

## ECONOMIC NEWS SUMMARY JANUARY 16 – JANUARY 22

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### ECONOMY & FINANCE

#### STATE BANK TO SUPPORT SMALL FIRMS BY BUYING SMALL STAKES – 16.1.

Czech state-run guarantee and development bank CMZRB plans to support small and medium-sized enterprises through purchases of minority stakes in them for up to Kc340m, server E15.cz said today, referring to CMZRB CEO Jiri Jirasek. The bank will launch the project in the first half of this year, with the first stage of the investments taking two to three years.

CMZRB will buy the shares on the Start market of the Prague Stock Exchange (BCPP) via its subsidiary CMZRB investicni. Within the pilot project, the bank will spend Kc330-340m, which will be provided by the Industry Ministry. After the five to seven years, the bank will sell the stakes. CMZRB also supports small businesses by providing them with guarantees and advantageous loans.

#### FINMIN RECEIVED DIVIDEND EARNINGS OF CZK 10.31BN IN 2019 – 16.1.

Companies in which the Ministry of Finance of the Czech Republic exercises the state's shareholder rights paid out a total of CZK 10.31bn in dividends in 2019. This was confirmed for ČIANEWS by ministry spokeswoman Šárka Pavlasová. Group ČEZ accounted for the largest share of the total (CZK 7.61bn), followed by Český Aeroholding / Airport Prague (CZK 1.41bn). They were followed by ČEPRO (CZK 793.82m), MERO ČR (CZK 451.48m) and E.ON (CZK 30.09m).

#### SOME 647 MUNICIPALITIES USE CHANCE TO UP PROPERTY TAX THIS YEAR – 20.1.

Some 647 of the total of about 6,250 Czech municipalities have used the local coefficient to raise property tax this year, which is an increase from last year's 596 municipalities, according to data from the General Financial Directorate. Since 2009, it has been possible for municipalities to set their own coefficient within a range from 2 to 5. The tax can be raised for all property, except arable land, hop fields, vineyards, gardens, orchards and grassland. The property tax goes to the municipality which can thus raise its revenues. Like in previous years, most municipalities set their coefficient at 2 this year. The number of municipalities that set the coefficient at the highest value of 5 increased by 2 to 19.

Tax authorities collected a total of Kc10.93bn in property tax last year, compared with Kc10.83bn in 2018. The property tax is composed of a tax on land and a tax on buildings and flats. The tax is then multiplied by a coefficient that depends on the size of the municipality, or by a local coefficient.

#### GOVT OKS POINTS OF NATIONAL ECONOMIC STRATEGY UNTIL 2030 – 20.1.

The government today approved the points of the planned national economic strategy until 2030 in which it aims to interconnect science with trade and industry, Industry

Minister Karel Havlicek said at a press conference after the cabinet meeting.

The strategy takes inspiration from Scandinavian countries, the Netherlands, Switzerland and Ireland.

The document approved today precedes the strategy itself, which is to be submitted to the government by the end of June.

The strategy is to focus on eight main areas: industry, construction and raw materials, transport, energy, education and labour market, business and trade, research, development, innovations and digitisation, regions, countryside and agriculture, and health care.

The Industry and Trade Ministry says in the document its economic development goals until 2030 include the strengthening of the domestic sector, support of small and medium-sized enterprises, shifting to higher positions within the international division of labour and the international value chain, and increasing the quality of direct foreign investments.

The Czech economy should be geared towards lowering its material and energy intensity, support of entrepreneurship, innovations and circular economy, low-carbon technologies, robotisation and digitisation, and resilient and quality infrastructure, according to the document.

The main goal of the strategy is to make the Czech Republic one of the 20 most competitive economies of the world, in a chart compiled by the World Economic Forum, by 2030.

Last year, Czechia fell by three notches to the 32nd ranking in the chart, tightly ahead of Chile and Portugal.

The Czech Republic registered the worst ranking in 2013/2014, when it placed 46th.

Since 2015/2016 it has been staying around the 30th position.

#### CZECH MINISTER NOT WORRIED ABOUT US RETALIATION FOR DIGITAL TAX – 21.1.

Czech Finance Minister Alena Schillerova is not worried about the USA's retaliation for Czechia's digital tax, she said after today's meeting of EU finance ministers.

The Chamber of Deputies will start discussing the government's digital tax proposal next week, Schillerova said. On Monday, daily Hospodarske noviny reported, referring to a US government sources, that the USA threatened to respond to Czechia's 7 percent digital tax on global Internet giants like Google, Facebook, Amazon and Apple by imposing tariffs on Czech goods.

"If such a measure was taken against a member state, the European Commission would deal with it," Schillerova said. Schillerova said she did not expect anything like that happening and that she did not have any information about the USA's demands.

The tax would apply to Internet companies with global revenues exceeding EUR750m (Kc19.1bn) and annual Czech turnover of at least Kc100m. It should bring in about Kc5bn a year to the state budget, according to the Finance Ministry's estimates.

EU member states should push for a global digital tax deal within the OECD, Schillerova said today.

The tax would be valid for four years, but Czechia is ready to abolish it, if there is a global solution, Schillerova said.

**CTK No. OF CZECH FIRMS WITH OWNER IN TAX HAVEN LOWEST IN 9 YRS – 21.1.**

The number of Czech firms controlled from tax havens decreased by 703 to 12,102 by the end of last year, which was the lowest figure in nine years, consulting firm Bisnode said today.

The share of Czech companies controlled from tax havens reached 2.38 percent, compared with 2.59 percent in 2018. Owners from tax havens controlled Kc331.5bn worth of share capital in Czech firms, which was an annual rise from Kc326.6bn.

"The trend is clear. Tax havens are no longer sexy for Czech firms. They started withdrawing from them in 2015, and their leaving is intensifying," Bisnode analyst Petra Stepanova said. Over the past five years, the number of companies controlled from tax havens has dropped by 10 percent, she added. Most firms left the Netherlands (-272), the USA (-178) and Cyprus (-103).

On the other hand, Bermudas, Hong Kong, Liechtenstein and Malta recorded a rise in the number of Czech firms.

Tax haven is a country with low or no taxation of foreign companies with the goal of gaining foreign capital and making the country an important financial centre.

**No. of Czech companies with owners in tax havens**

Country	2019	2018	2017	2016
Bahamas	36	39	37	39
Belize	182	192	196	203
Bermudas	8	4	4	5
British Virgin Islands	315	355	384	414
Gibraltar	59	65	69	72
Guernsey (Great Britain)	16	16	23	25
Hong Kong	238	222	191	137
Jersey (Great Britain)	31	32	38	39
Cayman Islands	10	11	14	18
Cyprus	2,053	2,156	2,205	2,175
Liechtenstein	242	212	210	216
Luxembourg	818	887	929	968
Malta	314	306	302	259
Monaco	58	62	67	63
Marshall Islands	145	155	150	133
Dutch Antilles	9	9	9	13
Netherlands	3,365	3,637	3,755	3,912
Panama	229	234	224	239
Isle of Man	35	36	32	34
Republic of Seychelles	710	765	803	873
United Arab Emirates	358	361	342	313
USA	2,871	3,049	3,047	3,035
<b>Total</b>	<b>12,102</b>	<b>12,805</b>	<b>13,031</b>	<b>13,185</b>

**CTK TOTAL OF 29,781 FIRMS SET UP IN CZECHIA IN 2019 – 22.1.**

Czechia saw 29,781 new companies set up in 2019, which is the lowest number since 2017 but the third highest in ten years, according to data consulting company Bisnode released today.

The overall number of businesses in the country rose by 14,701 to 507,019 last year.

The ratio of new companies to shutdown businesses has been dropping for a few years and it reached record low, 1.98, in 2019, Bisnode analyst Petra Stepanova said, adding it was 2.46 in 2018 and 4.83 in 2014.

Companies that leave the market are those that are inactive or cannot compete, Stepanova said.

There was a drop in the number of new company registrations in the middle of 2019, which means this trend can be expected to continue, Stepanova said.

**CTK AVERAGE MORTGAGE INTEREST RATE DROPS TO 2.34 IN DEC – 22.1.**

The average mortgage interest rate in Czechia decreased to 2.34 percent in December from November's 2.35 percent, falling for the eleventh consecutive month, and the volume and number of mortgages granted also posted a drop, according to Fincentrum Hypoindex data.

The average interest rate hit its minimum in December 2016, when it was at 1.77 percent.

A total of 7,074 mortgages were provided in December, down by 231 month on month. Their volume amounted to almost Kc18bn in December against Kc18.3bn in the previous month.

The further drop in the average interest rate was not reflected in the number of mortgages taken out, Fincentrum & Swiss Life Select specialist Jiri Sykora said.

The volume is not falling as fast as the number of mortgages, he said. Thanks to this, the average loan taken out hit a new high of Kc2.544m, he added.

Interest rates have stopped falling and will now start growing again, said Raiffeisenbank mortgage loans head Milan Voldrich.

They may rise significantly beyond 2.5 percent in the first quarter of 2020, he added.

However, mortgage payments will only go up by tens of Czech crowns, or hundreds at maximum, Voldrich said.

Mortgages are unlikely to get any cheaper this year, Czech Fund analyst Lukas Kovanda said.

In addition, the Czech National Bank (CNB) will probably introduce stricter rules for taking out loans this year, he said. The CNB is likely to issue a recommendation that clients be only granted 70 percent of the property's value at most against the present 90 percent, he added.

Interest in mortgage loans will not wane as people will still want to buy homes, said Daniel Hornak of consulting firm bidli.

The December figure is a pleasant surprise, 4fin chief analyst Josef Rajdl said. December was the second best-performing month of 2019 in terms of volume, he said.

**AGRICULTURE & ENVIRONMENT**

**CTK BIRD FLU BACK IN CZECH REPUBLIC – 18.1.**

Bird flu reappeared in Czech Republic after a three-year pause in the form of its highly pathogenic type H5N8, not infectious for people, the State Veterinary Administration (SVS) said today.

The hotbed of the infection was recorded in a small poultry farm in the village Stepanov nad Svratkou in the Vysocina Region.

Water birds from the wild seem to have infected the poultry in question, the SVS said.

There were 12 hens in the infected flock, six of whom died within two days. There were also three ducks.

"In keeping with the valid legislation, the SVS has immediately taken measures to prevent further spread of the infection," SVS director Zbynek Semerad said.

"The remaining poultry at the farm will be culled and a three-kilometre protective perimeter will be delineated around the hotbed of the infection. There will be also a ten-kilometre supervision belt. Emergency veterinary measures were declared," he added.

In recent days and week, bird flu appeared in Hungary, Slovakia, Poland and Romania. It is of the same type H5N8. Immediately after the death of the poultry was announced by the breeder, vets sent the dead hens to the Prague State Veterinary Institute. Its experts confirmed the disease in all six of them.

"Along with the ministerial staff, we are ready to help the affected breeders with compensation for which they are eligible under law," Agriculture Minister Miroslav Toman (for Social Democrats, CSSD) said.

In the Czech Republic, bird flu broke out after ten years in 2017, hitting other European countries as well. Millions of birds had to be culled then, 98,000 of them in the Czech Republic.

#### **SZIF TO DISTRIBUTE CZK 213.7M AMONG YOUNG FARMERS – 21.1.**

The State Agricultural Intervention Fund (SZIF) has begun issuing decisions regarding the payment for young farmers. Within the framework of the 2019 Single Application, over 5,604 farmers applied for a subsidy and CZK 213.7m will be divided among them. The tariff is CZK 1,697.06 per hectare.

#### **SŽDC RENOVATES INFRASTRUCTURE FOR CZK 19.61BN – 21.1.**

In 2019, the Railway Infrastructure Administration (SŽDC) spent CZK 19.61bn on modernising railway infrastructure. The total invested amount grew CZK 600m y/y. Key construction projects started by the Railway Infrastructure Administration include electrification of the Uničov-Olomouc (CZK 4.8bn) and Šakvice-Hustopeče u Brno (CZK 1.7bn) routes, modernisation of the Soběslav-Doubí u Tábora (CZK 4.9bn) section on the fourth corridor, and optimisation of the Prague-Smíchov-Černošice (CZK 3.7bn) and Lysá nad Labem-Čelákovice (CZK 1.8bn) routes. A total of 91.2 km of renovated rail sections were commissioned.

### INDUSTRY & ENERGY & TRANSPORT

#### **SMARTWINGS GROUP SEES NO. OF PASSENGERS DROP TO 8.2 MIL. IN 2019 – 16.1.**

Smartwings Group, which includes Czech Airlines (CSA) and Smartwings, carried 8.2 million passengers in 2019, down by 7.9 percent annually, and saw the first drop in passenger numbers on record, which was due to the grounding of Boeing 737 MAX, the company said today.

The aircraft has been grounded globally since March 2019 following two tragic crashes.

Smartwings owns seven Boeing 737 MAX aircraft and was supposed to take over another 21 last year.

The grounding has significantly affected the group's ambitious plans for further development of services and fleet modernisation, Smartwings head Roman Vik said.

However, the group has been successful in minimising the impacts on its customers and the group's operation, he added.

Smartwings and CSA flew 2.92 and 2.55 million passengers on their regular services in 2019, respectively, which is a total annual drop of 3.3 percent.

The group's charter flights saw an even bigger drop. They carried 2.7 million passengers, down by 400,000 in annual terms.

The group additionally transported 1.4 million passengers on its planes for other carriers.

The group carried out 62,301 flights in 2019 to 410 destinations worldwide.

The average occupancy rate on regular flights was 81 percent for Smartwings and 77 percent for CSA.

Most passengers flew from Czechia to Paris, Antalya, Amsterdam, Hurghada and Tel Aviv.

Smartwings has been active on the market since 1997, operating under the name of Travel Service until 2018. It is a leader in charter flights in Czechia, Slovakia, Hungary and Poland.

The company generated a profit of Kc81.3m last year, which was transferred to retained earnings. It paid out no dividends to shareholders due to the Boeing 737 MAX issue.

Smartwings Group is a member of Unimex Group owned by entrepreneurs Jiri Simane and Jaromir Smejkal. Chinese investment firm Citic Europe holds an almost 50 percent share in the carrier.

#### **PRAGUE AIRPORT HANDLES RECORD 17.8 MIL. PASSENGERS IN 2019 – 16.1.**

The Vaclav Havel Airport Prague cleared 17.8 million passengers in 2019, which is almost one million more year on year and a new record, and it expects another hike in 2020, which means it would run over capacity, airport operator Letiste Praha said today.

Last year's growth of 6 percent exceeded the airport's expectation of 4 percent.

The number of passengers has been growing annually since 2013.

Reasons for the growth include the increasing number of long-haul flights and their capacities as well as growing capacities of flights to the most demanded European destinations, Letiste Praha board chairman Vaclav Rehor said. A total of 71 airlines flew regularly to 165 places from Prague last year, with the new destinations including Kazakhstan's Nur-Sultan and the Newark airport near New York.

The number of passengers on long-haul flights grew by 11 percent, and this year should follow the trend, adding flights to Chicago and Hanoi.

Last year, the biggest number of people, 2.1 million, travelled to Britain, followed by Italy, Russia, Spain and France.

London was the most popular destination with 1.35 million passengers from Prague. Other cities included Paris, Moscow, Amsterdam and Frankfurt.

Flights to Turkey's Antalya recorded a 41 percent annual hike in the number of passengers, which was the biggest growth reported.

The number of aircraft movements decreased year on year by 0.5 percent to 154,777 last year, which was because of larger planes and their higher occupancy rates.

August was the busiest month of the year, registering 1.99 million processed passengers.

The biggest daily number of passengers, 70,979, was recorded on June 28.

The airport plans several projects to deal with capacity issues this year. Apart from the smaller ones involving passenger and aircraft processing, there are also big projects like the expansion of Terminal 2 by 2028 and the construction of a parallel runway by 2025.

**REGIOJET TRANSPORTED 10.5M PASSENGERS, WILL LAUNCH NEW LINES – 16.1.**

In 2019 RegioJet trains transported more than 10.5m passengers on all of their routes. In a y/y comparison, their number increased by roughly 1 million. Long-distance trains on lines in the Czech Republic, Slovakia and Austria transported 6.5m passengers (+600,000). In 2020 the transporter is planning a further expansion on international and domestic routes. It will among other things launch a route to Budapest, which will connect the Hungarian metropolis with Prague and Vienna. There are also plans for new lines to Ukraine and Poland.

**VŠB-TUO AND TIMPLANT DEVELOPING NEW TITANIUM IMPLANTS – 16.1.**

The University of Mining - Technical University Ostrava (VŠB-TUO) and company Timplant are cooperating on a new technology of titanium implant treatment. The aim is to combine ultrafine-grained titanium and a unique surface finish that would lead to the development of a completely new type of implants with added properties. The project was launched in 2018 and should be completed in 2020. This was reported by the Technology Agency of the Czech Republic (TA ČR), which supported the research financially.

**MINISTRY PLANNING 400-KM MOTORWAY CIRCLE IN CTR BOHEMIA – 16.1.**

The Transport Ministry is preparing a new motorway construction strategy, envisaging to add another 400 km of motorways to the current plans, Transport minister Vladimír Kremlík told journalists today.

The additional new motorways would form a circle around Central Bohemia to relieve congested roads in the vicinity of Prague. The circle would be 442 km long, with 396 km presenting completely new sections, according to Kremlík.

The Road and Motorway Directorate (RSD) is currently working on a detailed study regarding the new plan, expecting to complete it by the end of 2021. The Transport Ministry will take further steps after assessing it, Kremlík said. Individual construction projects could start after 2030 and be completed by 2050, Kremlík said.

There are about 1,306 km of motorways in Czechia at present. The current plan envisages about 2,110 km, so some 800 km of motorways still remain to be built.

According to Kremlík, all fundamental parts of the remaining projects are to be launched within five years.

Last year, 34 km of new motorways were put into operation. This year, the state plans to open 21 km.

**CZECH PASSENGER CAR PRODUCTION DOWN BY 0.7 PCT IN 2019 – 16.1.**

Czechia's passenger car output dropped annually by 0.7 percent to 1,427,563 units in 2019, which was due to the global economic deterioration and other threats hanging over the industry, the Czech Automotive Industry Association said today.

Skoda Auto's production grew by 2.5 percent to 907,942 vehicles, which is a new high reached mainly thanks to European sales.

TPCA kept its output at 210,000 cars, while Hyundai saw a 9 percent drop to 309,500 units, which was related to the ix20 model being discontinued.

Sales of Czech-made passenger cars grew annually by 0.8 percent to 110,151 units, and exports fell by 0.8 percent to 1.321 million vehicles.

The strong and long boom has come to its end as the global economy, under the pressure of geopolitical uncertainties, is going through disruptive changes, Automotive Industry Association president Bohdan Wojnar said.

This year, there will be a turning point in the industry. Transformation to clean mobility will now more than ever require close cooperation of companies in the car and other industries and also the government's support, Wojnar said.

According to EY partner Petr Knap, a particularly notable decrease in output was registered by Hyundai's Nosovice plant. Skoda Auto, on the other hand, showed that it is able to compensate the outage on the Chinese market by European markets, he said.

The outlook of Czech final manufacturers for the years ahead looks good, particularly with regard to their product portfolio and the planned new models at TPCA and Hyundai, Knap said. The automotive sector is nevertheless undergoing a transition, and mass spread of electromobility may change the balance of power significantly, Knap said.

Bus output rose by 6.7 percent to 5,217 units. Iveco Czech Republic raised its production by 326 to 4,609 buses, and SOR made 573 units, which is the same amount year on year. Production of Jawa, Czechia's only motorbike maker, fell annually by about a third to 980 units.

Output of trailers and semi-trailers grew by 3.7 percent to 26,238 units. Sales abroad rose by 11 percent and sales at home stagnated.

Lorry makers operating in Czechia, Avia Motors and Tatra Trucks, do not publish their production figures.

**BABIŠ: CR WANTED MORE COAL PHASEOUT THAN CZK – 17.1.**

The proposed amount of CZK 14.7bn from the readied European transit fund for the compensation of the impacts of the termination of coal mining and combustion will certainly help domestic regions, but it does not fulfil Czech Republic's original ambitions. This was stated by PM Babiš on January 16, 2020 after negotiations with his V4 and Austria counterparts. Mr. Babiš said that CR will nonetheless still receive one of the largest contributions in the EU. Austrian Chancellor Sebastian Kurz added that he supported the creation of the fund, but its conditions should include a ban on disbursement for the support of nuclear energy.

**CTK SKODA AUTO MAINTAINS 20-PERCENT MARKET SHARE IN SLOVAKIA – 17.1.**

Czech car maker Skoda Auto maintained the position of the Slovak car market leader last year, its market share staying almost unchanged at 19.9 percent, significantly ahead of competitors, according to data from the Slovak Automotive Industry Association (ZAP).

Registration of Skoda cars in Slovakia increased by 4.42 percent yr/yr to 20,211.

Octavia and Fabia are the most popular Skoda models in Slovakia.

Volkswagen ranked second with 8,869 cars sold, followed by Hyundai, which sold 8,792 cars in the country.

A total of 101,568 cars were registered in Slovakia last year, exceeding the level of 100,000 for the first time ever.

**EBS DUKOVANY EXTENSION IS FALLING BEHIND THE ORIGINAL SCHEDULE – 20.1.**

The Ministry of Industry and Trade hopes that the state will conclude a framework agreement with CEZ on completion of the Dukovany Nuclear Power Plant by mid-year. The agreement was due to be signed last year. Among other things, it is still to be pre-negotiated in Brussels.

**CTK CZECH SOLAR MARKET GROWS BY 1 PCT IN 2019 – 20.1.**

Czechia's solar market grew by 1 percent in 2019, seeing more than 3,400 new solar power stations with a total output of over 25 megawatts (MW) installed against 11 MW in 2018, energy storage and photovoltaics association CAFT and the Chamber of Renewable Energy Sources said today.

An overwhelming majority was made up by rooftop panels installed by households and firms for own consumption, they said.

Czechia's installed solar capacity has been growing mildly in recent years. However, the annual increases are minimal compared to the 2009-2010 solar boom.

Czechia registered some 2,045 MW of installed capacity at the end of the third quarter of 2019, according to data of the Czech Energy Regulatory Office (ERU).

During the solar boom, the installed capacity went up more than four times in a year, from 465 MW at the end of 2009 to 1,959 MW in 2010.

After several years of stagnation, the sector was revived in 2016 thanks to subsidies under the New Green Savings Programme, the associations said.

The solar market's total annual turnover amounted to about Kc1.4bn in 2019 and the sector added some Kc200m to state coffers in value added tax, said representatives of firms selling and installing photovoltaics in Czechia.

The solar market is expected to see further growth this year, adding as much as 50-55 MW worth of new solar power stations, said CAFT chairman Ales Hradecky.

The market could see more than 100 MW of new solar power systems installed per year in 2021 and 2022, but it should manage more, Hradecky added.

According an analysis of Czechia's potential conducted by CAFT, between 400 and 500 MW of new solar power sources should be installed in Czechia every year under a mid-term cautious scenario.

Green energy sources have received financial aid of more than Kc40bn annually in recent years, with some Kc46.1bn paid out in 2018.

Total costs of renewable sources of energy will reach Kc1,000bn by 2030, according to the Supreme Audit Office.

Aid to subsidised energy sources could go up by 20-30 percent from 2021 onwards, said Industry and Trade Minister Karel Havlicek.

The state, which contributes about Kc27bn per year, should pay less, as should end consumers, who pay some Kc20bn.

Aid became a subject of controversy because of the 2009-2010 solar boom.

**CTK TRANSPORT AND INDUSTRY MINISTRIES HAVE MANY OVERLAPS – 21.1.**

The ministries of transport and industry have a lot of overlaps, so they can be headed by a single minister and can even be merged into one ministry in the future, Deputy Prime Minister and Industry Minister Karel Havlicek, who is to head both ministries, told CTK today.

Prime Minister Andrej Babis proposed to President Milos Zeman on Monday that he dismiss Vladimir Kremlík as transport minister over a managerial failure and replace him with Havlicek, who should head both ministries. Zeman has accepted the proposal.

Babis said Kremlík had failed as a manager in the case of the motorway e-vignettes e-shop and information system contract.

The State Transport Infrastructure Fund (SFDI) awarded the contract to the Asseco Central Europe company for Kc401m without organising a public award procedure. The opposition as well as Babis have criticised the price of the contract as well as the way it was awarded.

The organisers of a public hackathon in which programmers will create an e-vignette e-shop for free over the forthcoming weekend will offer the result to the government on January 27, organiser and IT entrepreneur Tomas Vondracek said today.

Havlicek is to be appointed as transport minister after Babis returns from a business trip to Israel on Friday.

Havlicek said he planned to build a strong team of deputy ministers and experts at the Transport Ministry and to strengthen the ministry's marketing.

According to Babis, there are big synergies between both ministries and the goal is to build two strong ministries or to merge them into one ministry of the economy.

Overlaps can be found particularly in the areas of construction, building of infrastructure for the car industry, energy and water energy projects, the space and aircraft industries, and in telematics and telecommunications, Havlicek said.

Babis has also said deputy transport minister Tomas Cocek and SFDI head Zbynek Horelica should consider their resignation.

Horelica and Cocek said today that they first wanted to discuss the e-shop project with the new minister who would then decide about the course of action.

Several people have been dealing with the contract intensively and the result will be known in a few hours or days, Havlicek told Czech Television.

Babis said today he could imagine merging ministries of industry and trade, transport and regional development, and that it would also be logical to merge the labour and social affairs and health ministries.

Regional Development Minister Klara Dostalova said that services for municipalities and regions and other activities of the ministry, involving public procurement, property market and EU funds absorption, would have to be preserved, if a merger were to occur.

**ŘSD TO COMPLETE D11 TO POLISH BORDER IN 2028 – 21.1.**

The Road and Motorway Directorate (ŘSD) estimates the end of the completion of the D11 motorway from Jaroměř to the border with Poland to 2028. This information was provided by the Hradec Králové Region. The 40.8-km-long section is divided into two parts. Currently, ŘSD is trying to get a zoning decision for both construction projects. The Polish will get to the border with the S3 expressway in 2023. The D11 motorway between Hradec Králové and Jaroměř should be commissioned in 2022.

**HAVLICEK TO HEAD TRANSPORT SECTOR TILL GOVERNMENT TERM'S END – 22.1.**

Industry and Trade Minister and Deputy PM Karel Havlicek (for ANO) will head the transport sector till the end of this government, Prime Minister Andrej Babis confirmed to reporters before his departure for Israel this morning.

The merger of the industry and trade and transport ministries is not on the agenda of the day, Babis added.

Babis proposed to President Milos Zeman on Monday that he dismiss Vladimir Kremlík (for ANO), as he had failed as a manager in the case of the motorway vignettes e-shop and information system contract, and appoint Havlicek to the post. Zeman said he agreed with the government reshuffle. Zeman will appoint Havlicek as the new transport minister on Friday.

"It is not temporary, Havlicek will stay in the post till the end of this government if I am the prime minister," Babis told reporters today.

He added that he was personally supervising the transport sector.

The merger of both ministries is not on the table now, Babis also said.

"No one is going to merge the ministries, but their management will be in this way (Havlicek heading both), and I think this is good," Babis said, stressing there are important synergies between both ministries.

Babis talked about a possible merger of the ministries on Tuesday.

He said he can imagine a merger of the industry and trade, transport and regional development ministries into one office, and that it would also be logical to merge the labour and social affairs and health ministries.

**MINISTER HAVLÍČEK TO MANAGE MINISTRY OF TRANSPORT ON JAN 24 – 22.1.**

Czech Vice-PM and Minister of Industry and Trade Karel Havlíček (for ANO) will start managing the Ministry of Transport of the Czech Republic on January 24, 2020. He replaces removed Vladimír Kremlík (for ANO). According to Czech PM Andrej Babiš (ANO), the management of both ministries by one minister was a step to their future merger.

**INVESTMENTS & TRADE & SERVICES**

**CR SHOWS 4TH HIGHEST EXPORTS OF SKI – 20.1.**

The Czech Republic ranks fourth in the exports of skis in Europe thanks to exports in the value of nearly EUR 50m. The first three positions are occupied by Germany, France and Austria. The Czech Republic ranks fifth (EUR 13.2m) in the field of exports of helmets, gloves, and poles. In the global point of view, the Czech economy ranks fifth in the segment of exports of ski bindings. This stems from data provided by the analytic project Česko v datech.

**ČESKÁ ZBROJOVKA TO INVEST HUNDREDS OF MILLIONS OF CZK – 20.1.**

Česká zbrojovka's investment plan copes in 2020 with expenditures in the amount of CZK 461.35m. The company will invest CZK 500m in 2021. The investment will then grow by CZK 50m/year up to CZK 650m in 2024. This stems from the update of Česká zbrojovka's strategic framework for years 2020-2024 approved by the general meeting of the company at the end of 2019. The company plans a net turnover in the amount of nearly CZK 4.8bn and a business result totalling CZK 745.7m for 2020. The number of manufactured arms will likely grow to 364,597 from 325,555 in 2019. This involves handguns (194,752), military weapons (73,529) and small-calibre rifles (64,213). The company plans to gradually raise its production up to 394,200 arms in 2024.

**LABOUR & HEALTH & SOCIAL**

**NO. OF FOREIGN WORKERS RISES IN CZECHIA, EXCEEDS 13% IN MID-2019 – 16.1.**

Czechia is becoming more reliant on foreign workers, seeing their share grow to 12.4 percent in 2018 and exceed 13 percent in mid-2019 against 6 percent in 2010, Czech Statistical Office (CSU) expert Jarmila Maresova said today. Most foreign workers come from Ukraine, Slovakia and Vietnam, with Russians, Poles, Bulgarians and Romanians also accounting for a significant share, Maresova said.

Foreign nationals registered in Czechia numbered 567,000 at the end of 2018, with almost 290,000 of them having permanent residence, 275,000 temporary residence and 2,500 being granted asylum.

Some 60 percent of foreign nationals from countries outside the EU have permanent residence, with temporary residence prevailing among EU nationals.

"The massive economic migration driven by a shortage of workers has been rising recently, mainly from EU countries" Maresova said.

Thanks to a smaller administrative burden, EU nationals, mainly from Eastern Europe, are squeezing out workers from countries outside the EU, she added.

Ukrainians are an exception and have seen a steep rise in the number of arrivals lately, she said.

While temporary residence is closely connected to moving abroad for work and demand for workers, the number of permanent residents has been growing steadily. It exceeded 150,000 in 2007 and is currently nearing 300,000 registered persons.

EU nationals make up almost two-thirds of foreign employees.

CTK COUNCIL FOR EU FUNDS CAN BE HEADED BY OTHER MINISTER  
THAN PM – 21.1.

The economic cycle mostly affects the number of Ukrainian workers, said Dalibor Holy, head of the CSU's labour market and equal opportunities statistics department.

It dropped from 81,000 to 35,000 during the 2008-2011 crisis, but has been growing fast since 2015 and reached 121,000 people in 2018, he said.

The rapidly growing numbers of Romanians, Bulgarians and Hungarians, who are all EU nationals, are also a new feature, he added.

Foreigners in Czechia are mostly in the 30-40 age group. The share of foreigners in the over-65 category is only 5.4 percent. The highest percentage of foreign nationals (29.5) are employed in industry, followed by administrative and support staff including agency employees (17.6).

Workers in wholesale and retail account for 10 percent of total foreign workforce and those in construction for slightly over 9 percent.

No significant differences exist among blue-collar workers in earnings based on nationality. If any, they are due to foreigners working more overtime hours.

This shows workers in Czechia are not discriminated based on their nationality with regard to wage, said Dalibor Holy.

In fact, foreign nationals can receive significantly higher pay among highly-qualified workers, he said.

This specifically applies to the information and communications sector, where the average gross wage of a small group of Bulgarians and Romanians amounts to as much as Kc65,000, he added.

Last year, the Czech Chamber of Commerce processed more than 3,000 applications made by firms under the government-regulated programme for fast-track recruitment of skilled labour from abroad, the chamber told CTK today.

The applications were made for 15,400 employees from Ukraine and 1,375 employees from other countries, such as Belarus, Mongolia, the Philippines, Serbia, Moldova, India and Kazakhstan, the chamber said.

MISCELLANEOUS

CTK SENATE CHAIRMAN JAROSLAV KUBERA DIES – 20.1.

Jaroslav Kubera (Civic Democrats, ODS), the chairman of the Senate, the upper house of Czech parliament, and a long-term mayor of Teplice died in this North Bohemian town all of a sudden today at the age of 72 years, Senate press secretary Sue Nguyen has told CTK.

The cause of death were health troubles, she said without elaborating.

According to CTK sources, Kubera suffered from nausea in his senator's office in Teplice this morning and he died after the transport to hospital.

ODS deputy chairman and senator group head Milos Vystrcil announced the death of Kubera, one of the most distinctive faces of the senior opposition ODS, on Twitter at noon.

Kubera was famous for his sometimes controversial statements, in which he did not mince his words. He was mainly critical of the EU functioning, subsidies, feminists and environmental movements.

Kubera was the mayor of Teplice from 1994 till 2018 and a senator from 2000. He became a Senate deputy head in 2016 and two years later, he was elected its chairman.

The Czech Chamber of Deputies passed again the bill enabling the Government Council for the EU Structural and Investment Funds to be headed by other minister than the prime minister, and refused the Senate's proposal that the conditions of the Council membership be toughened.

If President Milos Zeman adds his signature to the bill, which is a draft amendment to the regional development law, the Council will be headed by another member of the government than PM Andrej Babis (ANO).

The amendment reacts to the suspected conflict of interest Babis faced as the Council head and the beneficiary of the EU-subsidised giant Agrofert holding.

The Senate, the upper house of parliament, wanted the amendment to explicitly say that none of the Council members must be in a conflict of interest as defined by the relevant EU directive.

Regional Development Minister Klara Dostalova (for ANO), however, said such a formulation would be redundant, since the EU conflict of interest directive automatically applies to all state bodies.

Acting on the European Commission's recommendation, Babis withdrew from the Council and stopped attending its meetings "out of cautiousness" one year ago.

He did so after the European Parliament criticised his suspected conflict of interest.

The Council is the government's advisory body, while the decisions on the distribution of subsidies are made by the government. Critics say the above amendment will not solve the problem and Babis will further be able to influence the granting of subsidies, also to Agrofert, which he owned before placing it in trust funds in compliance with the then new Czech conflict of interest law in 2017.

The Government Council for the EU Funds has been vacant for one year because the valid law does not enable it to be headed by anyone else but the prime minister.

In mid-December, the EP passed a resolution calling on the European Commission to take steps over Babis's suspected conflict of interest. An EC audit, too, has been checking the suspicion.

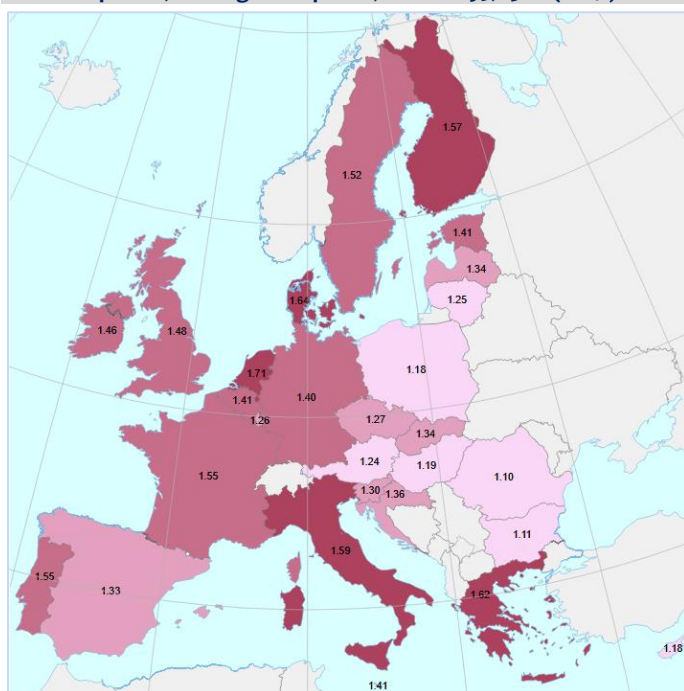
Babis dismisses any conflict of interest on his part, arguing that he has no influence on Agrofert any more.

Agrofert is the number one company in Czech agriculture and food industry. According to its annual reports, it gained 1.95 billion crowns worth of subsidies in 2018 and 1.5 billion in 2017. Babis was Czech finance minister in 2014-17 and has been prime minister since 2017.

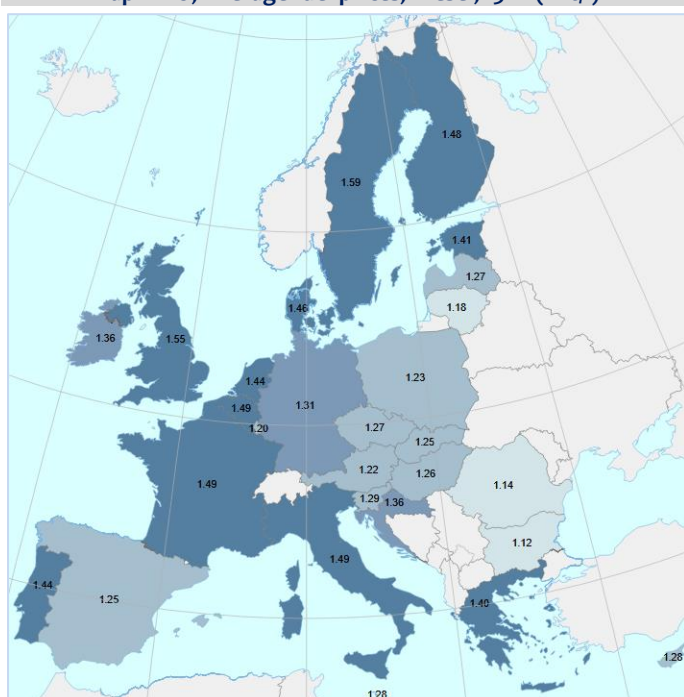
STATISTICS

FUEL PRICES IN THE EU – 13.1.

Map 1: EU, Average fuel prices, Natural 95, 13.1. (in €/l)<sup>1</sup>



Map 2: EU, Average fuel prices, Diesel, 13.1. (in €/l)



PRODUCER PRICE INDICES: DECEMBER 2019 – 16.1.

**Industrial producer prices grew by 2.6% y-o-y in 2019. Agricultural producer prices (+0.6%), industrial producer prices (+0.1%) and construction work prices (+0.2%) went up, month-on-month (m-o-m). Service producer prices in the business sphere went down by 0.2%. From the year-on-year perspective, agricultural producer prices decreased by 3.7%. Industrial producer prices (+2.1%), construction work prices (+4.6%) and service producer prices in the business sphere (+2.4%) increased.**

In comparison with the year 2018, on average for the whole year 2019 prices of agricultural producers (+4.9%) and construction works (+4.6%) grew. Prices of industrial producers and market services for businesses were both higher by 2.6%.

**Month-on-month comparison**

Agricultural producer prices rose by 0.6%. Prices of fruit (+8.7%), pigs for slaughter and eggs (+4.9% both), oleaginous crops (+1.5%) and milk (+1.4%) went up. Prices of vegetables (-4.8%) and poultry (-2.7%) went down.

Prices of industrial producers were higher by 0.1%. Prices rose in ‘food products, beverages, tobacco’ (+0.7%), thereof ‘preserved meat and meat products’ (+3.4%). On the increase were also prices in ‘chemicals and chemical products’ (+0.8%) and ‘mining and quarrying’ (+0.4%). Prices fell in ‘basic metals, fabricated metal products’ and ‘rubber and plastic products, other non-metallic mineral products’ (-0.2% both).

According to an estimate, construction work prices were higher by 0.2% and prices of construction material and products input were lower by 0.2%.

Service producer prices in the business sphere fell by 0.2%. Prices for ‘advertising and market research services’ (-4.6%) and ‘employment services’ (-1.8%) decreased. On the increase were price of ‘architectural and engineering services’ (+1.3%) and ‘management consulting services’ (+0.9%). Prices of ‘financial services, except insurance and pension funding’ and ‘computer programming, consultancy and related services’ were both higher by 0.6%. Service producer prices in the business sphere, excluding advertising services rose by 0.2%.

**Year-on-year comparison**

Agricultural producer prices fell by 3.7% (in November they decreased by 2.1%). Prices in the crop production dropped by 10.2%. On the decrease were prices of vegetables by 31.5%, cereals by 11.2% and oleaginous crops by 4.1%. Prices of fruit (+62.7%) and potatoes (+0.7%) grew. Prices of animal products rose by 5.8%. Prices of pigs for slaughter (+38.1%) and eggs (+6.3%) went up. Prices for cattle for slaughter (-1.1%) and milk (-1.5%) went down.

Prices of industrial producers were higher by 2.1% (+0.9% in November). Prices grew in ‘electricity, gas, steam and air conditioning’ (+8.8%), thereof ‘electricity, transmission and distribution services’ (+11.7%). Prices were higher in ‘food products, beverages, tobacco’ (+4.2%), thereof ‘preserved meat and meat products’ (+14.5%). Prices increased in ‘furniture, other manufactured products’ (+4.7%) and ‘mining and quarrying’ (+4.3%). Prices rose also in ‘coke, refined petroleum products’. Lower were prices in ‘basic metals, fabricated metal products’ (-2.3%), ‘transport equipment’ (-1.1%) and ‘chemicals and chemical products’ (-3.5%).

Among the main industrial groupings, prices of ‘energy’ (+6.8%) were higher especially.

According to an estimate, construction work prices rose by 4.6% (in November they increased by 4.7%) and prices for construction material and products input grew by 1.2% (the same way as in November).

Service producer prices in the business sphere were higher by 2.4% (in November they increased by 2.2%). Prices for ‘employment services’ (+7.7%), ‘computer programming, consultancy and related services’ (+5.2%), ‘advertising and

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



market research services' (+4.6%), 'information services' (+3.9%) and 'rental and leasing services' (+3.7%) went up. Furthermore, prices were higher for 'management consulting services' (+2.9%) and 'land transport services' (+2.3%). Prices of 'warehousing and support services for transportation' were lower by 1.2%. Service producer prices in the business sphere, excluding advertising services, grew by 2.2% (in November they increased by 2.0%).

#### Producer prices in 2019

In comparison to 2018, agricultural producer prices in 2019 were higher by 4.9% on average (+0.1% in 2018). Prices of crop products grew by 5.9% and prices of animal products went up by 3.9%. Prices of potatoes (+37.3%), fruit (+12.2%), fresh vegetables (+7.1%), cereals (+6.4%) and oleaginous crops (+5.4%) were higher. Among animal products prices increases were recorded in pigs for slaughter (+16.6%), milk (+2.7%) and poultry (+2.2%). On the decrease were prices of cattle for slaughter (-2.7%) and eggs (-6.6%).

Prices of industrial producers increased on average by 2.6% in 2019 y-o-y (+2.0% in 2018). Prices rose in 'electricity, gas, steam and air conditioning' (+8.0%), thereof 'electricity, transmission and distribution services' (+10.6%). Prices were higher in 'mining and quarrying' (+6.4%), 'furniture, other manufactured products' (+4.3%) and 'rubber and plastic products, other non-metallic mineral products' (+2.9%). Prices went up in 'food products, beverages, tobacco' (+3.5%), thereof 'preserved meat and meat products' (+7.0%) and 'grain mill products, starches and starch products' (+6.4%). Lower were prices in 'coke, refined petroleum'. On the decrease were also prices in 'chemicals and chemical products' (-1.6%).

According to an estimate, construction work prices went up by 4.6% y-o-y (+3.2% in 2018 after the specification). Construction material input prices rose by 3.4% on average for the whole year 2019 (+3.5% in 2018).

Prices of market services for businesses went up by 2.6% (+1.8% in 2018). Increasing were prices of 'employment services' (+9.2%), 'insurance, reinsurance and pension funding services, except compulsory social security' (+6.5%), 'advertising and market research services' (+4.5%), 'postal and courier services' (+3.8%), 'land transport services' (+2.4%) and 'architectural and engineering services' (+1.2%). On the decrease were prices in 'warehousing and support services for transportation' (-1.5%). Market services prices excluding advertising services increased by 2.4% (+1.8% in 2018).

Industrial producer prices in the EU – November 2019 (preliminary data)

According to the Eurostat News Releases, industrial producer prices increased in November by 0.1% (remained stable in October) in EU28, month-on-month. The highest increase was recorded in Greece (+3.4%). Prices were higher in Austria (+0.3%) and Slovakia (+0.1%), remained stable in Germany and Poland and fell in the Czech Republic (-0.1%). The largest decrease was observed in Portugal (-0.9%).

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



NEWS OUTSIDE OF THE GIVEN TIME SPAN

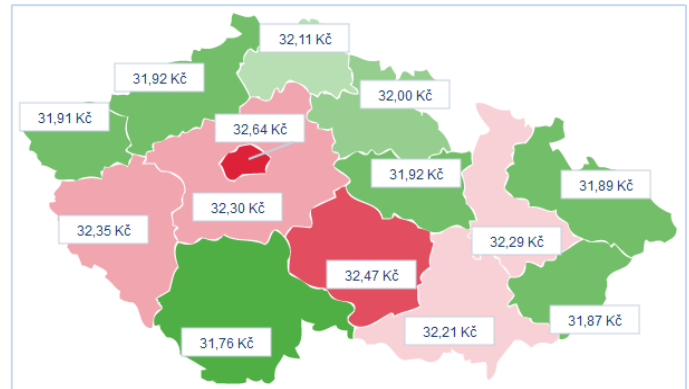


CIA News (Česká informační agentura Ltd.); a news agency, specialising in the CR's economy and markets. It is owned by Inergo Slovakia Jsc., owned by Emil Hubinák.

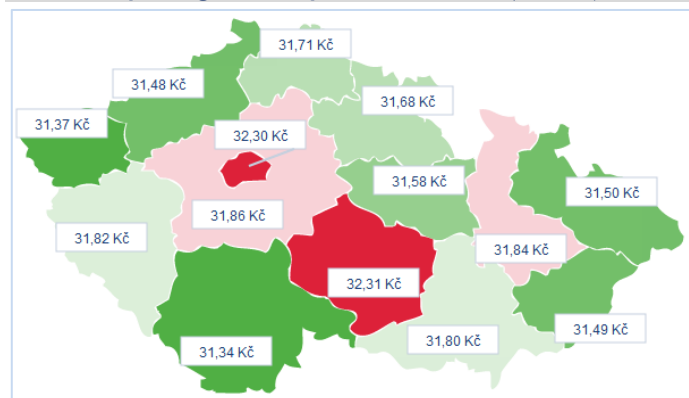
Industrial producer prices were lower in November by 1.0% (-1.6% in October) in EU28, year-on-year. The largest decrease was observed in Denmark (-4.8%). Prices were lower in Austria (-1.5%) and Germany (-0.4%) and were higher in Slovakia (+1.2%), the Czech Republic (+0.9%) and Poland (+0.5%). The highest increase was recorded in Bulgaria (+4.0%).

#### FUEL PRICES IN THE CR – 19. 1.

Map 3: Regions, fuel prices, Natural 95, 19. 1. (in CZK/l) <sup>2</sup>

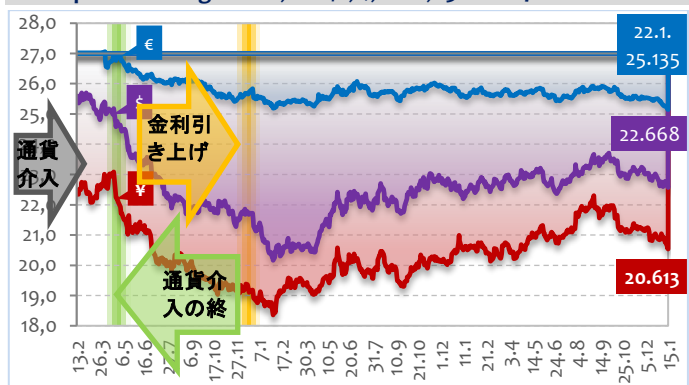


Map 4: Regions, fuel prices, Diesel, 19. 1. (in CZK/l)



#### CZK VS €, \$, ¥ – 22. 1.

Graph 1: Exchange rates, CZK/€, \$, ¥, 100¥, 13. 2. 2017 – 22. 1. 2020



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. E15.cz Daily; is published by Czech Media Center, a company that focuses on the acquisition and management of media assets in Central and Western Europe. It is owned by Daniel Křetínský, Patrik Tkáč and Roman Korbačka.



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