rose by 7% y-o-y to CZK41,450 at the end of Q₁.

Study was based on data of the MLSA, according to which the average gross monthly wage in Prague reaches CZK42,478.

The notable rise of prices of flats in recent years cannot be halted by the massive offer of new flats. For the 1st time since 1989, the number of flats in projects under preparation exceeded 100,000, but only a minimum amount of them is launched, as most of them have not obtained building permits yet.

According to CSO, about 2,700 new flats started to be built in Prague last year. Developers sold 5,000 flats.

Table 2: Number of annual wages necessary for purchase of average 70m² flat

| Period | Wages | Period | Wages |
|---------|-------|---------|-------|
| Q3 2014 | 9.9 | Q1 2017 | 12.7 |
| Q1 2015 | 10.1 | Q3 2017 | 12.7 |
| Q3 2015 | 10.1 | Q1 2018 | 13.8 |
| Q1 2016 | 10.2 | Q3 2018 | 14.2 |
| Q3 2016 | 11.1 | Q1 2019 | 14.6 |

MISCELLANEOUS

☰ PM HAS CONFLICT OF INTEREST – 31. 5.

PM Babiš has a conflict of interest due to prevailing links to his former businesses despite having placed them in trust funds, according to the results of an EC audit which was sent to the MF on May 31.

According to the Czech media Brussels is demanding that, on the basis of these findings, all EU subsidies granted to the Agrofert conglomerate since 2018 be returned.

Agriculture. It is organised into two sections - region and industry-based chamber networks. The region-based network is broken down into district, area and Region chambers of commerce. The industry-based network is made up of business communities divided into four professional associations: Retail and tourism; Industry and transport; Business services and other; and Construction, technical crafts and technical equipment. It protects the interests of its members - small, mid-sized and large companies that are in the region-based chamber network and business communities. The Czech Chamber of Commerce has over 13,000 members organised in 65 regional and 83 industry subdivisions. Membership of the Czech Chamber of Commerce is voluntary.

⁶⁶ MLSA: Ministry of Labour and Social Affairs

The MF has confirmed receiving the English-language draft of the audit and says it is waiting to get the Czech version before responding to it, for which it has a 2 months deadline. It moreover points out that the draft includes a disclaimer stating that the report is based on preliminary findings and recommendations by the EC's auditors and may be amended on the grounds of additional information from national bodies.

☰ **PM REJECTS RESULTS OF EC'S AUDIT – 31. 5.**

PM Babiš said in reaction to the news that he had not violated any Czech or European laws and rejected claims that Brussels had asked for subsidies granted to Agrofert to be returned. Babiš said he was shocked by the reports in the Czech media, stressing that the audit was a preliminary draft which the CR would respond to.

The Agrofert, which is one of the biggest recipients of both EU and national subsidies in the CR, said that it had proceeded strictly according to the law in the matter of all European and national subsidies received. He said the conglomerate had not been contacted by the EC over the matter of returning subsidies.

☰ **PM ASKS PRESIDENT TO DISMISS CULTURE MINISTER – 31. 5.**

PM Babiš has sent an official request to President Zeman asking him to dismiss MC Minister Staněk and to appoint ČSSD's⁶⁷ nominee Šmarda in his place.

President Zeman, who earlier refused to accept MC⁶⁸ Minister Staněk's resignation is bound by law to comply with the request, but he said on May 30 that the Constitution did not set any time limit by when he was bound to do so. Constitutional experts agree that he should do so without further delay.

☰ **EU REPORT ON BABIŠ "SERIOUS" – 2. 6.**

The supreme SA⁶⁹ Zeman says the findings of a preliminary EC audit, which states that PM Babiš is in conflict of interest, are serious and could give rise to suspicion of a criminal offence. Mr. Zeman said the PGO⁷⁰ was preparing its own analysis of the report, which was published by Czech media outlets on May 31, and would reach conclusions in a fortnight or 3 weeks.

⁶⁷ ČSSD: Czech Social Democratic Party, centre-left party

⁶⁸ MC: Ministry of Culture

⁶⁹ SA: State Attorneys, a legal representative of the public prosecutor's offices, criminal justice bodies attached to the judiciary but separate from the courts. The prosecution is the legal party responsible for presenting the case in a criminal trial against an individual accused of breaking the law. Typically, the prosecutor represents the government in the case brought against the accused person.

⁷⁰ PGO: The Prosecutor General's Office is the supreme body of the public prosecution service. It is headed by the Prosecutor General, who has three deputies. The seat of the Prosecutor General is in Brno. The Prosecutor General's Office supervises the performance of high public prosecutor's offices. It deals with complaints against the violation of the law in criminal cases. It issues explanatory positions on concrete application problems in both the criminal and non-criminal areas. It also releases general notices which serve to unify and streamline the procedures of public prosecutors, or to provide for a unified performance of the filing service. Last but not least, the Prosecutor General's Office plays a major role in securing international judicial cooperation in criminal cases. The Prosecutor General's Office provides the background for the performance of specific powers of the Prosecutor General, such as ordering control over a completed criminal case, abolishment of an unlawful ruling on the suspension of criminal proceedings, or delegation of the case, submission of an appeal to the Supreme Court in criminal cases, taking legal steps to protect public interest or filing proposals to deny paternity.

⁷¹ Pirates: The Czech Pirate Party is a political party in the Czech Republic, founded in 2009. It is a member of the European Pirate Party. The main topic of the Pirate Party is information and its fundamental meaning in modern society. The Pirates are focused

The EC document says that Mr. Babiš has command of trust funds that control the Agrofert. He put the conglomerate into those trust funds 2 years ago to comply with a new conflict of interest law.

The EC says that all EU subsidies received by Agrofert since should be returned. It has put at CZK450mn the figure that the Czech state should demand the return of from the group started by Babiš. He denies any wrongdoing.

☰ **CZECH MPS DEBATE EC AUDIT – 4. 6.**

Czech deputies on June 4 began debating the alleged conflict of interest issues of PM Babiš outlined in a preliminary report of the EC, which focuses on the granting of EU subsidies.

Mr Babiš told MPs that the draft report amounted to an attack against the CR and its national interests. He again asserted that Prague would not return any subsidies in connection with the case, which centres on the Agrofert conglomerate he founded.

He also lashed out again at the opposition Pirates⁷¹ and the Czech branch of TI⁷², who turned to Brussels over Babiš's suspected conflict of interest last year.


☰ **ANTI-BABIŠ PROTEST IN PRAGUE – 5. 6.**

Another in a series of protests against PM Babiš and his appointment of Marie Benešová as MJ⁷³ Minister took place in Prague on June 5 evening. The organizer Million Moments for Democracy said around 120,000 people had taken part in the rally, making it the biggest public protest since the anti-communist demonstrations in 1989.

As well as demanding the removal of both PM Babiš and MJ Minister Marie Benešová who was appointed just days after the police recommended that PM Babiš stand trial in a fraud case, the protests' organisers have called on Mr. Babiš to relinquish all his media assets so as not to continue to influence the free press.

Another demonstration is due to take place on 23 June on Prague's Letná plain, the venue of the largest anti-regime demonstrations of November 1989.

STATISTICS

 **SECTOR ACCOUNTS QUARTERLY – 30. 11.**

According to the refined estimate, the SA⁷⁴ GDP⁷⁵ was by **0.6% higher** in the Q₁ compared to the previous quarter; in the

mainly on civil liberties, sharing of information, effective use of technologies and privacy protection.

⁷² TI: Transparency International, is an international non-governmental organization which is based in Berlin, Germany, and was founded in 1993. Its nonprofit purpose is to take action to combat global corruption with civil societal anti-corruption measures and to prevent criminal activities arising from corruption. It publishes for example the Global Corruption Barometer and the Corruption Perceptions Index. Transparency International has the legal status of a German registered voluntary association (Eingetragener Verein) and serves as an umbrella organization. Its members have grown from a few individuals to more than 100 national chapters which engage in fighting corruption in their home countries.

⁷³ MJ: Ministry of Justice

⁷⁴ 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.

⁷⁵ 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

y-o-y comparison it **increased by 2.4%**. The Czech economy growth was supported mainly by the domestic demand.

The refined estimate confirmed that the Czech economy continued to grow in the Q₁.

The **GVA⁷⁶ increased by 0.6%, q-o-q⁷⁷**. The GVA in manufacturing increased by 1.0%; in a group of economic activities of trade, transportation and storage, and accommodation and food service activities it increased by 0.7%. A decrease of the GVA occurred in construction, namely by **▲0.4%**. In the y-o-y comparison, the GVA increased by 2.6%. Manufacturing contributed the most to the y-o-y growth of the GVA (0.7pps⁷⁸). The growth in manufacturing was 2.5%. It was mainly owing to manufacture of machinery and manufacture of rubber and plastic products. Lower dynamics of growth was reported by manufacture of transport equipment and by manufacture of electrical equipment. A y-o-y drop occurred in mining and quarrying. In construction, the GVA increased by 3.1%. Most of economic activities of services were successful, especially transportation and storage, information and communication, and business services.

On the demand side, the y-o-y growth of GDP in the Q₁ was supported mainly by the domestic demand. The y-o-y growth of GDP (2.6%) was contributed to the most by household consumption (1.1pps). Contribution of the investment expenditure as well as of the general government expenditure was 0.6pps each. Also external demand contributed to the y-o-y growth of the GDP; it was also 0.6pps.

Final consumption expenditure increased by 1.6%, q-o-q, and **by 2.9%, y-o-y**. Of that, consumption expenditure of households increased by 1.6% in reals terms compared to Q₄ 2018 and by 2.7% in comparison to the corresponding quarter of the previous year. Final consumption expenditure of general government was 1.6% up, q-o-q, and 3.4% up, y-o-y.

GFCF⁷⁹ dropped by ▲2.0%, q-o-q. However, in the y-o-y comparison it continued to grow, namely by 3.4%. The GFCF was supported mainly by investment activity of the general government sector. As for the type of assets, investments in dwellings strengthened a lot, followed by investments in other buildings and structures.

The **CuP⁸⁰ external trade balance increased by CZK2.4 bn⁸¹**, y-o-y, in the Q₁. **Exports** of goods and services decreased **by ▲1.0%, q-o-q**; in the **y-o-y** comparison it **increased by 2.0%**. The y-o-y growth of exports was driven mainly by trade in chemical products and preparations and also by food products. On the contrary, the decrease in the dynamics of export growth was shown in trade with electronic and optical products and with transport equipment. **Imports** of goods and services **dropped by ▲0.6%, q-o-q**; in the **y-o-y** comparison it **increased by 2.1%**. The following contributed significantly to the y-o-y growth of imports: sub-deliveries for electronic and optical products and machinery and equipment.

⁷⁶ **GVA**: Gross Value Added, is a measure in economics of the value of goods and services produced in an area, industry or sector of an economy. In national accounts GVA is output minus intermediate consumption; it is a balancing item of the national accounts' production account.

GVA = GDP - Taxes on products + Subsidies on products =

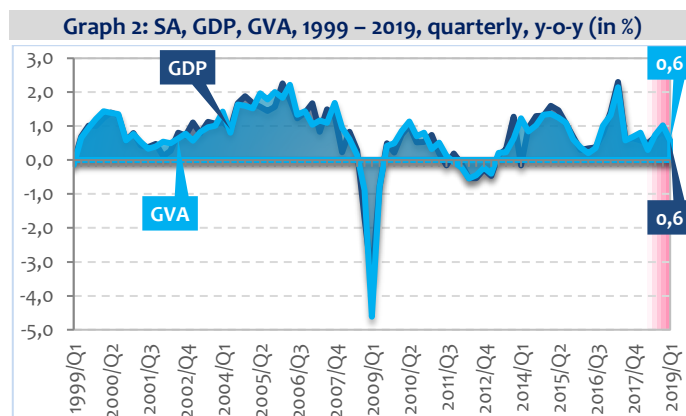
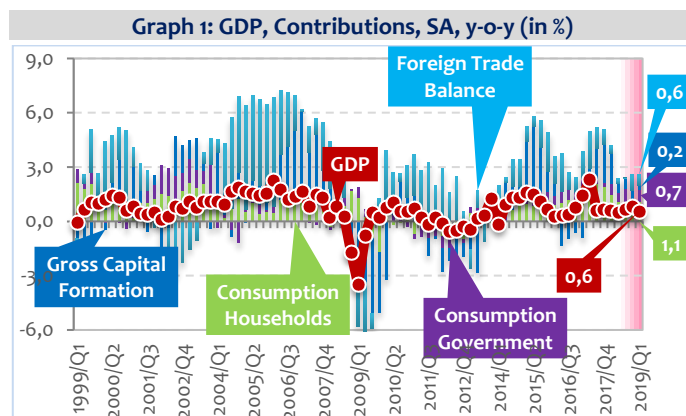
⁷⁷ **Q-o-q**: quarter on quarter

⁷⁸ **Pps**: percentage points

⁷⁹ **GFCF**: Gross fixed capital formation

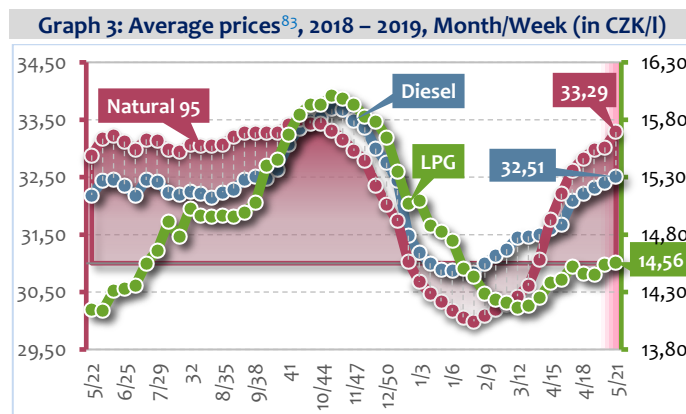
As for the price development in the Q₁, the total GDP deflator reached 3.1%, y-o-y. Last time when it reached a higher value it was 10 years ago.

The volume of labour costs increased by 8.1%, y-o-y, in the Q₁. The Czech economy growth continued to be accompanied by growth in employment. In the CR, in the Q₁, 5,480,000 persons were employed in average. The total employment increased by 0.5%, q-o-q; in the y-o-y comparison it increased by 1.4%. In total, by 0.1% hours more were worked, q-o-q; in the y-o-y comparison it was 2.4% up.



FUEL PRICES – 31. 5.

Natural 95 increased by 27h⁸² to CZK33.29/l over the past week. Diesel oil increased by 10h to CZK32.51/l.



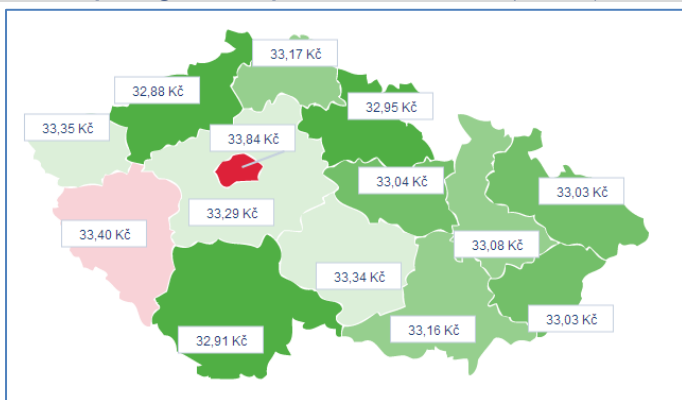
⁸⁰ **CuP**: current (or “nominal”) prices for each year are in the value of the currency for that particular year, are influenced by the effect of price inflation.

⁸¹ **bn**: billion

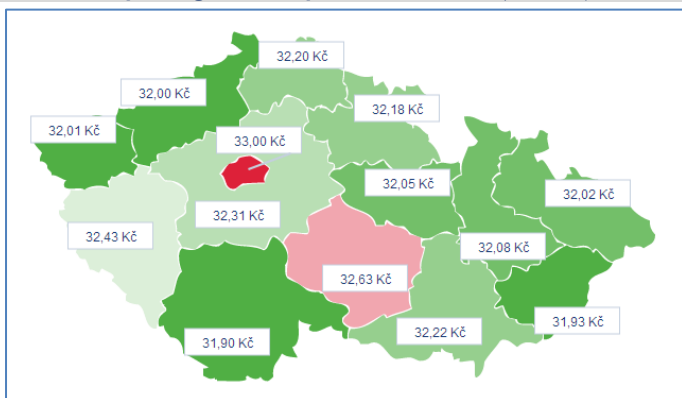
⁸² **h**: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

⁸³ 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

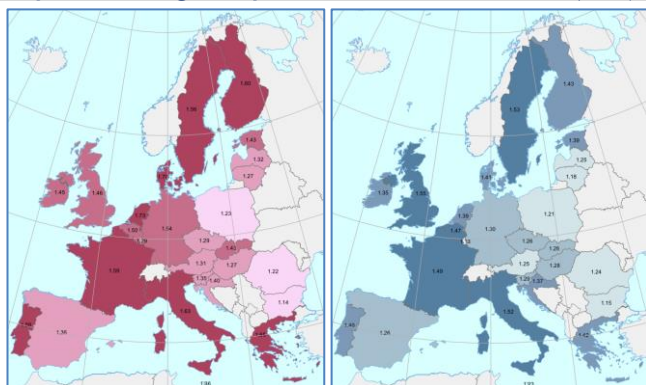
Map 1: Regions, fuel prices, Natural 95, 2. 6. (in CZK/l) ⁸⁴



Map 2: Regions, fuel prices, Diesel, 2. 6. (in CZK/l)



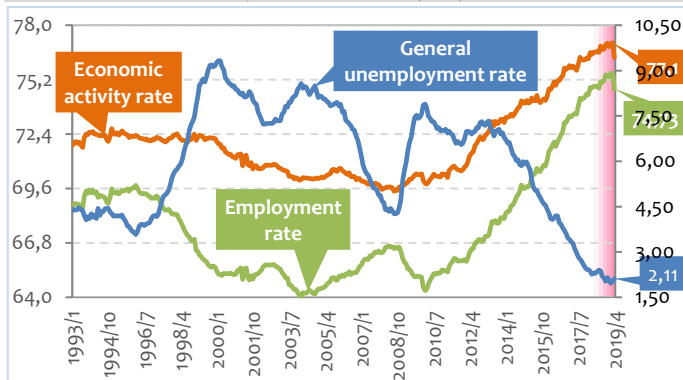
Map 3: EU, Average fuel prices, Natural 95, Diesel, 27. 5. (in €/l) ⁸⁵



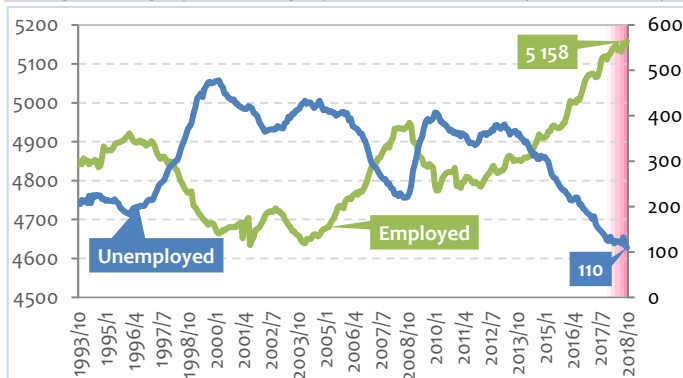
UNEMPLOYMENT LFSS – 31. 5.

The **employment rate**⁸⁶ SA, reached 74.7% in April 2019 and decreased by 0.1ppps compared to that in April 2018. The **general unemployment rate**⁸⁷ SA, reached 2.1% in October 2018 and decreased by ▲0.5ppps, y-o-y. The **economic activity rate**⁸⁸ SA, reached 76.3% and rose by 0.5ppps compared to that in v.

Graph 4: Rates of employment, unemployment and economic activity, SA, 1993- 2019 (in %), LFS

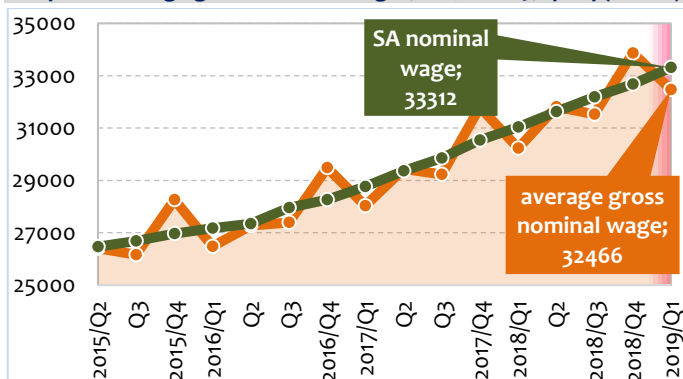


Graph 5: Employed, unemployed, SA, 1993 - 2018 (in thousands)

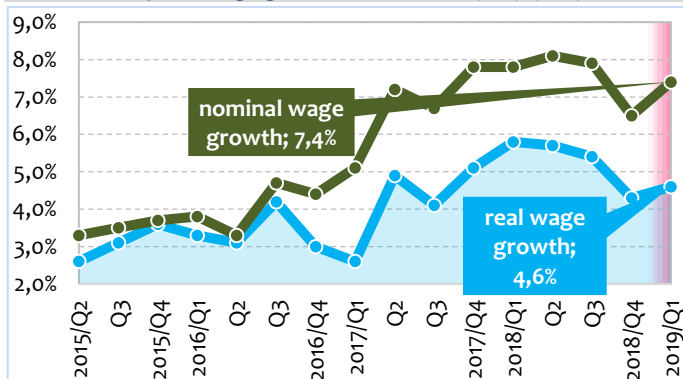


WAGES – 4. 6.

Graph 6: Average gross nominal wages, 2015 – 2019, q-o-q (in CZK)



Graph 7: Wage growth, 2014 – 2018, y-o-y (in %)



⁸⁴ data issued by the mBenzin.cz; <https://www.penze.cz/ceny-benzinu-a-ceny-nafty>
⁸⁵ data issued by the EC; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>
⁸⁶ **Employment rate**: the share of the employed persons in the age group 15 – 64 years, as%age, seasonally adjusted, **data are issued by the CSO based** on the results of the Labour Force Survey (LFS).

⁸⁷ **General unemployment rate**: the share of the unemployed in the labour force in the age group 15 – 64 years, that is in the total number of the employed and the unemployed, as%age, seasonally adjusted, **data are issued by the CSO based** on the results of the Labour Force Survey (LFS).
⁸⁸ **Economic activity rate**: the share of the number of the economically active in the total number of persons in the age group 15 – 64 years, as%age, seasonally adjusted, **data are issued by the CSO based** on the results of the Labour Force Survey (LFS).

In Q₁ 2019 the GMN average wage⁸⁹ was CZK32,466, which was by CZK2,236 (7.4%) more than in the same period of 2018. In the Q₁ 2019 consumer prices grew by 2.7% and thus wages increased by 4.6% in real terms. The wage volume grew by 8.3% and the number of employees increased by 0.8%. Compared to the previous quarter, the SA average wage in Q₁ 2019 increased by 1.9%.

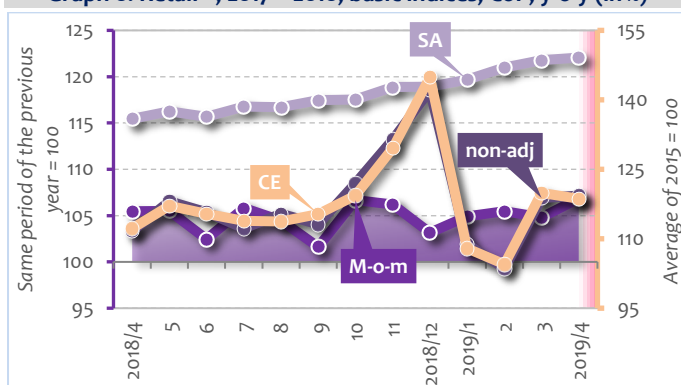
The median wage⁹⁰ was CZK27,582 and increased by 7.4 % compared to the same period of the previous year. The male median wage reached CZK29,936 and the female one was CZK24,982. 80% of employees earned wages within the interval from CZK14,566 to CZK51,420.



RETAIL TRADE – 5. 6.

In April, CE⁹¹ CoP⁹² sales increased by 5.4%, y-o-y; non-adj⁹³ sales increased by 6.9%, y-o-y. SA⁹⁴ sales in retail trade increased by 0.2%, m-o-m⁹⁵.

Graph 8: Retail⁹⁶, 2017 – 2018, basic indices, CoP, y-o-y (in %)



⁸⁹ **GMN average wage:** average gross monthly nominal wage per FTE employee in the national economy; The average gross monthly nominal wage is a share of wage funds (including extra pay for overtime work, bonuses, compensation of wages, etc.) for one employee per month. Therefore this does not indicate what wage one concrete employee has. The earnings structure statistics, in which data on earnings of respective employees are available, show that roughly two thirds of employees have the average wage below the national average.

⁹⁰ **Median wage:** The median wage represents a value of an employee wage in the middle of the wage distribution. That means one half of the wages is lower and the second half of the wages is higher than the median wage. Conversely to the average wage, which is calculated on the basis of background data from enterprise reports, the median must be derived from a statistical-mathematical model based on a sample survey, because enterprise questionnaires contain just aggregated data for the whole enterprise or organization.

⁹¹ **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.

⁹² **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

⁹³ **Non-adj:** non-adjusted

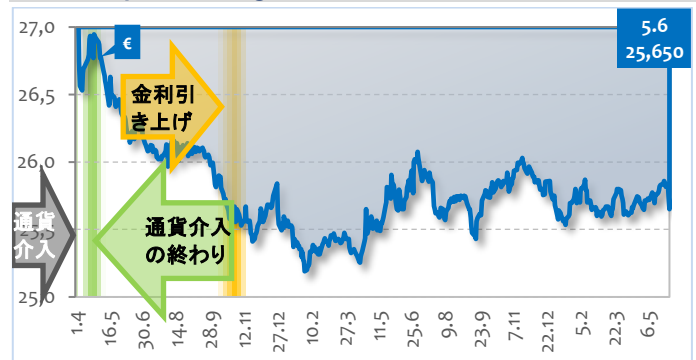
⁹⁴ **SA:** seasonally adjusted, Seasonal adjustment is a statistical method for removing the seasonal component of a time series that exhibits a seasonal pattern, which allows to analyse the trend of a time series independently of the seasonal components.

⁹⁵ **M-o-m:** month on month, compared with preceding month

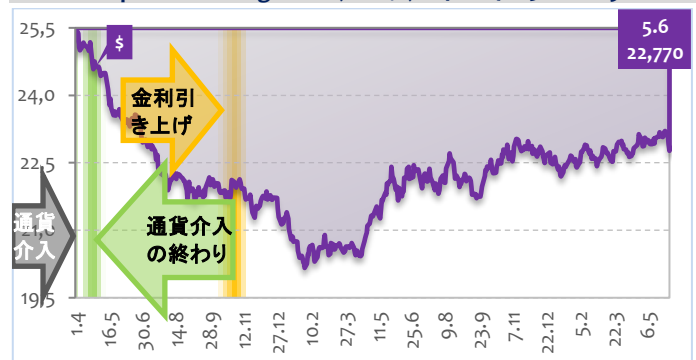
⁹⁶ **except of motor vehicles and motorcycles**

CZK vs €, \$, ¥ – 5. 6.

Graph 9: Exchange rates, CZK/€, 1. 4. 2017 – 5. 6. 2019



Graph 10: Exchange rates, CZK/\$, 1. 4. 2017 – 5. 6. 2019



Graph 11: Exchange rates, CZK/100¥, 1. 4. 2017 – 5. 6. 2019



News outside the time span of this News summary

Excerpt



CIA News (Česká informační agentura Ltd.); a news agency, specialising in the CR's economy and markets. It is owned by Inergo Slovakia Jsc., owned by Emil Hubinák.



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



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



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



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.