

## ECONOMIC NEWS SUMMARY OCTOBER 24 – OCTOBER 30

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### ECONOMY & FINANCE

#### 2020 STATE BUDGET DRAFT APPROVED – 24. 10.

The Chamber of Deputies has approved the 2020 state budget draft in its first reading.

The proposed budget, which envisages a 40 billion crown deficit, passed through its first reading thanks to support from the ruling ANO and the Social Democrats as well as the Communist Party which however said it would table a number of proposals for amendments in later readings, particularly as regards more money for social services.

The centre-right opposition parties voted against the bill, criticizing the size of its deficit at a time of economic growth.

#### PSP DID NOT DECIDE ABOUT TAX BUNDLE – 25. 10.

The Chamber of Deputies of the Parliament of the CR did not decide about the proposal to increase some taxes or the proposal to increase the parental contribution.

The bundle increases the consumption tax on alcohol and tobacco products, increases the gambling tax and the fee for cadastre entries. It also includes a proposal for higher taxation of the technical reserves of insurers.

The extraordinary meeting had been called by MPs of the government coalition and KSČM in reaction to the delaying tactics of the opposition with respect to the tax bundle. Talks will continue on October 30, 2019.

#### GDP GROWTH TO SLOW DOWN IN 2020 – 25. 10.

The Czech economy will grow by 2.5% in 2019 and 2.0% in 2020. This is expected by the Czech Banking Association. Risks still tend towards a weaker growth due to the slowdown of the global economy. This applies also after the latest voting of the British Parliament. The predicted growth dynamic will be contributed to primarily by the private consumption. The share of unemployed people will decrease to 2.8% in 2019 and grow to 3.1% in 2020. The inflation rate will reach 2.7% in 2019 and 2.3% in 2020.

#### EU REIMBURSED 32.59% OF SUBSIDIES TO CR – 29. 10.

The European Commission reimbursed to the CR in 9M 2019 32.59% of subsidies for the 2014-2020 programming period, i.e. CZK 201.4bn of the total allocation of CZK 617.9bn. The CR has contractually secured CZK 463.9bn.

### AGRICULTURE & ENVIRONMENT

#### PROTESTING AGAINST SALE OF POČERADY – 29. 10.

A group of seven environmental activists forced their way into the Vršany brown coal mine early on Tuesday to stage a protest against the planned sale of the coal-burning Počerady electric power plant to the group Seven Energy belonging to Czech billionaire Pavel Tykač.

Police are monitoring the situation and a mediator has been called to the scene. Academics and former politicians have also been petitioning the power utility ČEZ against the sale on the grounds that the plant's continued operation would be in violation of the 2016 Paris Climate Agreement.

### EDUCATION & RESEARCH & IT

#### FASTEST GROWING TECH COMPANY IN CEE – 21. 10.

According to Deloitte CE Technology Fast 50, Czech 3D printer manufacturer Prusa Research came in second in the ranking of the fastest growing technology companies in Central and Eastern Europe (CEE). The company increased its revenues by 4,527 % in the 2015 to 2018 period.

Overall, 19 Czech companies were included in the ranking. The 20 top ranked companies also included BLINDSPOT (3<sup>rd</sup>), Sewio Networks (9<sup>th</sup>), Applifting (10<sup>th</sup>), rohlik.cz (12<sup>th</sup>), 3Dwiser (13<sup>th</sup>), Kiwi.com (15<sup>th</sup>), PROFICIO (19<sup>th</sup>) and GLAMI (20<sup>th</sup>). 1<sup>st</sup> place went to company Voltas IT from Lithuania (+5,734 %).

#### M-brain ERC-TECH PATENT RECYCLED CONCRETE – 29. 10.

In the CR, Skanska and local firm ERC-TECH have patented a recycled concrete product called rebetong, which is made using aggregate from old construction sites. ERC-TECH has said that it is the only construction product that uses 100% recycled aggregate. Skanska and the Czech environment ministry are now working on having the material approved for use in state construction contracts. © M-Brain

#### ŠKODA AUTO'S COOPERATION WITH ISRAEL – 30. 10.

Škoda Auto DigiLab Israel has started cooperation with five Israeli startups. This involves Silentium, Neteera, ContinUse Biometrics, Intervyo and Seebo. Škoda Auto DigiLab Israel cooperated with the companies for instance in the development of sensors, applications and solutions for the maintenance of cars.

### ENERGY & INDUSTRY & TRANSPORT

#### ČSA TO ADD 7 NEW AIRBUS AIRCRAFT TO FLEET – 24. 10.

Czech Airlines (ČSA) has agreed with Airbus on the supply of four new A220 aircraft and three A321XLR aircraft. The first two A220s will be included by ČSA in the fleet at the end of 2020, the next A220 will be delivered in the first and second quarters of 2021. Deliveries of long-range A321XLR aircraft are scheduled for 2025.

#### ŠKODA AUTO UNVEILS SKETCHES OF NEW KAMIQ GT – 24. 10.

Škoda Auto released sketches of the new Kamiq GT SUV coupe for China. The design of the new series model is based on the Škoda Vision GT study. The global premiere of Škoda's 5<sup>th</sup> SUV in China will take place on November 4, 2019 in Tianjin.

#### VW DEVELOPS HYDROGEN PROPULSION – 25. 10.

Concern Volkswagen (VW) is intensively developing hydrogen-powered cars. According to the VW, it was a very difficult technology and the first fuel cells would be available in the second half of the next decade at soonest. Besides that, the automaker develops also electric cars with smaller batteries and improved driving range.

#### GOVERNMENT TO DISCUSS CONCEPT OF ENERGY BILL – 25. 10.

The government of Czech PM Andrej Babiš (ANO) will meet on October 30, 2019 to discuss a concept of the new Energy

Bill and a schedule of activities in the field of the energy strategy of the state. It will also discuss the Strategy of the Regional Development of the CR 2021+ or the application for government's consent with the transfer of unused property of the Railway Infrastructure Administration. The ministers will also deal with changes in the composition of the Managing Board of Czech Railways or the concept of the development of the Army of the CR 2030.

#### BULGARIA REJECTS SALE OF ČEZ'S LOCAL ASSETS – 25. 10.

The Bulgarian state has for the second time blocked the sale of ČEZ's Bulgarian assets with no regard to the fact that the public tender was won by EUROHOLD, an international investor with no current business in the field of the energy industry. The decision was published on October 24, 2019 at a website of the Bulgarian antitrust body. ČEZ informed that it was ready to use all legal tools to protect and enforce its rights.

#### NO. OF CARS ON CZECH ROADS UP – 25. 10.

The number of cars on Czech roads increased by 152,557 to 5.955 million units during the first three quarters of this year and can be expected to exceed 6 million by the year's end, according to the latest data of the Car Importers Association. The average age of the Czech car fleet has reached 14.867 years.

#### POWER PRODUCTION CHANGES NOTABLY SINCE 1989 – 28. 10.

The structure of electricity production in the CR has changed fundamentally since 1989 and the total installed capacity of the country's power plants has grown from 15,230 MW to 22,176 MW over the past 30 years, according to documents provided to CTK by power utility CEZ.

In 1989, coal-fired plants accounted for 79% of electricity sources, while nuclear energy made up 11% and water sources 10%. There were no gas-fired, steam-gas, wind and solar power plants in the Czech power grid at that time.

Last year, the biggest amount of electricity was generated by brown coal fired plants (43%). Nuclear power plants generated one third of power, renewable sources produced 11% and black coal and natural gas sources 4% each, according to data from the Energy Regulatory Office (ERU).

According to the Industry and Trade Ministry, the structure of power generation sources will continue to change.

Under the most realistic scenario of the State Energy Strategy, nuclear sources are to replace coal-fired plants as the chief producers of electricity in the second half of the 2020s.

The optimised scenario envisages that nuclear sources will cover about 50% of total energy consumption in Czechia in 2040, with renewable sources coming second.

Industry Ministry Karel Havlicek said last week the CR would have nowhere to get electrical power in the future unless new energy sources, mainly nuclear units, were built. Problems may start to arise as early as after 2030, he said.

Total electricity consumption has increased by 17% since 1989, while power generation on has grown by about one third, according to CEZ.

"The CR has registered a significant change in the power generation structure since the Velvet Revolution. A bigger amount of electricity is now produced in a more eco-friendly and effective way and the country's energy security is

covered by a broader portfolio of sources. Electricity will play a growingly more important role in the future, as fossil fuels in transport, heating and industrial production will be gradually replaced," CEZ's Ladislav Stepanek said.

CEZ shut down 1,965 MW of the oldest coal-fired sources during the 1990s. As a replacement for these sources, nuclear power plant Temelin was put into operation in 2020, the company noted.

In 1996, Dlouhe strane, the biggest pump storage plant in Czechia, was launched.

In 2014, the steam-gas power plant in Pocerady became the first large power plant using natural gas.

#### TATRA TRUCKS'S SALES – 29. 10.

Czech lorry manufacturer Tatra Trucks generated sales exceeding CZK3bn in the first three quarters of this year and posted operating profit EBITDA worth about CZK250m, the company said on its website without providing annual comparison.

Last year, Tatra showed operating loss of CZK69m at the EBITDA level and its sales amounted to CZK3.8bn.

The company plans EBITDA at CZK350m-CZK400m for this year.

According to executive director Pavel Lazar, the company has been successful this year mainly thanks to significant contracts it has gained.

In August, it signed a contract worth more than CZK0.5bn with the Defence Ministry. In addition, it continues supplying undercarriages for military applications to Brazil and is also working on a large contract for a Jordanese customer, the company said in a press release.

Under a contract with the Defence Ministry, Tatra is to supply the military with 31 heavy-duty off-road trucks modified to carry containers worth about CZK500m.

The manufacturer will also take part in the production of 62 Titus armoured vehicles featuring the Tatra chassis.

Tatra is also to supply 37 heavy-duty and 34 medium-duty lorries to the military in the next two years.

Tatra Trucks has over 1,000 employees and another 600 work at the subsidiary Tatra Metalurgie.

The majority owner is Czechoslovak Group of entrepreneur Michal Strnad.

Joint-stock company Tatra Trucks took over the Koprivnice-based lorry manufacturer in 2013.

Tatra Trucks makes both standard and customised vehicles.

This year, it plans to make 1,000 to 1,100 vehicles and sell 100 more. Last year, it produced 790 vehicles and sold 841. About 80% of the company's production is exported.

#### OWNER OF LIBERTY TO MERGE STEEL PLANTS – 29. 10.

British group GFG Alliance will merge its worldwide steel plants into one business, Liberty Steel Group, by the end of the year, with Czech steel maker Liberty Ostrava to form part of the new group, a spokesperson for the Czech firm told CTK today.

The group will operate in ten countries with a total headcount of some 30,000 employees, Barbora Cerna Dvorakova of Liberty Ostrava said in a press release, adding that Liberty Ostrava and its subsidiaries employ 6,300 people.

Liberty Steel Group will be the world's eighth largest steel producer outside China. Its production capacity will be 18

million tonnes of steel a year and its annual turnover will amount to some USD15bn (CZK350bn).

Individual businesses will continue to be highly autonomous but will have a unified strategy and prepare consolidated financial statements.

Liberty Steel Group wants to become the first carbon-neutral steel producer in the world by 2030, Cerna said.

As part of its greensteel strategy, the group seeks to recycle scrap steel and use renewable sources of energy.

The Czech plant is well situated for using scrap steel, Sanjeev Gupta, owner of GFG (Gupta Family Group) Alliance, said during his recent visit to Ostrava. Scrap supplies are reasonably priced here, he said.

The Ostrava plant has been part of Liberty Steel since this July, when the group acquired it from ArcelorMittal group of billionaire Lakshmi Mittal.

Liberty Ostrava produces steel for the building and engineering industries, supplying its products to more than 40 countries.

The firm produced 2.2 million tonnes of steel in 2018, generating net profit of CZK4.1bn, up by CZK946m year on year.

Liberty Ostrava has been operating at a lower capacity since mid-July due to expensive raw materials and steel imports from non-EU countries which it considers unfair. A portion of the workers who have used up their holiday are at home and getting lower wages.

#### KOYO BEARINGS REGISTERS GROWTH IN REVENUES – 30. 10.

Bearing producer Koyo Bearings Česká republika registered a growth in revenues by 4% y-o-y in the fiscal year 2018 (ending on March 31, 2019). The revenues have decreased by 2% since the beginning of the fiscal year 2019. The company expected a similar decrease also for the entire fiscal year of 2019. It is caused for instance by a slowdown of the global economic growth, an uncertainty in the international trade due to the trade war between the USA and China, and talks related with the Brexit. The company exports 98% of its production primarily to Germany and EU member states. It exports its products also to the USA, China, India, Japan, or Turkey.

#### ŠKODA AUTO'S 4<sup>TH</sup> GENERATION OF OCTAVIA – 30. 10.

Škoda Auto will introduce the 4th generation of the model OCTAVIA on November 11, 2011. The model has grown in size and it is longer and wider than its predecessor. Its boot is bigger too. The new ŠKODA OCTAVIA features modern TDI and TSI engines, an eco-friendly variant with CNG drive, plug-in hybrid variants and engines featuring mild-hybrid technology. The automaker will introduce to combi version at first. A liftback version of the model will follow few weeks later.

### INVESTMENTS & TRADE & SERVICES

#### PRAGUE RENTAL RATES HAVE RISEN – 25. 10.

Average monthly rents in Prague have increased nearly 50% in five years to CZK 307 per square metre, with an average annual growth rate of 7.3%, according to analysis by the consultancy Deloitte.

According to Deloitte, which compared advertised prices and actual transaction prices as recorded by the cadastral office since mid-2014, the greatest y-o-y increase came in 2017, when average rents rose by 12.5%.

The most expensive Prague districts in which to rent are those of Josefov, Malá Strana, Staré Město and Nové Město. The cheapest are Šeberov, Benice and Kolovraty.

#### WORLD BANK'S EASE OF DOING BUSINESS RANKING – 29. 10.

The CR has placed 41<sup>st</sup> on the World Bank's Ease of Doing Business ranking for 2019. New Zealand topped the list, followed by Singapore and Hong Kong.

A country's performance is judged on a variety of factors, and a higher ranking indicates better, usually simpler, regulations for businesses and stronger protections of property rights.

The CR excelled in conditions for foreign trade but did poorly as concerns excessive bureaucracy in starting a business and in gaining a construction permit where it placed 134<sup>th</sup> and 157<sup>th</sup> respectively.

#### ROHLIK.CZ'S OPERATOR UPS SALES – 29. 10.

Velka pecka, the operator of online food retailer Rohlik.cz, saw its sales rise annually by 62% to CZK2.4bn in the fiscal year starting in May 2018 and ending in April 2019, and for the first time since its establishment it posted a profit, which amounted to CZK108,000, according to the firm's annual reports for 2016-2018.

In the previous fiscal year, Velka pecka made a loss of CZK102m.

Owner Tomas Cupr has told CTK recently he would like this year's turnover to reach CZK4.5bn.

The e-shop expanded its food delivery services to further towns over the past fiscal year and started preparing its expansion to foreign markets. In December this year, it plans to launch deliveries to Budapest.

"We achieved growth gradually thanks to comprehensive building of the company over the past five years and we plan to increase our share on the online food sale market," Cupr told CTK in his comment on the annual report.

Besides Hungary, the company also wants to expand to Vienna next year and to Bucharest in the future.

#### ŠKODA AUTO'S OPERATING PROFIT UP – 30. 10.

Operating profit of Czech car maker Škoda Auto increased by 8.5% to EUR1.2bn (CZK30.7bn) in the first nine months of the year and its sales posted a rise of 17.6% to EUR14.8bn, parent firm Volkswagen (VW) said in a press release on the group's business results today.

VW attributed the growth in sales to takeover by Škoda Auto of regional responsibility for India within the group.

Higher costs, exchange rate development and higher input costs regarding new products were the negative factors but they were offset by higher revenues, better prices and offer optimisation.

The car maker said earlier it delivered 913,700 vehicles to customers in January to September, an annual drop of 2.7%, for which falling passenger car sales in China are to blame. Škoda Auto saw an annual rise of 4.4% on global markets except China in Q1-Q3.

### LABOUR & HEALTH & SOCIAL

#### HALF OF CZECHS WILLING TO MOVE FOR WORK – 28. 10.

About 50% of Czechs are willing to move for work, with career growth and work-life balance being the main arguments for 52% of respondents, according to a survey conducted by consulting firm Randstad.



A total of 43% of those polled would move for work only if offered a higher wage and 35% if they are offered a more meaningful job.

If offered a job abroad, most Czechs would prefer Germany, Austria and Slovakia.

Even though 61% of Czech employees are willing to commute if they have interesting work, they would still prefer working within a walking distance from their home if they could choose, the survey revealed.

Long commute ranks among the five main reasons for a job change, Randstad head Jacek Kowalak said.

Czech companies are trying to attract foreign employees at present. According to respondents, the reason lies in the shortage of workforce on the Czech labour market, not in a targeted effort to build ethnically diverse teams.

As many as 47% of respondents said they like to work with people from other cultures.

It is obvious that the main motivation for recruiting employees from abroad is the exhausted Czech labour market, Kowalak said.

In some sectors, foreigners already make up a significant percentage of staff. In spite of this, Czechia has the second lowest number of respondents who are glad to work with people from other countries. In addition, the willingness of Czechs to work abroad is tens of% lower than in neighbouring countries, Kowalak noted.

#### **TU, EMPLOYER FAIL TO AGREE ON MINIMUM WAGE – 29. 10.**

Trade unions and employers today failed to reach an agreement on how much the minimum wage should be raised next year, as unions demand a rise of CZK1,650 to CZK15,000, while companies would add CZK700 at the most, Confederation of Industry vice-president Jan Rafaj told CTK after both parties' talks today.

Even though both parties were willing to make concessions, an agreement was not reached, Rafaj said.

Labour and Social Affairs Minister Jana Malacova called on trade unions and employers to find consensus by the end of October.

"The difference (between the trade unions' idea and that of employers) is so huge that we will leave the issue up to politicians to make a decision," Rafaj said.

The government's task is to set the minimum wage by a decree based on an agreement between trade unions and employers.

Malacova has proposed to raise the minimum wage by CZK1,350, or about 10%, to CZK14,700.

Finance Minister Alena Schillerova, however, said earlier the minimum wage hike should keep up with the growth of other wages, which is slower.

According to Rafaj, trade unions and employers agree that the minimum wage hike should make up for the years when the minimum wage was staying unchanged. It was raised by CZK5 to CZK8,000 in January 2007. Next time, it was raised to CZK8,500 in July 2013. Since then, it has grown by CZK4,850.

Trade unions say that the growth of the minimum wage should not slow down as the amount is still very low in comparison with other EU countries.

The unions and employers may continue to seek agreement together with government representatives at the Tripartite board meeting due on Nov 18.

#### **CR RANKS 3RD IN EU WITH EMPLOYMENT RATE – 30. 10.**

The CR and other ten countries exceeded in 2Q 2019 EU's target of an average employment rate in EU member states at 75%. The CR also achieved its national target in the field of the employment of the age group 20-64 years. The information was provided by the Czech Statistical Office adding that the CR showed the lowest unemployment rate in EU. It reached 1.6% for men and 2.3% for women. The CR ranked third in EU with an employment rate in the group of people aged 20-64 years at 80.2%.

#### **MISCELLANEOUS**

#### **COMPANIES ANTICIPATE ECONOMIC IMPROVEMENT – 24. 10.**

The business sentiment index of small and medium-sized enterprises (SMEs) in the CR decreased. However, despite the risks arising from Brexit in terms of the number of orders, the volume of investments or staff recruiting for the next six months, domestic firms' expectations are higher. This stems from the SMEUnited data supplied by the Czech Chamber of Commerce (HK ČR). The EU-wide index rose by 0.5 points to 77.1. European companies' improved condition with regard to the territorial structure of Czech exports can boost demand for domestic products.

#### **SENATE COMMISSION INVITES PM FOR QUESTIONING – 24. 10.**

The Senate commission set up to assess the European Commission audits concerning Prime Minister Andrej Babiš's suspected conflict of interest says its initial findings suggest that this may be the case and has invited the prime minister for questioning.

The commission, headed by Zdeněk Nytra from the Civic Democrats' senators' group, does not have the status of an investigative body, but was set up to monitor developments in the case and guarantee objectivity.

The two EC audits, which are both preliminary, claim that the Czech prime minister has a conflict of interest due to continued influence on the agro-chemical business conglomerate Agrofert which he established and later put in trust funds in order to comply with a strict new conflict of interests law.

Prime Minister Babiš has denied any wrongdoing, saying he had fully adhered to Czech law.

#### **DAY IN MEMORY OF VICTIMS OF SOVIET-LED INVASION – 24. 10.**

The lower house of Parliament has passed a bill declaring August 21st a day in memory of the victims of the Soviet-led invasion of Czechoslovakia in 1968. The bill was supported by 130 out of 137 deputies present.

The Communist Party MPs present failed to support the bill, with the exception of Jiří Dolejš who said he was voting according to his conscience and regarded the invasion as „a terrible blow to the country“.

The bill will now go to the Senate for approval.

#### **'FICTITIOUS' HUNT FOR RUSSIAN, CHINESE SPIES – 25. 10.**

President Miloš Zeman says he will for a fourth time reject the government's proposal to promote Michal Koudelka, head of the national counter-intelligence agency (BIS), to the rank of general.

This spring, the Czech president objected to charges made in the BIS annual report that Russian and Chinese spies are

spreading disinformation and engaging in economic espionage in this country.

In his regular weekly interview on commercial station TV Barrandov, President Zeman said the BIS director should focus “real economic crime” in the CR rather than engaging in a “fictitious hunt for Russian and Chinese spies”.

Koudelka noted earlier this week that BIS had helped dismantled a spy network funded by the Russian Embassy in Prague.

#### CZECHOSLOVAK INDEPENDENCE DAY – 28. 10.

Czechs are celebrating the 101st anniversary of the founding of an independent state of Czechs and Slovaks on October 28, 1918.

The anniversary is being commemorated with a wreath-laying ceremony at the Tomb of the Unknown Soldier at Prague’s Vítkov Memorial, at the grave of the country’s co-founder and Czechoslovakia’s first president Tomáš Garrigue Masaryk at Lány near Prague and at Prague Castle where President Zeman is to hand out high state awards to leading personalities on Monday evening.

Among this year’s laureates are former president Václav Klaus, the last surviving Czech RAF pilot Emil Boček, ice hockey legend Jaromír Jágr, Škoda Favorit designer Petr Hrdlička, Serbian film director Emir Kusturica, the head of the Supreme Audit Office Miloslav Kalaš, or, in memoriam, Corporal Tomáš Procházka, who died last year while serving with the Czech military contingent in Afghanistan.

The anniversary is being marked around the country at landmarks linked to the founding of Czechoslovakia.

#### RULING ANO PARTY WOULD WIN IN ELECTIONS – 29. 10.

The ruling ANO party of Prime Minister Andrej Babis would win general elections by a large margin, according to an October poll conducted by the Median agency.

The Pirate Party would come second with 12.5% of the vote and the Civic Democrats would place third with 11.5%.

The Freedom and Direct Democracy Party would gain 8%, while the Social Democrats and Communist Party would get 7.5 and 7% respectively.

The only other party which stands a chance of crossing the 5% threshold needed to win seats in the lower house is TOP 09 with 6% support.

#### PM’S SUSPECTED CONFLICT OF INTEREST – 29. 10.

Senator Lukáš Wagenknecht from the Pirate Party has filed a complaint with the European Court of Justice regarding the fact that the European Council has not set down regulations which would prevent the presidents and prime ministers of member states holding office if they have a conflict of interest.

Senator Wagenknecht claims that the Czech prime minister’s suspected conflict of interest could cast doubt on the European Union budget.

The European Commission is expected to finalize a definitive audit into the Czech prime minister’s suspected conflict of interest in the coming days.

The Czech Minister for Regional Development Klára Dostálová told Czech Radio that if the audit confirmed its preliminary findings regarding an existing conflict of interest on the part of the Czech prime minister, the country would take the case to the European Court of Justice.

#### SENATE CHAIRMAN MEETS CHINESE AMBASSADOR – 29. 10.

Czech Senate chairman Jaroslav Kubera dismissed China’s criticism of his participation in the reception hosted by the Taiwanese permanent mission in Prague at his meeting with Zhang Jianmin, the Chinese ambassador to Prague, today.

Kubera (Civic Democrats, ODS) told Zhang that Beijing must respect the CR as a sovereign country and should refrain from approaching it from a power position or addressing threats to it.

China’s sensitiveness concerning the One China issue ensues from its apprehensions of a possible disintegration of the country, Kubera told journalists after the meeting.

He said he and Zhang exchanged opinions but no conclusion arose from their debate.

Zhang presented Beijing’s position on China’s integrity, Kubera said.

“More broadmindedness is needed on the part of China. We understand their position, but they must understand ours,” Kubera said.

#### CHINESE WILL NOT TO DRINK THE PRAGUE’S WINE – 29. 10.

“You’re so little generous that you may stop taking Prague ham and wine named Prague selection,” Kubera said to the Chinese ambassador.

#### PPF’S TAKEOVER OF CME ALSO POLITICAL – 29. 10.

The takeover of media group CME by financial group PPF of Czech billionaire Petr Kellner makes business sense but the reasons for it are also political, Czech dailies have said, adding that CME is the last major foreign owner of significant media to leave the Czech market.

Large Czech TV and radio stations, newspapers and websites are now only in the hands of local billionaires.

Kellner is building a strong telecommunications group which includes Telenor enterprises in Central and Eastern Europe and Czech mobile operator O2.

In recent years, it has not been uncommon for telecommunications giants to buy television stations, daily Denik said.

According to daily Hospodarske noviny, Kellner said in PPF’s latest annual report that the firm did not want to enter politics though it was sometimes suspected of doing so.

This is hard to believe, the daily said, given that PPF conducts strategic activities in the West as well as in China, its business finds favour with the Czech president’s circles and it has been a long-standing supporter of the Vaclav Klaus (ex-president) Institute.

A fight for control of the Czech politics has been underway among Czech billionaires unofficially for several years, a Denik commentator said.

By entering active politics, Andrej Babis has changed the rules of the game, the commentator added.

Prime Minister Andrej Babis formerly owned Agrofert group, which has controlled media group Mafra since 2013.

Babis transferred his businesses to trust funds in 2017 to meet the conflict of interest law.

#### MI PROPOSES ONE-DAY ELECTIONS – 29. 10.

The Ministry of Interior of the CR has prepared a brand new voting act. The proposed innovations include one-day elections, advance voting and the possibility of correspondence voting for expatriates abroad. It also counts

on the creation of an information system for managing elections. The new election management act was sent by the ministry into the comments proceeding on October 18, 2019.

**TOKYO OLYMPICS SET TO BE MOST COSTLY FOR CR- 30. 10.**

The Czech Olympic Committee says the country's participation in the Tokyo Olympics next year will be the most expensive ever. The Committee, which is currently discussing its budget for 2020, said the Czech party in Tokyo would number around 200.

The head of the Czech Olympic Committee, Jiří Kejval, said that while almost CZK 50 million had been earmarked three years ago to cover involvement in the 2020 Olympics, up to 20% more would now be required due to the increased cost of accommodation.

**LOCAL DOLLAR MILLIONAIRES EXPECT CRISIS – 30. 10.**

Dollar millionaires in the CR and Slovakia believe the next economic crisis is likely to arrive in two years or less, suggests the latest edition of the annual Wealth Report compiled by J&T Banka. One in 10 of those surveyed believe a crisis will come within the next 12 months. However, the respondents in the study do not expect the next economic downturn to have as much impact as the crash of 2008.

Hardly any of the 165 Czech and 117 Slovak clients of the bank with savings of at least CZK 23 million said they did not foresee an economic crisis within the next five years.

**CR RANKS 41ST IN CONDITIONS FOR BUSINESS – 30. 10.**

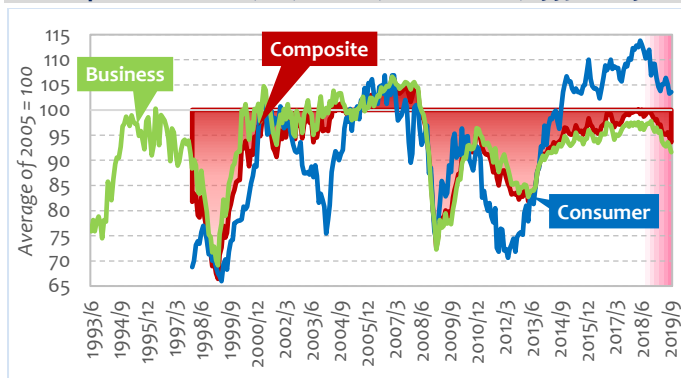
The CR ranked 41st in the global chart of conditions for business. Slovakia ranked 45th. New Zealand is the country with the best conditions for business. It is followed by Singapore and Hong-Kong. This stems from the annual report Doing Business 2020 published by the World Bank (SB).

**STATISTICS**

**BUSINESS CYCLE SURVEY – 24. 10.**

Overall confidence in economy decreased. The composite confidence indicator<sup>1</sup>, decreased by ▲1pps to 93.6 m-o-m. Business confidence decreased by ▲1.3pps to 91.6 compared to September. Consumer confidence indicator increased slightly by 0.3pps to 103.6, m-o-m. Composite confidence indicator, business confidence indicator and consumer confidence indicator are lower, compared to October 2018.

**Graph 1: Confidence, SA, Overall, Basic Indices, 1993 – 2019**

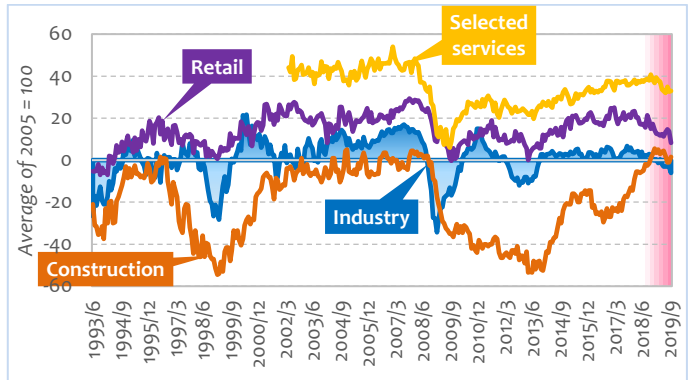


<sup>1</sup> economic sentiment indicator, stated by basic indices

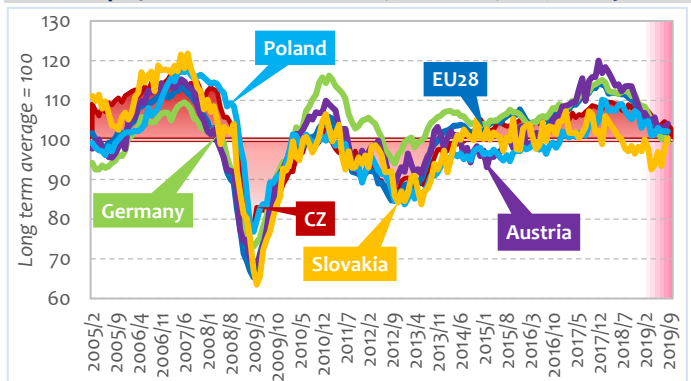
<sup>2</sup> h: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

<sup>3</sup> l: litre, is an SI accepted metric system unit of volume equal to 1 cubic decimetre (dm<sup>3</sup>), 1,000 cubic centimetres (cm<sup>3</sup>) or 1/1,000 cubic metre.

**Graph 2: Confidence Indicators, SA, Sectors, Balances, 1993 – 2019**



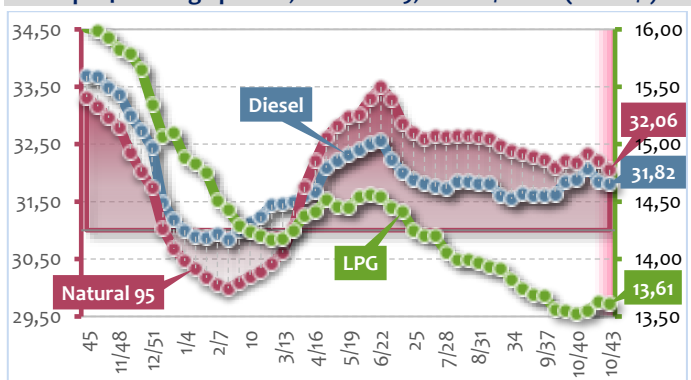
**Graph 3: Confidence Indicators, Countries, 2005 – 2019**



**FUEL PRICES – 25. 10.**

Natural 95 decreased by ▲16h<sup>2</sup> to CZK32.06/l<sup>3</sup> over the past week. Diesel oil decreased by ▲3h to CZK31.82/l.

**Graph 4: Average prices<sup>4</sup>, 2018 – 2019, Month/Week (in CZK/l)**



**Map 1: Regions, fuel prices, Natural 95, 27. 10. (in CZK/l)<sup>5</sup>**

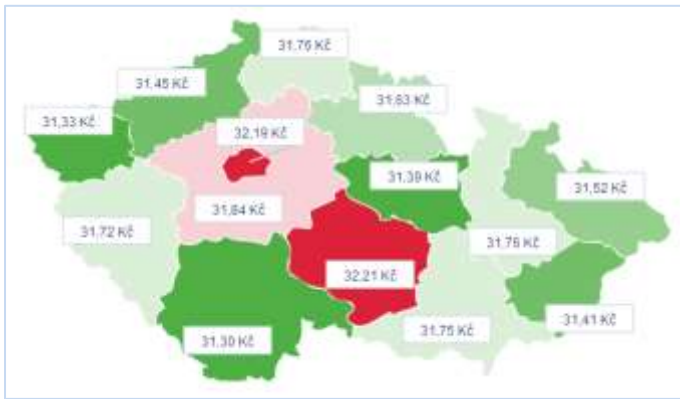


<sup>4</sup> Consumer price indices calculated from the weekly price survey are not qualitatively adjusted and thus do not express the net price development applied at inflation measurement, data issued by the CSO

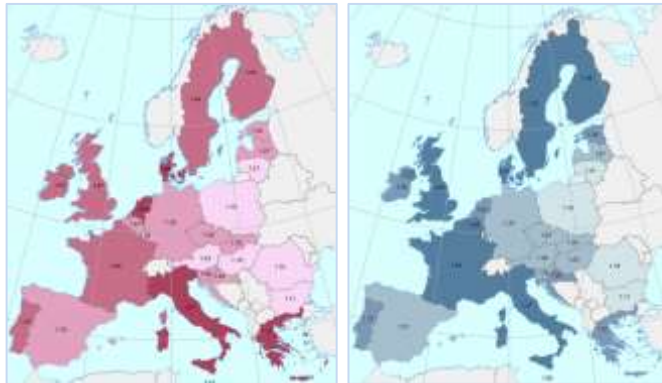
<sup>5</sup> data issued by the mBenzin.cz; <https://www.penize.cz/ceny-benzinu-a-ceny-nafty>



Map 2: Regions, fuel prices, Diesel, 27. 10. (in CZK/l)

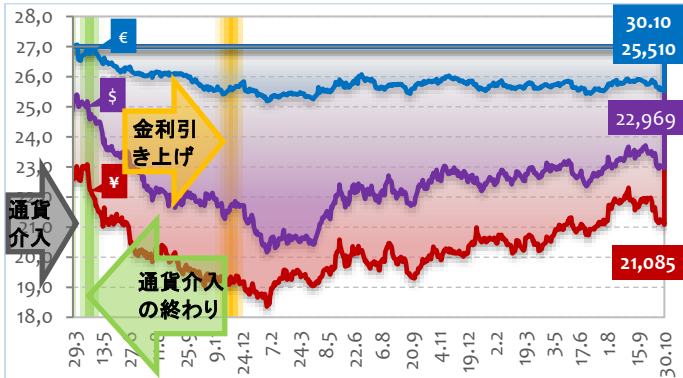


Map 3: EU, Average fuel prices, Natural 95, Diesel, 21. 10. (in €/l)<sup>6</sup>



CZK vs €, \$, ¥ – 30. 10.

Graph 5: Exchange rates, CZK/€, \$, 100¥, 29. 3. 2017 – 30. 10. 2019



<sup>6</sup> data issued by the EC; <https://ec.europa.eu/energy/en/data-analysis/weekly-oil-bulletin>

NEWS OUTSIDE OF THE GIVEN TIME SPAN

EXCERPT

- CCC, Czech Chamber of Commerce (HKČR, Hospodářská komora ČR); an organisation which represents the business community in the Czech Republic, its competencies are defined by Act No. 301/1992 Coll.
- Chamber of Deputies of the Parliament of the CR
- CIA News (Česká informační agentura Ltd.); a news agency, specialising in the CR's economy and markets. It is owned by Inergo Slovakia Jsc., owned by Emil Hubinák.
- CNB, CNB (Česká národní banka); is the central bank and financial market supervisor in the CR and a member of the European System of Central Banks.
- ČTK, Czech Press Agency (Česká tisková kancelář); a national news agency dealing with the gathering, processing, storing, and distributing of text and pictorial information. ČTK is a public corporation and is governed by the law on ČTK 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.



DailyN is a Czech independent daily founded in 2018. 66.7% of shares is held by investors who are founders of the Endowment Fund of Independent Journalism. A part of the shares is to be transferred to key daily employees within a few years.



M-Brain, News monitoring; is a global information, technology and consulting services company offering market and media monitoring, intelligence and analysis services and solutions.



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



MI, Ministry of the Interior of the Czech Republic (Ministerstvo vnitra České republiky)



MRD, Ministry of Regional Development of the Czech Republic (Ministerstvo regionálního rozvoje České republiky)



Office of the Government of the Czech Republic (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.