

ECONOMIC NEWS SUMMARY SEPTEMBER 19 – SEPTEMBER 25

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ECONOMY & FINANCE

CZECHIA'S FOREIGN DEBT FALLS TO Kc4,342BN IN Q2 – 20.9.

Czechia's foreign debt fell by Kc23.8bn to Kc4,342bn in the second quarter of this year, while in year-on-year terms it was Kc10.6bn higher, according to preliminary results the Czech National Bank (CNB) made public today.

The external debt amounts to 79.1 percent of gross domestic product (GDP), the CNB said.

The private sector accounted for about 75 percent of the debt. The remaining part was made up by debts of the public sector, which includes the government debt, private entities' debts guaranteed by the government and debts of majority state-owned companies.

The government sector's liabilities accounted for 18 percent of the total external debt at the end of June, posting a rise in Q2 due to an increase in the volume of bonds held by foreign investors.

The share of banks' external debt decreased to 41.1 percent, which was due to a drop in the amount of received short-term foreign deposits.

External liabilities of other sectors made up 40.6 percent of the total debt.

"The growth in the external debt of other sectors reflected increased financial borrowing by corporations not associated with foreign direct investment," the CNB said.

Deposits and bonds are the most frequently used form of debt financing, together accounting for 53.2 percent of the total external debt.

Czech National Bank keeps interest rates unchanged – 25.9.

The Czech National Bank kept interest rates unchanged at its meeting on Wednesday. The main rate, the two-week repo rate, thus remains at two percent.

According to the Czech National Bank's chief economist Jakub Seidler, the reason for leaving the rates unchanged was mainly the uncertain development abroad.

CZECH NATIONAL BANK KEEPS INTEREST RATES UNCHANGED – 25.9.

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AGRICULTURE & ENVIRONMENT

DROUGHT IS MAIN MANIFESTATION OF CLIMATE CHANGES IN CZECHIA – 19.9.

Drought is the main manifestation of climate changes in the Czech Republic and the country must seek ways of returning water to the landscape and retaining it, Environment Minister Richard Brabec said at a Czech-Israeli seminar on water held in the Chamber of Deputies today.

Israeli Ambassador Daniel Mero offered to share Israeli experience in water management, which is focused on the most effective use of water.

"Long-lasting drought can have much worse impacts on society than floods," Brabec noted.

Over the past one hundred years, millions of hectares of wetlands have been dried and tens of thousands of ponds ceased to exist in Czechia, he said.

When looking for ways of returning water to the landscape, Czechia should look at examples of good practice in the world, Brabec said.

The opening of the seminar was attended by Prime Minister Andrej Babis, who said Israel was a strategic partner for the Czech Republic and expressed interest in bilateral cooperation in other spheres, such as cyber security, as well.

CZECHIA FULFILS CLIMATE GOALS, OTHER COUNTRIES DON'T – 23.9.

The Czech Republic is fulfilling the 2015 Paris Agreement climate goals but will not be given an opportunity to speak at the UN Climate Action Summit, unlike the countries that are not fulfilling their commitments, Czech PM Andrej Babis told journalists today.

"We were told that unless we have some very ambitious speech, we will not be given the space to talk," Babis (ANO) said.

In his opening speech, UN General Secretary Antonio Guterres called on national representatives to focus on outlining ambitious plans for energy, transportation, industry and agriculture transformations rather than to give lofty speeches.

According to current climate goals, the international community should decrease emissions by 45 percent before 2030 and reach full carbon neutrality by 2050.

The largest polluters on the planet are the United States, the People's Republic of China and the Russian Federation. The Chinese and Russian representative are to speak at the summit today.

Originally, up to 60 world leaders were supposed to speak at the summit, including the Prime Minister of the United Kingdom, Boris Johnson, and the President of France, Emmanuel Macron.

The representatives of Japan and Australia will not speak at the summit. The Japanese environment minister said his country did receive an invitation to speak, but PM Shinzo Abe is unable to participate.

German Chancellor Angela Merkel will address the summit today as well. Her country has managed to decrease CO2 emissions in all sectors except for transportation, where Germany's pollution stagnates at the 1990 levels.

In the energy sector, Germany was able to cut emissions by 29.6 percent between 1990 and 2017.

Last week, Merkel unveiled a new emission-cutting climate strategy based on a 50 billion euros investment before 2023.

"We are a reputable country with reputable politicians, that's why we talk numbers. To promise doing something by 2050 is not a problem, but we have commitments set by the 2015 Paris Agreement and the Czech Republic is doing very well in that regard," Babis said.

"It is important for us to know how successful specific countries are in fulfilling their Paris Agreement goals. Only a handful of these countries are showing results. It is paradoxical that the representatives of these specific countries will be talking about further challenges they are not fulfilling," he added.

Babis pointed out that the Czech Republic has a clear plan on how to cut emissions by 80 percent by 2050 as compared to the 1990 levels.

"We have authorised it as a unified government, we did the calculations and it is a clear plan. It is crucial that other countries follow their commitments, even the countries outside Europe," Babis said.

He also noted that the global problem at hand is not only about the climate, but it also requires water retention and tree-planting projects. He added that the Czech Republic wants to plant ten million trees at the moment and its long-term plan is to plant 17 billion trees.

The Czech PM was opposed to the idea of establishing an international climate change fund that would offer aid to poor countries. The fund proposal is supported by India as well as China.

"I see no reason why we should contribute to something like that. We will need tens, maybe hundreds of billions of crowns to solve climate change at home. We need to transform our energy systems, invest in nuclear energy, plant almost 18 billion trees and retain water in our landscape," Babis said.

Czech Environment Minister Richard Brabec (ANO) said tree planting is a highly effective adaptation measure.

"Trees are the best air conditioning units, creating oxygen and capturing CO₂," Brabec said, adding that the Czech Republic plans to invest roughly 12 billion crowns in the transformation of its energy systems before 2030.

Brabec also said the country has a specific plan that includes revolutionary changes to curtail emissions.

"This will mean, for example, no petrol or diesel vehicles on the roads, possibly not even CNG (compressed natural gas) ones since that is also a source of emissions. Everything will be electrified, changing agriculture as well as industry. Some areas of activity will completely disappear because they are unable to lower CO₂ emissions on principle," Brabec said, adding that this plan will also mean the end of coal-burning power plants and other energy sources based on fossil fuels.

GIA LČR TO OPEN FORESTRY TENDERS 2020+ FOR CZK 6.99BN – 23.9.

Czech state-owned forestry company Lesy ČR (LČR) will open tenders for forestry activities beginning the year 2020 on September 23, 2019. The company has prepared 54 contracts (23 calamity ones, 22 non-calamity ones, and 9 post-calamity ones). The estimated volume of the timber subject to the tenders is 8.5 million m³ at 195,633 hectares of forests. The company copes with the extraction of 1.97 million m³ of timber and planting activities at 2,879 hectares every year. Services related with the purchase of timber represent CZK 6.99bn. It will be possible to submit bids until October 25. The company will likely close five-year contracts in December.

INDUSTRY & ENERGY & TRANSPORT

CTK NO. OF CZECH PATENT APPLICANTS ON RISE – 19.9.

The growing number of patent applications filed by Czech inventors and companies with the European Patent Office (EPO) in recent years shows that the Czech Republic has a strong innovation potential, EPO head Antonio Campinos said at a press conference in Prague today.

The conference was held on the 100th anniversary of the Industrial Property Office in Prague (UPV).

Last year, the number of patent applications filed by Czech firms rose by 17.5 percent, most of them coming from the pharmaceutical, biochemical and energy industries and medicine, according to Campinos.

In spite of this, Czechia finds itself in the lower half of the overall chart of European patent applicants.

Czechia has been an EPO member since 2002.

The number of Czech applications with EPO has been growing year by year. In 2017, 205 patent applications were filed by Czech entities, which was a rise of 85 percent against 2008.

In the USA, Czech applicants filed 564 patent applications in 2017, almost three times more than in 2008, and obtained 284 patents.

GIA SAVILLS: SOUTH KOREANS INVEST EUR 600M IN PRAGUE IN H1 – 20.9.

In the first half of 2019, investors from South Korea purchased Main Point Pankrác, Rustonka, Waltrovka and Praga Studios in Prague. The total value of this real estate amounted to EUR 600m. The Waltrovka office complex was sold for the highest price (EUR 250m), according to a survey by Savills. Currently, other transactions worth EUR 200m are being negotiated as a result of which the total volume of South Korean investments in the capital city should exceed EUR 800m at the end of 2019.

GIA AUTOSAP: AUTOMAKERS PRODUCED 946,052 VEHICLES BY AUGUST – 20.9.

From January to August 2019 domestic automakers produced 946,052 motor vehicles, up 0.01% y/y. This is based on statistics from the Automobile Industry Association (AutoSAP), according to which 941,758 passenger cars were produced (-0.02%) along with 3,333 buses (+8.4%) and 961 motorcycles (+3.0%). AutoSAP executive director Zdeněk Petzl believes that manufacturers will manage to sustain the trend also at the end of the year and that the volume of production will at least match that of 2018. The most passenger cars were manufactured by ŠKODA AUTO (588,717; +1.1%). The bus segment is driven by IVECO Czech Republic (2,975; +9.3%).

CTK ROBERT BOSCH OPENS DEVELOPMENT CENTRE FOR Kc1.96BN – 20.9.

Robert Bosch, the largest car component producer's unit, opened a new development and technology centre today, and the investment, including production expansion, amounted to Kc1.96bn, company representatives and Industry and Trade Minister Karel Havlicek told journalists.

They said the investment had created 640 jobs, with 140 in development. Bosch employs nearly 4,000 people in Ceske Budejovice.

The state provided Kc182.4m for the building and Kc261.1m for the production expansion, CzechInvest agency's Roman Ruffer told CTK.

The facility will be fully operating at the end of October, Bosch's technology director Vaclav Pixa said.

The company launched the construction of the six-storey building in 2017, investing Kc850m. The building covers 1.41 hectares of area.

The centre is an exemplary value-added investment on which Czechia focuses now, Havlicek said. The government has made a change to the investment incentives law, as it wants to aid investments based on development.

The investment involves industrial development, which is essential for the added value, Havlicek said.

The centre has three acoustic test chambers where an entire car can fit. It will also focus on Industry 4.0 product and software development.

Last year, Bosch's sales hit Kc21.4bn, the highest amount since its establishment in 1992. Its operating profit grew by 23 percent to Kc595.9m.

The company expects its turnover to drop by 1-2 percent this year.

The production of DNOX, a diesel engine module reducing carbon dioxide emissions, rose annually by 18 percent, and the sale amounted to Kc11.4bn last year, according to the company's annual report.

Bosch exports almost 100 percent of its production, mostly to the European Union.

Revenues of Bosch Group totalled EUR78.5bn (about Kc2,000bn) last year.

C-ENERGY LAUNCHES LARGEST BATTERY STORAGE SYSTEM IN CZECHIA – 20.9.

Energy group C-Energy today launched Czechia's largest battery storage system in Plana nad Luznici with a 4 megawatt (MW) output and a 2.5 megawatt-hour (MWh) capacity, which could power an average Czech household's electrical appliances for up to a year, the company said.

The investment totalled Kc70m, with the battery storage system accounting for Kc60m alone.

The storage system runs on the SIESTORAGE (Siemens Energy Storage) technology by Siemens.

Today's launch was attended by Industry and Trade Minister Karel Havlicek, Energy Regulatory Office (ERU) board chairman Stanislav Travnicek, and former industry minister Tomas Huner, who returned to Siemens following his stint in the government.

The installation of batteries at C-Energy's power station shows how modern technologies may permeate traditional industrial disciplines, Havlicek said.

C-Energy's battery storage system is the largest in the Czech Republic. However, there are larger battery systems in Europe, such as the 13 MW system in Germany's Pfreimd that also runs on the SIESTORAGE technology.

The Plana storage system is unique in that it is installed next to an existing energy source, which allows the battery to generate a large output despite its relatively low capacity, and effectively optimise the coverage of peak demand.

The Association for Energy Storage and Batteries (AKU-BAT CZ) CEO Jan Fousek criticised the existing setup of conditions

for building battery storage systems in the Czech Republic in an interview with CTK earlier this week.

According to grid operator CEPS's code for transmission grids, the systems may virtually be built only at existing heat and power stations with a rotary source but not at renewables and greenfield projects, Fousek said.

C-Energy Plana is the first Czech power or heat station that complemented its rotary source with such a large battery storage system, Fousek said.

A 4-megawatt battery storage system is supposed to be launched at CEZ's power station in Tusimice, northern Bohemia, this year.

The first large battery storage systems for excessive power were built by E.ON in Mydlovary, southern Bohemia, and Solar Global in Praksice, southern Moravia, as early as in 2017. Both systems have a total output of around 2 MW and a capacity of 3 MWh.

However, as they do not complement any rotary source, they are still in pseudo-trial mode and de facto not operational because of the current legislative setup, Fousek said.

EIA NOT NECESSARY FOR TEMELIN NUKE UNITS' LICENCE RENEWAL – 23.9.

The process of licence renewal for the existing blocks of the Temelin nuclear power plant in southern Bohemia does not constitute construction proceedings, so no EIA is required for it either under the EU legislation or under Czech laws, power utility CEZ spokesman Ladislav Kriz told CTK today.

He was reacting to the information, reported by the APA agency today, that according to an expert opinion produced by the Johannes Kepler University in Linz for the Upper Austrian Environment Ministry, a cross-border environmental impact assessment (EIA) should be required as a prerequisite for allowing further operation of Temelin units.

The current licence for the operation of Temelin units 1 and 2 will expire in October 2020 and in 2022, respectively. Temelin nevertheless plans their extension until 2060, Upper Austrian Environment Minister Rudi Anschober said, according to APA. Anschober intends to present the expert opinion to the Austrian government, calling on it to take legal steps against the planned permission of further operation of reactors without EIA, APA said.

Temelin, launched in December 2000, is the biggest source of electricity in the Czech Republic, covering about one fifth of domestic consumption.

Last year it produced 15,66 TWh of power.

CZECH REPUBLIC TO BE COUNTRY OF INNOVATIONS – 23.9.

The Czech Republic wants to be a country for the future and to be among the innovation leaders in Europe, Prime Minister Andrej Babis told the Concordia Summit, an accompanying event of the UN general assembly session he is attending today.

Babis first spoke about the Czech Republic's historical heritage.

He said dissident Vaclav Havel, a former Czechoslovak and Czech president, was certainly known abroad as a symbol of the victory of democracy.

"Although we have a successful economy that ranks among the most stable ones in Europe, we have been urgently aware of this need," Babis said, speaking about innovations.

"We are also rebranding the Czech Republic as the Country for the Future, which captures the technological excellence of our country," he added.

"As one of the most industrialised countries in Europe, we must innovate to maintain our competitiveness," Babis said.

"That is why we have formed a vision together with the best scientists, entrepreneurs and managers. This vision has been transformed into the National Innovation Strategy 2019-2030, introduced in January 2019," he added.

"The strategy is divided into nine thematic pillars. Their implementation will improve quality and efficiency of the environment for the development of innovative business," Babis said.

"Seeing innovation as linked to the complexity of our economy and even society has allowed us to adopt this robust approach that should help us become an innovation leader," he added.

"Excellent research in the Czech Republic is carried out especially in natural sciences, engineering and technology, and medial and health sciences," Babis said.

"Indeed, our vision extend beyond our borders and one of the main objectives of the Czech Republic is to engage in AI activities at the EU level," Babis said.

NO CZECH VILLAGE WANTS NUCLEAR WASTE IN ITS TERRITORY - 24.9.

No Czech municipality wants an underground repository of spent nuclear fuel on its territory, although negotiations have been held for some 25 years, Marek Hudema writes in daily Lidove noviny (LN) today.

Arguments that the repository will be secure and new jobs will be created have not persuaded anybody so far, he says. In the communist era the solution was simple: former Czechoslovakia transported the spent fuel to the Soviet Union until 1988.

Then the spent fuel was transported to a temporary store in Slovakia. But when Czechoslovakia split in two countries in 1993, a deep repository in Czech territory started to be sought.

Czechia still needs nuclear power plants and the spent fuel must be stored underground so that it could stay there safely for some 100,000 years or until humans have some good idea of how to get rid of it without spending too much energy on its disposal.

But the problem is that the geological conditions are suitable for the spent fuel repository only in some places and a repository is wanted almost nowhere. Who would like to have radioactive waste stored in his neighbourhood? Hudema asks.

Nine localities comprising 53 municipalities are being surveyed at present. Their number is to be reduced to four by next summer and one final site is to be chosen by 2025. The deep repository should start functioning in 2065 at the latest and its construction costs are estimated at more than a hundred billion crowns. At present, nuclear waste is stored at interim facilities at nuclear power plants' premises.

Hudema says the most successful in building a repository for spent nuclear fuel is Finland. Finnish municipalities have the right of veto, yet one of them agreed with the construction of the deep repository. In exchange, the municipality received and will receive a lot of money from the budget.

The Czech Industry Ministry has so far sent only dozens of millions of crowns to the municipalities that are considered a good place for the repository.

The state should pay the chosen municipality much more because it is for the good of all Czechs, Hudema writes.

MPO TO SUPPORT KNOWLEDGE TRANSFER PARTNERSHIPS – 24.9.

The Czech Ministry of Industry and Trade (MPO) has announced the fifth call in the Knowledge Transfer Partnerships support programme. The allocation totals CZK 200m. The aim is to create partnerships between a small or medium-sized enterprise and an organisation for research and dissemination of knowledge of technologies and skills the company has access to.

HAVLÍČEK: MICROSOFT TO HELP WITH BUILDING AI CENTRE IN CR – 25.9.

Microsoft will be involved in the building of an artificial-intelligence centre in the Czech Republic. Minister of Industry and Trade Karel Havlíček (for ANO) said as much in the United States after meeting Microsoft president Brad Smith. In addition, the Czech Ministry of Industry and Trade agreed to collaborate on AI with Toyota, ŠKODA AUTO, RedHat AVAST, CISCO SYSTEM and with research teams from European universities.

TRADE & INVESTMENT & SERVICES

BRITIS' INTEREST IN BUSINESS IN CR WEAKER WITH APPROACHING BREXIT – 23.9.

British entrepreneurs' interest in business activities in Czechia is getting weaker as the Brexit date is approaching, and the number of firms with British owners operating on the Czech market decreased by 5 percent annually to 4,694, according to data of Bisnode consulting company.

However, the amount of capital subscribed for by British investors on the Czech market is at its highest, the data have shown.

"The number of British firms in Czechia grew at the fastest rate just before and after the referendum on the UK's departure from the EU, that is in a period when entrepreneurs were getting ready for potential impacts of the decision," said Bisnode analyst Petra Stepanova.

Last March saw an all-time high, with the number of firms with British owners falling ever since, she said.

Since March this year the British capital inflow of Kc11.6bn has been largely affected by a deal involving a change owner: Liberty Ostrava steelworks (formerly ArcelorMittal Ostrava) was sold by ArcelorMittal S.A. of Luxembourg to Britain's Liberty Ostrava Limited, said Stepanova.

"If it had not been for the transaction, the capital outflow would reach some Kc1bn," she added.

The introduction of the World Trade Organisation (WTO) tariffs on cars and components after a no-deal Brexit can raise industry and end consumers costs in the EU and Great Britain by up to EUR5.7bn (about Kc147bn), representatives of European automotive industry associations including Czechia's AutoSAP said in a joint appeal today.

If the UK leaves the EU without a deal, cars will be subject to a 10 percent tariff, with tariffs on a majority of car parts ranging between 3 and 4.5 percent.

LABOUR & SOCIAL

CTK CZECH LABOUR MARKET SHORT OF 30,000 IT SPECIALISTS –
20.9.

The Czech labour market is short of 30,000 IT specialists, according to recruitment agencies, with almost four out of five firms saying they find it difficult to fill vacancies in their IT departments.

Growing digitisation drives the need for a greater number of IT specialists. In the past five years, their number has grown by almost 50 percent.

As many as 56,000 IT specialists work in Prague against a national total of more than 84,000.

The lack of IT specialists has been ongoing for a long time, with demand slightly up in annual terms, Grafton Recruitment marketing manager Jitka Souckova said.

The corporate services sector alone needs over 10,000 IT specialists so as to retain its present growth, managing director of the Association of Business Service Leaders in the Czech Republic Jonathan Appleton said.

The shortage of IT specialists hinders companies' development and drives up salaries. According to the Czech Statistical Office (CSU), the gross monthly wage median is Kc45,877, which is 157 percent of the wage median of all Czech workers.

The situation is made worse by the falling number of IT students, which is down by 25 percent, or some 6,000 students, since 2011, the CSU said. IT students make up 6.6 percent of all university students.

The drop is due to a lower birth rate in the years when the current students were born, Marketa Pistorova of the CSU said.

Firms would also like to see more women among IT specialists, Barbora Wachtlova, chief operating officer at Green Fox Academy, said. A total of 91 percent of IT specialists are men.

CTK OVER THIRD OF WORKERS NOT HAPPY WITH EMPLOYEE
BENEFITS – 20.9.

Czechia's employers do not appreciate their employees properly even amid the long-term lack of labour force, with 36 percent of workers being unhappy about the range of employee benefits, according to a survey Up CR company conducted among 525 respondents.

Almost 25 percent of employees do not get any benefits, even though they would like to, the survey showed. On the other hand, 8 percent of those without benefits do not need them.

Benefits can, however, represent a criterion for people considering their options on the labour market, according to HR specialists.

When employees do not feel appreciated, they have no problem leaving now, Up CR sales head Petra Prchlikova said. A total of 70 percent of respondents said they get some benefits, however, more than a half of them are not satisfied with the offer, which is almost the same as last year.

Employee generation also plays its role, Prchlikova said.

People in their forties and sixties have completely different demands than Generation Z, individuals born after 1996, who require totally new benefits, Prchlikova said.

The survey revealed that companies have made the biggest progress with the last group. It is people under 26 who are the most satisfied with benefits they get. Only 5 percent are not happy, while it was nearly 20 percent last year.

Being flexible and having free time is important to the youngest generation on the labour market, but older people prefer material benefits.

CTK SOME 22 PCT OF CZECHS CHANGE JOBS IN PAST SIX MONTHS –
24.9.

Nearly 22 percent of Czechs have changed jobs in the past six months, and another 25 percent are either actively looking for a change or eyeing opportunities, according to the Workmonitor survey of Randstad consulting company.

About 30 percent of employees are open to interesting job offers, and 13 percent said they felt a strong need to start doing something new.

The share of people switching jobs is 4.7 percentage points bigger compared to the previous survey.

Men changed jobs more than women, with their rates at 25.8 percent and 17.9 percent, respectively.

A total of 29.2 percent of those changing jobs were in the 25-34 age group, and 25.3 percent were among 35 to 44-year-olds.

The most common reason for a job switch was better conditions (33 percent), being unhappy with the employer (27 percent) and desire for change (23 percent).

The biggest employee turnover was registered in agricultural production, forestry and fishing, chemical industry and public administration.

Employee turnover in agriculture is traditionally strong in the summer, Randstad's Czech branch marketing manager Alzbeta Honsova said.

Even though people working in public administration are usually loyal and their earnings have been growing, the private sector's rich offer is attractive, Honsova said.

When looking for a new job, women are a little more active than men. In terms of age, people in the 35-44 age band are the most active.

Younger individuals are rather passive, believing the employer will find them, Honsova said.

The number of passive candidates will decrease with a lower number of offers, she added.

The survey also showed that the share of people satisfied with their employer decreased by 3 percentage points to 65 percent.

The proportion of those who are very afraid for their job increased a little to 6.2 percent, with people in agriculture, forestry and fishing, hospitality industry and IT and business services worrying the most.

MISCELLANEOUS

ČKA HK ČR TO FACILITATE VEHICLE REGISTRATION FOR
ENTREPRENEURS – 23.9.

The Chamber of Commerce of the Czech Republic (HK ČR) will start registering vehicles and issuing OBUs in the new satellite toll system on September 23, 2019. Vehicles over 3.5 t will need OBUs on Czech motorways and selected sections of 1st class roads in December. The Chamber has provided 15 selected contact points with technical facilities for communication infrastructure and deposited the first 3,400

OBU for entrepreneurs to facilitate the transition to the new toll system. Pre-registration for the new toll system started at selected filling stations on September 22, 2019. On September 23, 2019, it will be launched at 15 contact points of the Chamber of Commerce in all regions of the Czech Republic.

ČSA/SMARTWINGS TO RAISE FREQUENCY OF FLIGHTS FROM PRAGUE – 23.9.

Czech Airlines (ČSA) will raise frequencies on flights from Prague to Kyiv and Moscow and prolong the operation of lines to Beirut, Odessa, and Keflavik, Iceland in the winter season. Selected flights to Budapest and all flights to Düsseldorf will be operated with larger aircraft Airbus A319 or Boeing 737 beginning the end of October 2019.

SZIF FUND REVEALS NO BABIS'S CONFLICT OF INTEREST – 24.9.

The State Agricultural Intervention Fund (SZIF) insists that no conflict of interest of Czech PM Andrej Babis (ANO), former owner of the Agrofert holding company, was revealed in the case of subsidies for Agrofert, SZIF director Martin Sebestyan told journalists today.

He said he told this to the Senate commission that has been examining the European Commission (EC) draft audit reports concerning Agrofert and Babis.

However, the payment of subsidies to Agrofert continues to be suspended, Sebestyan said.

"I briefly presented our position and why we stick to the view that we did not find a conflict of interest related to the prime minister," he said.

"The main argument is that the SZIF does not pay out any finances according to the budgetary rules, which is why a conflict of interest cannot concern it," Sebestyan said, adding that this SZIF position was sent to Brussels on September 16 as its reply to the EU draft audit report on agricultural subsidies.

The Senate commission's chairman Zdenek Nytra (for Civic Democrats, ODS) said it is surprising that the law on the conflict of interest does not concern the subsidies that the SZIF provided. "We will propose that this be modified. If finances flow through this fund and in fact are beyond the budgetary rules, it is a problem according to our preliminary conclusions," he said.

The payment of subsidies to Agrofert has been suspended since February 2017 when Babis transferred the holding company to trust funds. From 2012 until May 2019 roughly 6.5 billion crowns were paid to Agrofert from SZIF.

Sebestyan said further payment of subsidies to Agrofert depended on the European Commission. The decision would be made "when we receive some assurance which would not have impact on our budgets or on some corrections from the EU side to the Czech Republic," he said.

He said the agricultural audit may become public after its final version is worked out. Draft versions should not be provided to third parties, including the Senate, he added.

The SZIF suspended the payment of subsidies also to companies owned by family members of Agriculture Minister Miroslav Toman (Social Democrats, CSSD). The payments stopped in August 2018.

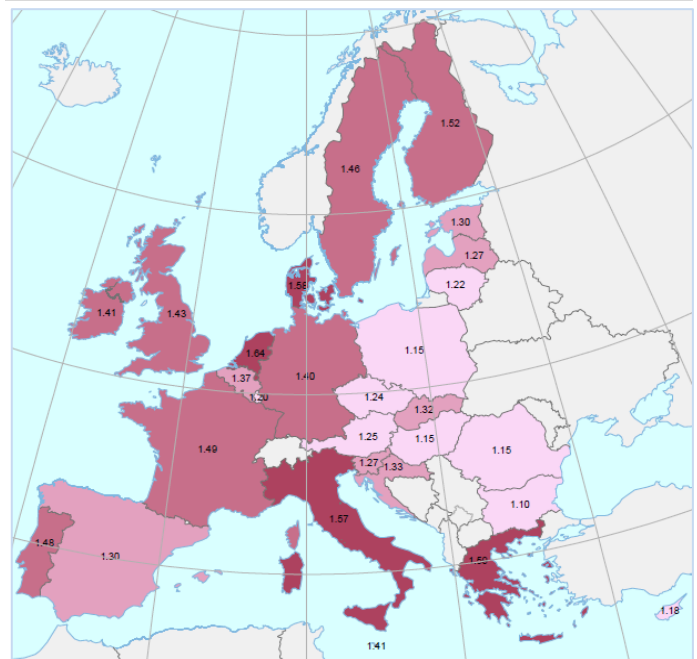
The Senate commission looking into the EC draft audits concerning Babis's suspected conflict of interest is considering legal steps, including an administrative lawsuit against the ministries over their refusal to release some documents its members needed for their work.

The commission will decide on this at its next meeting in mid-October when it should have the EC answers to its request for providing the audits, Nytra told reporters after the commission's meeting today. He added that the Senate would then file a lawsuit against the ministries if it were sure they violated the law on Senate's order of procedure.

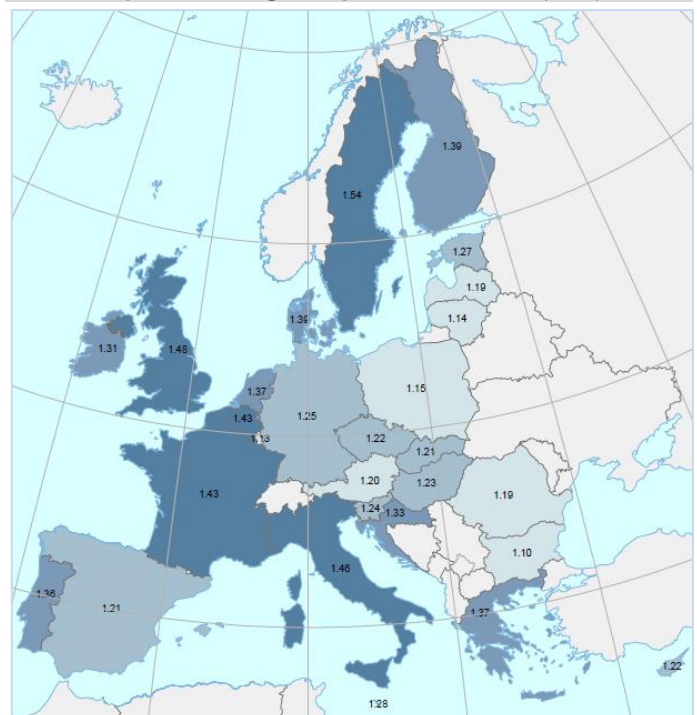
STATISTICS

FUEL PRICES IN THE EU – 16.9.

Map 1: EU, Average fuel prices, Natural 95, 16.9. (in €/l)¹

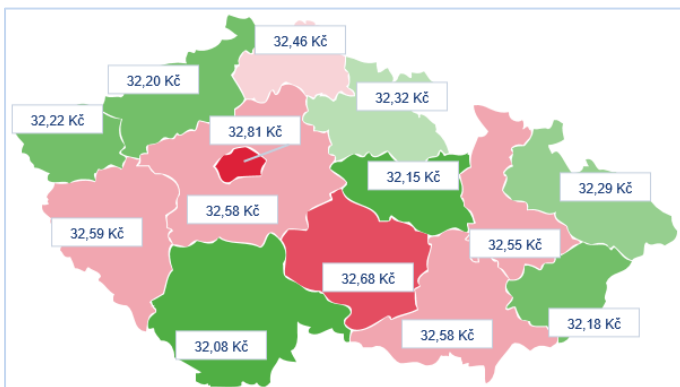


Map 2: EU, Average fuel prices, Diesel, 16.9. (in €/l)

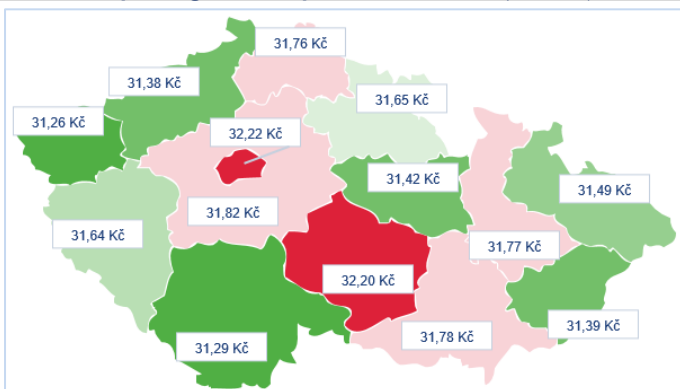


¹ data issued by the EC; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

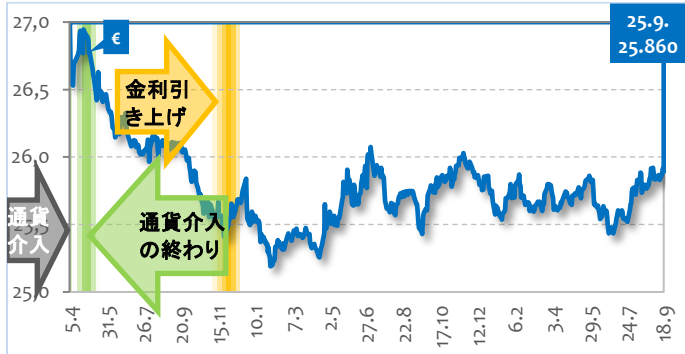
Map 3: Regions, fuel prices, Natural 95, 22.9. (in CZK/l) ²



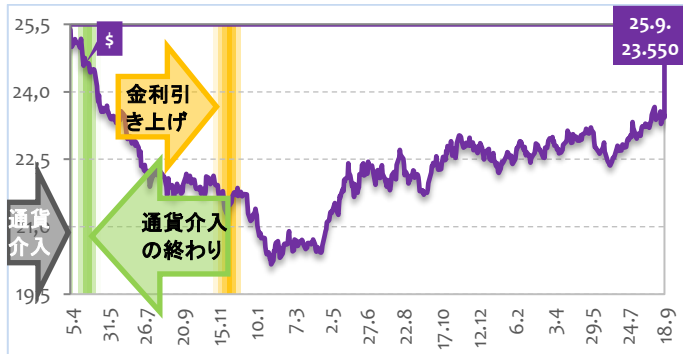
Map 4: Regions, fuel prices, Diesel, 22.9. (in CZK/l)



Graph 1: Exchange rates, CZK/€, 5. 4. 2017 – 25. 9. 2019



Graph 2: Exchange rates, CZK/\$, 5. 4. 2017 – 25. 9. 2019



Graph 3: Exchange rates, CZK/100¥, 5. 4. 2017 – 25. 9. 2019



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

News outside the time span of this News summary

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.

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

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

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