

チェコ経済月報(1月-12月)

主な動きⁱ

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- Jan 1** The new year will bring a series of legislative changes, among them a higher minimal wage, tax advantages for families with children, a tougher environment law which will enable the authorities to check what people are burning in their stoves, higher wages for health workers and higher pensions. The year will also see the introduction of a tougher new smoking law in May, the 2nd and 3rd phase of the law on EET and a tougher law on conflict of interest.
- 3** The CR's state budget for 2016 ended with a surplus of CZK61.8bn. That was the best result since the foundation of the CR in 1993 and the 1st time revenues had exceeded expenditures since 1995.
- 4** The first cases of avian influenza in the CR have been declared after a gap of around 10 years. The MA Minister has said that it could have been expected in the CR since most neighbouring states had already announced cases.
Fire brigades attended 16,650 fires in the CR last year. That is around 3,500 cases less than 2015. 109 people died in fires, 6 less than the toll for the previous year. But the material damage in 2016 was a lot higher coming to a total of around CZK3.2bn.
- 5** The ME will draft a plan to tackle light pollution in the CR. The proposal containing measures to reduce light pollution will be submitted to the government by the end of this summer. Night-time lighting prevents astronomers from observing stars but it can also cause various health problems, including near sightedness and insomnia. Experts say light pollution in the CR has significantly worsened over the past 50 years.
Over 900 companies filed for bankruptcy in 2016, 97 less than in the previous year. It is the 1st time in 8 years the figure dropped below 1,000. The number of personal bankruptcies also dropped for the first time since 2008 to 7,022 cases, 945 less than in the previous year. The highest number of bankruptcies was filed in Prague and South Moravia.
Sales of new passenger cars in the CR rose by 12.5% last year, the CIA announced. Close to 260,000 vehicles were sold in the CR in 2016 and the number is expected to rise even further this year. Škoda Auto remains the leader on the domestic market with a 30% market share. Last year, its sales increased by over 11% to 82,000 vehicles.
- 6** Intervention by the CNB to keep the CZK low against € reduced in November compared to the previous month. The bank intervened by CZK14bn. In October, the intervention volume reached CZK107bn, the 2nd highest monthly total since the low crown regime was launched at the end of 2013. The CNB expects to pull out of the low crown regime from the middle of this year. The CNB announced that its € reserves climbed by €21.7bn in 2016.
The CR's trade surplus in November rose to CZK10.8bn, an increase of CZK1.1bn on the same month in 2015. The surplus for the first 11 months of the year now stands at CZK190bn, around CZK58bn more than during the same period in 2015. The CR faced a bigger bill for imported oil and a slowdown in the rate of increased production of cars and other transport equipment during the month.
Output in construction was down 2.3% in November 2015. But the number of building permits climbed by 5.7% and the value of construction projects in the pipeline was up by just over 18%. The total of new dwellings launched was up by a 1/3 compared with the previous period and dwellings completed up by almost 10%.
Industrial production bounced back in November with an overall rise in output of 7%. When adjusted for the number of working days, the rise falls back to 4.5%. Production of cars and other transport equipment rose by just over 15% but there was also an 8.5% decrease in production of pharmaceutical drugs. The value of new orders rose by 10.7% compared with the same month a year earlier. And the industrial workforce in firms with more than 50 workers rose by 2.1% on November 2015.
- 8** The Czech authorities saw increased receipts in all forms of taxation last year. VAT receipts reached nearly CZK350bn in 2016, an increase of CZK18bn y-o-y. Income tax jumped by CZK17bn to CZK164.7. The tax authorities have also seen higher company tax and levies from lotteries.
- 10** Consumer prices in the CR grew by 0.7% in 2016, according to the CSO. That was the highest rate of inflation in 3 years. In 2015 consumer prices rose by 0.3%. In December they climbed by 2% y-o-y from the 1.5% seen in November.

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- Jan 10** The total volume of mortgage loans such for 2016 is estimated at CZK225bn, an increase of 22% on the previous year. The growth is attributed to the healthy economy, long-term low interest rates and new legislation concerning consumer borrowing that took effect at the start of December.
- 11** The ChD overturned President Zeman's veto of a conflict of interests bill designed to reign in potential conflicts of interests among public officials. The bill would ban ministers from media ownership and would bar companies where ministers have more than a 25% stake from receiving state subsidies, taking part in public tenders and accessing investment aid.
- 12** A total of 464,700 foreigners resided in the CR legally in 2015, the highest number since the CR was established in 1993, the CSO reported. The number of foreigners with permanent residence, that is people who remain in the country for more than 5 years, is also on the rise. The majority of them came from EU countries. Ukrainians are the biggest group of foreigners in the CR, making up 23 % of all foreign residents, followed by Slovaks 22%, and Vietnamese nationals, who account for 12%, 8% come from Russia, 5% from Germany and 4% from Poland. Since 2004, the number of foreigners residing in the CR has almost doubled.
- The time Czechs spend in retirement has increased by an average of 4 years since the year 2000, according to the CSSA. In 2015, the average time spent in retirement was 24 years. This is connected with growing life expectancy. According to the CSO, the lifespan has increased by more than 4 years in Czech men and 3 years in women since the beginning of the millennium. At present, women spend an average of 27.5 years in retirement and men around 19 years. According to the pension committee of the MLSA, a person should spend about 1/4 of their lives in retirement.
- 15** A new nuclear power law which took effect in 2017 has tightened security at the CR 2 NPPs. The legislation has significantly increased the number of employees who need to have security clearance to work at a nuclear power facility. While in the past this concerned the station's management and those who worked directly with nuclear fuel, which was around 200 people, now anyone who has access to sensitive areas such as the vicinity of reactors or nuclear fuel storage facilities much have clearance. This has increased the number of people with security clearance 5-fold.
- Representatives of leading Czech firms have put economic growth in 2017 at between 2.5% and 3.1%, according to the poll among employers. According to employers, growth should be fuelled by the drawing of EU structural funds, but could be undermined by a lack of qualified workers. The CNB predicts a growth of 2.9% this year and 2.8% in 2018.
- 16** The Czech Cabinet agreed in principle that wider consultations with local councils take place before choosing a site to store high level nuclear waste. The MIT has now been tasked to create a working group to come up with new ideas by June 2018, after elections to the ChD scheduled to take place in October this year. The repository site should be selected by 2025 with 7 sites now in the shortlist as possible locations.
- 17** A record 1,344,000 cars were produced in the CR in 2016, according to the AIA. The industry's output last year was 8% higher than in 2015 while the Škoda Auto recorded a 12.5% increase in production. The sector is expected to see further, if slower, growth this year.
- 18** Mortgage rates in December stayed at their record low levels of a month earlier averaging 1.77%. But the volume and number of loans dropped sharply on November, down by around CZK12bn at CZK17.7bn. Some lenders altered their conditions followed a new law giving existing borrowers greater freedom to pay back loans without penalty.
- 19** The number of tourists visiting the CR has been on the increase in recent years. Between 8 and 9mn tourists visited the CR last year, which is around 7% more than in 2015. The CR was regarded one of the safest countries in the world, adding to the CR's popularity as a tourist destination and which is likely to continue in the future.
- The Senate has approved a bill that should introduce a broad ban on smoking in pubs and restaurants. If the draft bill is signed by the president it should come into force in May of this year.
- 24** The number of recorded crimes in the CR fell by 12% y-o-y in 2016, according to the police. Crime had fallen in all regions of the country, including Prague, last year. Some 53% of the roughly 220,000 crimes registered last year were solved. The number of murders was at a 25-year low.
- 25** The CR is one of the states with the lowest per capita number of asylum applications in the EU, according to Eurostat. While the EU average was 702 asylum requests per million residents, in the CR the number was only 28. Eurostat said that almost 1.28mn people had applied for asylum in the EU between the start of October 2015 and the end of September 2016. Only 1,265 of those requests were made in the CR.
- The number of cars on Czech roads climbed last year by around 210,000 to 5.37mn. That is more 1 car for every 2 citizens. In spite of that, the average age of cars also rose to 14.5 years. The ageing of the Czech car fleet has been a constant since 2007 in spite of high recent sales of new cars.
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- Jan 26** Plans to expand the massive brown coal mine at Poland's Turów is threatening water sources on the Czech side of the border, representatives of waterworks from the affected region said.
The CR's special anti-corruption police unit, known as Kobra, has prevented tax evasion amounting to CZK7.6bn in total since its establishment in June 2014, the MF announced.
- 27** The CNB posted a profit of CZK46.5bn in 2016. In the preceding year it posted a loss of CZK549bn. Last year's profit was driven largely by sound management of the CNB's foreign currency reserves, the CNB said in a statement. The CNB's main goal is not to create profit, but to supervise other banks and maintain financial stability.
- 30** Meat production returned to rise in the CR last years after years on the slide. Overall production climbed 0.3% y-o-y to total almost 449,000t. Beef and poultry production rose, but pork production, continued to decline. Pork production counts for almost 1/2 of total meat production and was down by 3.3%. Milk production rose by 1.0% to 2.46bn litres although the price paid to farmers was almost 15% below 2015 levels.
The MF has increased its inflation expectations for this year to 2.0% from its previous forecast of 1.2%. One of the reasons is the stronger rise in prices seen at the end of last year. 2% annual inflation is the target of the CNB which would allow it to drop its low crown policy, a major step which is not seen happening earlier than mid-year. The MF boosted its growth forecast for this year to 2.6% from 2.5% with 2018 growth expected to fall back to 2.4%. Unemployment is seen largely unchanged this year.
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- Feb 1** The TPCA last year produced just over 220,600 cars. That's the highest total since 2011 and a 0.7% rise on the 2015 figure. The overwhelming majority of cars produced at the Kolín plant are for exports with the main destinations being Britain, Germany, Italy and France. Britain takes 29% of the production. TPCA is a joint venture between Toyota and Peugeot Citroen.
- 2** Unemployment in the Q4 2016 fell to 3.6% (ILO method), the lowest ever in Czech history, the CSO reported. There has also been a significant drop in the number of people who have been out of work for longer than a year. LOs registered 192, 500 unemployed at the end of 2016, with a slight prevalence of women (101, 900). Economic experts say the drop in unemployment and the lack of skilled workers on the labour market will bring about further wage growth.
The CNB has downgraded its growth forecast for this and next year to 2.8%, down from a 2.9% forecast issued in November of last year. CNB's governor Rusnok said there was no change in the bank's plans regarding forex interventions which are expected to end in mid-2017.
- 3** The ČEZ CEO Beneš has suggest the company could be split into separate parts where the state was the sole shareholder and where it only had a minority share. Beneš suggests that it could solve problems where the state and private investors do not agree. ČEZ is around 70% owned by the state with the remaining shares in the hand of pension funds, investment companies, and ordinary shareholders. ČEZ has faced problems in the past with plans to build new nuclear reactors because private investors could well protest what could be perceived as a state inspired projects. Beneš said the idea should spark debate and did not elaborate on how the split might look.
- 6** PM Sobotka wants a working group set up to discuss plans for high speed rail links. The working group should be made up of experts on transport, local development and the environment. Possible high-speed routes have been identified as between Prague and Brno and Prague to Dresden, Germany, where they might be extended to Berlin and Hamburg.
The CCC and the CI have asked the Cabinet to speed up the immigration process of Ukrainian workers seeking employment in the CR, because the process of securing a working permit lasts for 6 months. The business associations have urged the MFA to take effective measures to resolve the problem as quickly as possible. The MFA has already increased the quotas for work permits for Ukrainian workers from 320 to 400 a month but it may have to double that number to meet demand.
- 7** The CNB has spent almost as much on keeping the Czech crown weak so far this year as it did in the whole of 2016, up to CZK400bn. Last year it spent CZK455bn buying euros. Since the policy was introduced in November 2013 it has cost CZK900bn.
PM Sobotka says he plans to rush through changes to the CR's law on electronic communications. The move should increase the powers of regulator the CTO with a view to increasing competition among mobile telephone operators and thus benefiting customers.
- 8** According to the LO, unemployment in the CR rose in January to 5.3% from December's 5.2%. Another around 8,000 were seeking work bringing the total to around 390,000. The number of vacancies stood at almost 136,000. The jobless total usually rises in January.
According to the CSO, the total number of guests came to 18.3mn, 6.9% up on the figure for 2015. The total of overnight stays was 5.4% higher y-o-y. The biggest increase in guests occurred in the Karlovy Vary region with a 13.2% rise. The Ústí region had the biggest rise in overnight stays at 10.6%.
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- Feb 10** The state debt last year dropped by CZK59.6bn to CZK1.613tn, the MF announced, confirming the data released in December last year. The total debt breaks down into every Czech owing around CZK153,000. Among the main factors behind the drop is the state budget surplus amounting to CZK61.8bn and better management of state treasury liquidity.
- 12** The number of applications for Czech citizenship doubled last year. Successful applications were also up, with 3,900 people getting Czech passports in 2016, compared to 2,600 the previous year. The increased interest has led to a slowing of the application process and has come despite the changes that have made the requisite language tests more difficult. The MI attributes the trend to legislation allowing for dual citizenship. The most frequent recipients of Czech citizenship are from Ukraine, Slovakia, Russia and Vietnam.
- 13** The CNB will continue with its policy of forex interventions at least until the end of the Q1 2017, governor Rusnok said.
- 14** According to the CSO's preliminary figures, Czech economic growth slowed to 2.3% in 2016, down from 4.6% the previous year. It was the lowest growth rate recorded for 3 years. Analysts attribute the deceleration to a reduction in investment activities. The growth was driven by domestic and foreign demand in most sectors of the economy with the exception of construction, where output was far lower than in 2015.
President Zeman has signed into law a ban on smoking in pubs and restaurants in the CR. The smoking ban will come into effect on May 31, which is World No Tobacco Day.
- 15** The CR is looking for a so-called sector exception from the EC that would allow it to choose a nuclear constructor to build one new nuclear reactor at the current Dukovany site without a full public tender. The idea was raised by MIT Minister Mládek who pointed out that a tender would prevent national interests, particularly the amount of work that should be offered to Czech suppliers, to be spelled out. Under the timeline for building new nuclear capacity, the process for choosing a supplier should start during the Q1 2018.
- 16** Wages in the CR rose by around 10-15% last year with the most significant increases for recent graduates. Wages of top managers rose only marginally, it said. Some of the strongest rises were in the IT sector with staff shortages apparent not just in Prague but also regional cities such as Plzeň, Ostrava, and Brno. Staff at service centres who were fluent in at least 2 foreign languages also saw wages rise by an average of 10-15%, the survey said.
Prices of imports rose in December, compared with the same period a year earlier, by 1.5%, according to the CSO. That's the first rise in import prices for the last 18 months. It was mainly due to higher oil and food prices. Export prices were down by 0.5%. For the whole of 2016, export prices fell 3.1% and import prices by 4.0% compared with 2015.
CzechInvest last year brokered investments totalling CZK64bn in the CR. That's around CZK20bn more than in 2015. The number of new investment projects totalled 16 with the remaining 84 focused on expansion of existing companies. The biggest investors came from the Netherlands, Germany, Austria, and the US. Around 12,100 new jobs are estimated to depend on the new investment. Around 1/4 of the new projects covered the high-tech sector.
The Škoda Auto expects around a quarter of its production to be electric vehicles or hybrids by 2025 with the manufacturing likely centred on its Mladá Boleslav plant.
- 19** MH Minister Ludvik has said the introduction of electronic prescriptions will go into effect next year despite protests from the CMC. The introduction of electronic prescriptions is part of a broader shift to services online and more data-sharing between doctors regarding the state of a patient's health.
- 20** The Amazon has announced further investments in the CR saying it will be hiring another 1,000 people in addition to the 3,000 it currently employs in order to meet growing customer demand. The job offers will be for qualified and unqualified workers, spanning engineering roles, logistics, and customer service, among other occupations, the company said. Amazon is making huge investments world-wide creating 15,000 new jobs in Europe and 100,000 in the USA.
MIT Minister Mládek has been dismissed from office, PM Sobotka announced. Mládek has been under fire in recent weeks among others for saying that mobile "roaming" services were for an elite class of people that make up 5% of the population. He also received negative publicity when his deputy told participants in an on-line debate to "go to Poland" if they wanted Polish rates for mobile data.
The ChD has voted to exempt all majority state-owned enterprises from a requirement to make their deals public in a new registry of contracts. The extension of an exemption was previously intended to apply only to the brewery Budějovický Budvar. The creation of a registry of contracts was originally perceived as an anti-corruption measure.
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Feb 23 Imports of Polish foodstuffs into the CR declined last year. Polish foods valued at CZK31.4bn were purchased by Czech consumers in 2016, down CZK2bn from the record level registered the previous year. There were various reasons for the fall with the main one being rising incomes in the CR and stricter controls may also have been a factor. Five years ago the Polish food industry was hit by a scandal when firms were found to be using technical salt; the CR was one state to which products containing the dangerous substance were exported.

The average wage in the Czech automobile industry in 2016 stood at CZK34,820, which is an increase of 3.7% on the previous year, the CIA reported. That figure is 30% higher than the country's average salary. High productivity of work and higher added value of products in the automobile industry is one of the main reasons behind the consistent salary growth.

24 As of 2018 sales outlets will no longer be able to hand out plastic bags for free to shoppers, according to an amendment to the law passed by the ChD. The move will bring Czech legislation in line with EU norms. Small, clear plastic bags for pastry and fruit will be allowed. Most salespeople are already charging customers for plastic bags.

The ChD has approved a bill that will enable fathers to take a week of paid leave to be with their newborn within 6 weeks of the baby's birth. Paternity leave would be voluntary and those who chose to take it would receive 70% of their base salary, which is the same percentage currently received by women on maternity leave. The bill still needs to win approval in the Senate and be signed by the president.

25 MF Minister Babiš was unanimously re-elected leader of the ANO party.

26 Following the MIT Minister dismissal, PM Sobotka said he would temporarily take over the MIT portfolio until he found suitable replacement.

27 If parliamentary elections had been held in February, they would have been won easily by the ANO party. ANO would gain 31.5% of the vote, the ČSSD would gain only 20%, up from 19% in an earlier survey, the KSČM would be 3rd, and the opposition ODS 4th. The KDU-ČSL and TOP 09 would also pass the 5% threshold to make it into the ChD.

Mar 1 PM Sobotka has suggested that the state will have to soon weigh up its options for action over the hard coal mining company OKD if a serious investor does not come forward. The PM temporarily took over as MIT following the dismissal of MIT Minister Mládek. Sobotka refused to elaborate on what the Cabinet's options could be. The coalition Cabinet in mid-February refused a proposal from Mládek to buy up the mining company for CZK1. OKD employs around 11,000 people with one mine, Paskov, due to close at the end of the month. The government has been seeking to close the remaining mines gradually so that environmental and social issues can be properly dealt with.

The 2nd phase of an EET system under which cash registers record transactions in real time on a tax authority database has begun in the CR. From March 1 around 250,000 retailers and wholesalers also come under the EET. The 1st phase, involving pubs, restaurants and hotels, started in December. MF Minister Babiš says the system will reduce tax evasion. Critics argue that it places an excessive burden on businesses.

2 The SÚRAO tasked with preparing for a deep underground repository to take the CR's highly radioactive waste has been told to apply again for permits to carry out geological research at 7 possible sites for the storage site. The ME said that an application to continue the survey process arrived late and the previous permit expired at the end of 2016. That means in effect that the application process to start surveys will have to begin again from scratch. The hitch has been welcomed by opponents at the seven sites who hope that surveys could be blocked altogether. The government is supposed to decide on a deep storage site by 2025 with its completion targeted for 2065.

The CR has made significant progress in tackling corruption and increasing transparency in party financing, according to a report by the GRECO. The report says that Prague has now fulfilled 9 of the 13 recommendations it was given by the council but regrets the lack of progress in implementing its recommendations concerning the criminalisation of corruption.

ChD from across the political spectrum have urged the Cabinet to move faster with plans for high speed rail construction in the CR. The CR currently has no high speed rail links and the most advanced project between Prague and Dresden would see construction launched in 2035. MPs are pushing for construction to start in 2025 and end in 2030, arguing that the CR should have no problem building 40 to 50 km of high speed rail tracks a year, both financially and as regards construction potential.

The leaders of the V4 have issued a joint statement calling on the EC to take action to eliminate double standards in quality of food products sold by companies in EE and in the West.

- 3 Czech farmers made a record profit in 2016, according to the CSO. Agricultural earnings increased by nearly 26% on the previous year, to CZK20.22bn, which represents the 2nd best result since 2000. The value of agricultural production increased by 1.8% y-o-y to CZK129.3bn. Revenues from cultivation of crops reached CZK77.3bn and livestock production dropped slightly to total CZK51.6bn.
- Mar 3** Czech politicians rarely lie, but they often use sweeping statements which are dubious or hard to confirm, according to a survey conducted by the watchdog Demagog.cz. The survey is based on an analysis of 7,500 claims made by 350 politicians in televised debates or interviews in the media. Only 60% of the claims made were verifiable and trustworthy, Demagog concluded and said that in this respect the situation in the CR is comparable to that in other European states.
- Czech economic growth speeded up in the Q4 2016 to 1.9% according to the CSO. The y-o-y economic growth for the whole of 2016 was 2.3%. Strong domestic demand and exports contributed to the higher Q4 figure.
- 6 PM Sobotka wants to speed up the planned expansion of the CR's NPPs, Temelin and Dukovany. Following talks with the government's commissioner for nuclear energy Stuller, he said that proposed changes to the construction law, currently being debated in Parliament, could speed up the planned construction of a new reactor at the Dukovany NPP by 3 years.
- 7 Alphonse Mucha's cycle of paintings the Slav Epic has gone on display in the Tokyo. The exhibition is part of a Year of Czech Culture in Japan organised in connection with the 60th anniversary of the renewal of diplomatic relations between the two states.
- The CNB made its biggest ever intervention on the currency markets in one month in January, around CZK391bn. The policy of keeping the crown weak will be discontinued this year. Analysts say anticipation of the change has made the CZK more subject to currency speculation. The divisive intervention policy has cost CZK1.3tn to date.
- 9 Czech consumer price inflation accelerated to 2.5% in February, up from 2.2% in January, coming in above market projections and the CNB's target rate of 2%. The 2.5% y-o-yr growth in consumer prices registered in February was reportedly driven by growth in the price of fuel and food products. Economists see this as a sign that the end of forex interventions may not be far off.
- The Senate has approved an amendment to the copyright act which puts a ceiling on growth in copyright fees. Despite intense pressure from OSA, a Czech copyrights holders association, the Senate made no changes to the proposed amendment which will only allow copyright fees to grow in accordance with inflation. OSA had pushed for a 50% increase in copyright on music.
- The CR has welcomed the re-election of Donald Tusk EC president. PM Sobotka who supported his bid for re-election said Prague appreciated the fact that Mr. Tusk had worked well with the CR and had a good understanding of the problems and priorities of the CE region.
- President Zeman has announced his decision to run for a 2nd 5-year term in office.
- 10 The average monthly wage increased by 4.4% y-o-y in the Q4 2016. Adjusted for inflation, it is an increase by 2.8%. The national average for the monthly salary in the CR currently stands at CZK29,320.
- PM Sobotka was re-elected as ČSSD party chairman. MI Minister Chovanec defended the post of the first deputy chairman.
- 12 Proposed amendments to the foreigners' law currently being debated in Parliament could significantly complicate the life of foreigners in the CR, according to the CCC and NGOs. They point out that the amendments, which proponents claim are in the interest of national security, could impact Czechs married to a foreigner or those employing foreign workers. According to the proposed changes foreigners who are refused residence by the MI could no longer take their case to court as they may now. Foreigners filing applications would also have to present the originals of documents such as birth or wedding certificates.
- 14 Czech employers will make more new hires than redundancies in the coming months, suggests a survey by the Manpower agency. 8% of respondents said they would take on new staff in the Q2 while only 2% said they would let people go. The labour market had changed to the benefit of jobseekers in the last 2 years.
- Bio-chemist Eva Zažímalová has been made chairwoman of the ASCR, the biggest scientific institution in the CR.
- 15 Tariffs of mobile phone operators in the CR are up to 79% higher than the EU average, according to the data of the telefonujici.cz. The main reasons behind the excessive prices include 2-year contracts, high margins, the absence of a 4th major operator, as well as massive price difference offered by operators to corporate and ordinary users.

- 16 Czechs willing to replace their old stoves with pellet stoves for burning biomass will be able to draw state subsidies within a 2nd wave of a government project in aid of environmental heating. State support for the purchase of a pellet stove will reach CZK127,500, covering up to 80% of the cost. According to ME Minister Brabec, CZK3.4bn have been earmarked for the project and the money should help purchase 35,000 environmentally-friendly stoves.
- Mar 18 The governor of the CNB says the CR may not consider adopting euro for another 5 years. He said there would be no ideal moment for politicians to decide on joining the euro. However, said he would first like to see Czech price levels become closer to EU averages and for the Eurozone to resolve its own problems stemming from the financial crisis, including the Greek question and unsound banks.
- 19 The Christian Democrats and the Mayors and Independents group have both ratified a deal under which they will contest this autumn's general elections together.
- 21 Migration and the threat of terrorism are the two main problems faced by the EU for a majority of Czechs, according to the results of a Eurobarometre poll. 63% of Czechs saw migration as a major problem, compared to just 13% in 2013. 47% listed terrorism up from 8% 4years ago. On the domestic scene, Czechs consider unemployment a minor issue but listed growing prices as a problem. The population of the CR rose by around 25,000 last year, with foreign migrants accounting for 4/5 of that increase, according to the CSO. The CR had 10,578,820 inhabitants at the end of 2016. Last year saw the highest birth rate in 6 years and there were more births than deaths. Men were on average 72.3 years of age when they died, compared to 79.2 for women. The ČEZ saw its net profit fall by 29% y-o-ye to CZK14.6bn in 2016. The decline in profits has been attributed to low energy prices and temporary shutdowns at ČEZ's power stations. The company has proposed paying out a dividend of CZK33 per share. In the last 4 years CEZ paid out CZK40 a share.
- 22 Around 2/3 of the CR could be severely affected by drought especially if there were increased demands for water because of a lack of groundwater reserves, according to the conclusions of a report by the Czech Geological Service which mapped the state of groundwater reserves across the CR. In the case of the sort of droughts which have occurred over the last 5 years, serious shortages across large parts of the CR are threatened. The government has started to make preparations for saving water and creating more local water reserves that can be drawn on in times of drought. Škoda Auto's 2016 net profit climbed by 34% to CZK25.7bn. Company turnover for last year was around 10% higher at CZK370bn. It delivered 1.127 million cars in 2016, more than a ¼ of those were destined for China where deliveries totalled 317,000 cars.
- 24 The CR considers the planned highway toll on Germany's historically free autobahns discriminatory to foreign drivers and may join legal action against it, PM Sobotka. The toll is due to go into effect as of 2019. German drivers will be able to deduct the toll costs from the vehicle tax they are already paying, leaving the toll burden largely on foreigners. Several EU member states are considering jointly suing Germany over the planned highway toll.
- 27 Czech Internet use climbed last year to 76.6% of those over 16 years old, according to the CSO. Regular users total 6.7mn million but there are still around 1.6 million, mostly elderly, who say they have never used the Internet. Around 40% of young people aged less than 24 said they spend more than 20 hours a week on the Internet. Most Czechs, around 2/3, connect via notebook with around ½ using computers and mobile phones. Connection via mobile phones, at 54%, is still below the European average of 65%.
- 28 Employees of Hyundai will get a pay rise of around 12%, the deal is part of a collective agreement. Last year, blue collar workers in Hyundai made on average CZK34,500. The average wage in the Moravian-Silesian region, where the plant is located, was around CZK25,200 last year. 3/5 of Czechs are happy with the way democracy is functioning in the CR, which is the best result since 2004, according to the CVVM. Some 60% of those polled said they were happy with the way democracy operates in the CR, a 4% increase on last years' figures. Nearly 50% of respondents said they thought democracy was the best form of government. Former head of the ASCR, Jiří Drahoš, has announced his decision to run in the 2018 presidential elections.
- 29 In connection with the spread of avian influenza in the CR, Russia has issued a temporary ban on imports of live poultry and eggs for hatching from the CR. The ban concerns the regions of Pardubice, Karlovy Vary, Hradec Kralove and Plzen. The transport of live poultry from these regions across Russian territory is also banned. Exports of Pilsner Urquell, the CR's leading beer brand, increased by 10% y-o-y reaching 970,000 hl. In addition to the traditional export destinations such as Germany, Poland, Slovakia and the USA is also growing demand from countries such as Thailand, Singapore, Armenia or Israel. Members of the CR's security forces, police and customs officers, firemen and prison wardens will get a 10% wage increase as of June of this year. The increase will cost the state budget approximately CZK1.5bn. The average monthly wage of a Czech police officer is CZK35,000.

30 The CNB will continue intervening against the Czech crown to keep the exchange rate at around CZK27/€. The bank will also leave interest rates unchanged at all-time lows. The head of the CNB Rusnok said the interventions could end any time after the end of March.

Mar 31 Czech economic growth in 2016 came in at 2.3%, the CSO confirmed on Friday. Growth in the last quarter of the year was 1.9%. The average household income rose by a real 3.1% in the year with spending by households up 2.7%. The amount of income taken by foreign companies as a result of the ownership of Czech firms came to 8.4% of GDP in 2016.

The Asahi took over Plzeňský Prazdroj on Friday. The brewery was bought, alongside with 4 other European brewers, from the multinational SABMiller. The Czech brewer, the biggest in the country, will now be part of Asahi Breweries Europe and will be answerable to the Tokyo company headquarters. The regional headquarters will be in Prague. The sale of some SABMiller assets was the price demanded by the EC for clearance of its purchase by AB InBev.

Apr 2 Around 138,000 businesses are now using the EET system, according to the data released by the FA. President Zeman is set to meet with his Chinese counterpart Xi Jinping during his visit to China in May this year. He is also scheduled to attend a conference related to the New Silk Road project.

4 President Zeman has appointed Jiří Havlíček MIT Minister. He replaces Jan Mládek, who was dismissed by PM Sobotka at the end of February. Havlíček, until now deputy MIT minister, wants to focus on pushing through legislation aimed at reducing data charges for mobile device users. Inaction in that regard was cited as a reason for the dismissal of his predecessor.

5 Retail sales advanced by 0.9% on the previous month in February and by 4.8% on the same month in 2016 when adjusted for the number of days in the month, the CSO announced. Non-food sales rose higher, at a rate of 6.7%. The highest growth in sales was over the Internet and via mail order firms. The adjusted figures for January m-o-m sales were 1.0% and for year on year 3.3%.

6 **The CNB has ended the regime of foreign currency interventions to keep the crown low against the euro.** That means the CNB will no longer prevent the Czech crown to dropping below the level of CZK27/€. The bank repeated its previous announcement that it is ready to intervene either way if the crown starts becoming volatile. The CNB launched currency interventions in November 2013 to head off the danger of deflation and weakened economic growth.

7 The elections to the ChD will take place on October 20-21. The president chose the latest date possible according to the constitution, which says elections must be held at least 30 days before the end of a 4-year parliamentary term with the president obliged to give at least 90-day notice of when they will happen. The deadline for political parties to submit the list of their candidates is August 15.

9 Heating usage in households increased by an average 11% Y-o-y this winter that would translate to around CZK630 more per household for the 2015/2016 winter period. The past winter was comparatively colder than unusually mild winters in the CR in recent years; long term, this winter, however, was average in terms of the cold.

10 Unemployment in the CR dropped to 4.8% in March down from 5.1% a month earlier. Some 356,112 people were without jobs last month – the lowest figure for March since 2008. Available jobs counted almost 151,000. The LO expect the unemployment rate to continue falling in the months ahead. The CNB could start increasing interest rates at the end of 2017, CNB's governor Rusnok said.

11 The governor of the South Bohemia Region, Jiří Zimola has announced that he is to stand down. The move comes after the collapse of a regional government coalition.

18 PM Sobotka says he would like to see the minimum wage rise to 40% of the average wage from next year.

19 Fathers will be entitled to a week's paid leave under a health insurance amendment backed in the Senate. Fathers will be able to take the week within 6 weeks following the birth of a child with 70% of the normal wages paid. The move should encourage fathers to be more involved in the raising of their offspring.

Average prices demanded for new flats in the capital Prague have risen by 21.2% in February compared with the situation a year earlier, according to the Deloitte. The average price per square meter has climbed to CZK88,500 amid a severe shortage of new built flats. The offer of new flats has fallen by 40% over the last 2 years. Prices for new flats are estimated to have climbed by around a 1/3 since 2014.

The Czech economy should grow on average by around 2.7% in the coming years but slow down to annual growth of 2.4% in 2020, according to the MF. Specifically, economic growth is seen at 2.6% this year, rising to 2.7% in 2018 and falling back to 2.6% in 2019. The forecast sees the CZKstrengthening to around CZK25/€. The main drivers of growth should be domestic demand and public spending.

The average mortgage rate in the CR climbed to 1.95% in March, up from the 1.87% recorded the previous month. In December the figure was 1.77%. The rise follows the implementation of new legislation on consumer loans in the final month of 2016.

- Apr 21** Public finances in 2016 recorded a surplus of CZK27.6bn or 0.58% of GDP, according to the CSO. Public finances recorded a deficit of almost CZK29bn or around 0.64% of GDP in 2015. The growth of auto production and parts supply in the CR is seen slowing this year compared to last, according to the AIA. The rise in overall production this year would probably fall back to around 6% from last year's 8%. Last year the 3 main Czech car makers produced 1.3mn cars. In the first quarter of 2017 production was up 10.7% with 387,342 units manufactured.
- 24** Around 1 in 10 Czechs, a little over 1mn people, live below the poverty line, according to CSO. The line is put at monthly income for a single person of just over CZK10,000 for a family of 2 with 2 children at twice that amount. The percentage figure of 9.7% has been stable over the last 2 years. However the material comfort of most Czechs rose slightly in real terms in 2016. The CR is regarded as one of the European countries with the lowest levels of poverty.
- 25** Special provisions introduced to combat avian influenza in the CR have evidently been brought to an end after veterinarians abolished the last remaining protection zone. Since the start of the year vets have put down around 100,000 birds over fears of possible infection. Outbreaks of avian influenza began in the CR almost 5 months ago.
- 26** Public sector TUs are calling for a 10% rise in salaries for teachers, medical workers, arts professionals and other state employees from September.
- 30** The average salary of state sector employees grew to CZK 28,393 last year. It was a y-o-y rise of CZK 1,500 on the average in 2015 and around CZK 800 more than the average for all workers across the economy. The highest paid state employees were court prosecutors while teachers in the regions received the lowest pay.
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- May 2** Wine growers say freezing weather at the end of April will cost them around CZK 0.5bn. A new Czech Institute of Informatics, Robotics and Cybernetics was ceremonially opened at the Czech Technical University in Prague's Dejvice district on Tuesday. The teaching and research centre cost around CZK 1.5bn is intended to support the digitisation of Czech industry, a stated priority of the government. President Miloš Zeman and PM Bohuslav Sobotka attended the opening.
- 3** The Czech Ministry of Foreign Affairs has opened a new embassy in the Zambian capital Lusaka. The official opening took place in the presence of visiting Czech Minister of Agriculture Marian Jurecka. The foreign ministry took the decision to open the embassy last December. Zambia will be one of the Czech Republic's priority countries for development cooperation from 2018.
- 4** PM Sobotka clashed openly with President Zeman over the ongoing government crisis. The Czech economy is stable and highly resilient to political turbulences on the domestic scene, the CNB's governor Rusnok said in connection with the government crisis over suspicions that MF Minister Babiš may have engaged in financial transactions aimed at avoiding paying taxes which he was unable to dispel.
- 5** PM Sobotka has reversed his decision to resign following a meeting on May 4 with the President Zeman, and would now just seek the sacking of ANO leader and MF Minister Babiš. The PM's original aim was for the entire cabinet to step down as a means of removing Mr Babiš from his post over continuing corruption allegations and unexplained financial dealings. But, Mr Sobotka said he had changed his mind after the president indicated he would treat the resignation as the PM's own, a move which would have left Mr Babiš in place. Such a response, the PM made clear would render his effort meaningless. Mr Babiš said earlier it would insist on the leader remaining as MF Minister, a view echoed by President Zeman.
- 8** The CR's retirement homes and other social care facilities are lacking thousands of employees, according to the Association of Social Services Providers. It says low pay in the sector makes it difficult for organisations to find and hang on to staff. This is putting such services at risk and may preclude people finding places in care facilities. Many Czech care workers seek employment in neighbouring Germany and Austria, where even basic language skills can suffice, the association said.
- 9** Three ministers from the ČSSD say they will not now take part in a visit by President Zeman to China. The MI Minister Chovanec, MFA Minister Zaorálek and MH Minister Ludvík announced that they were pulling out of the week long trip. Mr. Chovanec and Mr. Zaorálek said they would stay in Prague in view of the current government situation.

- May 10** Czechs are doing their bit to support economic and political development in the small and relatively poor Republic of Moldova, sandwiched between Romania and Ukraine. The CR is already among Moldova's top 10 EU trade partners and is supporting the country with development aid for targeted areas. But the Moldovans would like to deepen relations much further.
- The Czech annual inflation rate in April was 2.0%, down from 2.6% in March, the Czech Statistical Office announced.
- Industrial production advanced by 4.4% in March compared with the same month a year earlier, taking account of the number of working days, and by 10.9% when the difference was not factored in. Month-on-month there was a decrease 0.4%. The value of new orders rose by 15.1% compared with March 2016 with the value of domestic new orders slightly outstripping foreign demand.
- 11 The Czech state-owned energy giant CEZ has reported a net profit of CZK 8.7bn for the first quarter of this year. This represented a 13% decline y-o-y . However, it was 15% higher than in 2015.
 - 12 Czech President Miloš Zeman's trip to China appeared at risk with the ongoing government crisis; nevertheless, the head of state departed Thursday with a delegation of more than 80 business leaders and officials such as the head of the Škoda Auto and the governor of the CNB. The delegation will be in China for 6 days. Zeman and Xi signed a number of memorandums on economic cooperation.
 - 14 CzechInvest, the CR's investment and business development agency, is looking to realise projects worth roughly CZK 60bn with Chinese counterparts; one deal, Czech President Miloš Zeman revealed on his visit to China, was already set, while another 3 could be decided within the year. Then, speaking at a summit on Sunday where the president discussed the Silk Road project, Zeman said the CR had already approved 22 smaller projects while another 16 would be the subject for apparent approval at the upcoming Czech-Chinese Investment Forum. The forum is held in July.
 - 16 The Czech economy saw accelerated growth in the first quarter of this year, with GDP reaching 2.9% y-o-y. The rise has been attributed to stronger international demand supported by increasing household consumption.
 - 17 Average mortgage rates in the Czech Republic have again increased. They reached 2.01% in April, up from 1.95% in March, according to information from market analysts Fincentrum. At the end of last year Czech mortgage rates hit a record low of 1.77%.
 - 18 The Czech PM, Bohuslav Sobotka, has warned that the next Czech government will have to take a decision on whether to adopt the single currency euro. Sobotka warned that not taking that step would condemn the CR to the slow lane of a multi-speed Europe.
 - 19 Czech fruit growers are assessing the damage from severe frosts that occurred in country in late April and early May. Initial estimates say the frost has damaged around one quarter of the country's fruit production, with losses amounting to over CZK 470mn. Czech farmers were hit by frost for the second year in a row; last year's losses amounted to CZK 400mn.
- The next Czech government will have to make a decision on the euro adoption, PM Bohuslav Sobotka (Social Democrats, CSSD) said on Thursday, adding that in the opposite case, the country could be relegated to the EU's slower stream.
- 23 The government on Monday approved the building of a national high-speed rail network. The entire costs are expected to reach up to CZK 650bn.
- Announcing the decision, the minister of transport, Dan Ťok, said it spelled a switch from theory to real preparations and construction work.
- 24 Czech President Milos Zeman appointed today lawmaker Ivan Pilny as new finance minister replacing Andrej Babis (both ANO) whose dismissal PM Bohuslav Sobotka proposed to Zeman on May 5, citing his suspected tax evasion and influencing of the media he owned. At the same time, Environment Minister Richard Brabec (ANO) replaced Babis in the post of a deputy prime minister. PM said the drafting of the 2018 state budget should be Pilny's priority as a minister. The draft budget should provide money to implement new legislation and cover investments and a pay rise.
- Confidence in the Czech economy fell by 0.2 p. p.s in May to 97.2 points compared with the previous month. Expectations for the outlook in the near future also fell by 0.2 points to 94.9 points, according to figures released by the Czech Statistical Office on Wednesday.
- 25 Prague this week hosted the 12th annual meeting of the European Nuclear Energy Forum, an opportunity for those in government, the industry, regulators, and European authorities to get together and try to plot the future for one of the continent's key industries and energy sources. The room for cutting construction costs and how to deal with highly radioactive nuclear waste were two of the main subjects for debate this year.

May 29 The expenditures frameworks of the 2018 state budget, put together by ex-Minister of Finance Andrej Babiš (ANO), are correct. This was stated by Minister of Finance Ivan Pilný (ANO) in Czech Television's political discussion show. According to minister Pilný, the CZK 50bn limit for deficit is reasonable and cannot be exceeded. He has also stated that it is necessary to raise the patient participation in public health insurance.

Czech minister of industry Jiří Havlíček begins Monday a two-day working trip to Moscow at the head of a 20-strong business delegation. The main focus of the trip will be a meeting with his Russian counterpart, Denis Manturov. A meeting of the regular committee for Czech economic, industrial, and technology cooperation will also take place.

30 The chairwoman of the State Office for Nuclear Safety, Dana Drábová, resigns from the position of the Central Bohemian assemblywoman. Interior Minister Milan Chovanec (CSSD) agreed with Drábová and chairman of the STAN movement, Petr Gazdík. The MI demanded the resignation of Drábová because of the inconsistency of the position of assemblyman and senior civil servant.

Trust in the Czech president, Miloš Zeman, dropped by 14% following the recent government crisis, suggests a new poll conducted by the CVVM agency. Some 41% people trust the President compared to the previous poll with around 55%. Trust in the government has also dropped significantly, from 40% in April to 23% in May. According to CVVM, public trust in politics is currently at its lowest since the end of 2013.

Czech household debt has for the first time in history exceeded CZK2tr. Housing loans increased by almost 10% y-o-y to CZK 1.6tr, which is nearly 80% of the overall household debt.

31 A Czech anti-smoking law took effect from midnight on Tuesday with the measure banning smoking in various places. From this date on, it will be prohibited to smoke at bars and restaurants (except water pipes and e-cigarettes) and public places such as public transportation stops (both with and without shelter) and vehicles, education facilities, hospitals, zoos except for outer designated areas for smoking, playgrounds, sport grounds, theatres, cinemas, exhibition halls, concertos performed under a shelter, international airports except for designated separate smoking rooms. Fines, of up to CZK 5,000, on individuals breaking the law take effect immediately. Businesses may be fined up to CZK 50,000 if allowing somebody to smoke there, but will be given a 90-day period to adapt. Later they may face fines of up to CZK 1mn (in case of minors under 18 years of age) or CZK 2mn (in case of minor under 15 years of age) and a 2 year ban on doing business. The CR becomes the 23rd European country with a wide ranging smoking ban. Wednesday is world anti-tobacco day.

Jun 1 The Czech Republic is ranked 6th after Iceland, New Zealand, Portugal, Austria and Denmark on the Global Peace Index comprising 163 countries by the London-based Institute for Economics and Peace.

2 Y-o-y, the economy advanced 2.9% after growing by 1.9% in the previous period, matching preliminary estimates, the CSO reported. It was the strongest growth rate since Q2 2015, mainly due to rising foreign and household demand. Exports were up y-o-y by 5.4%, driven mainly by automobiles and electronics.

5 The average monthly wage in Q1 2017 rose by 5.3% compared with a year earlier to CZK27,889. Subtracting the effects of inflation, the real rise comes to 2.8%. The rise was slightly higher than the expectations of most analysts with the pace faster than the 4.2% recorded for Q4 2016. The median wage in Q1 2017 was CZK23,704.

6 Some 32% of Czechs are satisfied with CR's membership of the EU, suggests an opinion poll. A poll in April 2016 indicated a satisfaction rate of 25%. Meanwhile, 60% of respondents this April said the CR ought to be in the EU compared to 50% last year.

7 Industrial production in April advanced at an annual rate of 5.9% taking into account the number of working days. With those factored out, there was actually a fall of 2.5%. The value of new orders coming in declined by 3.2% in April with the biggest fall orders from outside the CR.

8 Unemployment has gone down for the 4th consecutive month and is currently at its lowest level since May 2008. According to the latest figures from the LO, 4.1% of the potential workforce was jobless in May, down by 0.3 p. p. on the previous months. Meanwhile, the number of vacancies has been gradually increasing and currently stands at over 174,000.

12 According to the CSO, the number of inhabitants in the Czech Republic got a slight bump in Q1 2017, rising by 247 people. The current population of the CR is 10,579,067. The bump was due to immigration, not new births during the first-three months which were outnumbered by deaths. From January to March, there were 31,804 deaths, the highest for Q1 since 1994.

- Jun 13** The Czech financial sector remains highly resistant to shocks, the CNB said. Stress tests on Czech banks confirmed their ability to handle even a deep recession and increased losses on loans. However, the CNB says there is genuine risk surrounding mortgages, with the danger of a property price and loans spiral continuing. Meanwhile, the CNB has raised the compulsory credit reserve for all banks, savings banks and securities traders from 0.5% to 1.0%, a decision that will take effect in mid-2018. The EC has decided to launch proceedings against the CR, Poland and Hungary for refusing to accept migrants allocated to them under a compulsory EU quota system. The CR is adamant that it will not take part in the quota system, PM Sobotka said. He said the Prague government had already prepared arguments with which to defend its position before the EC. Mr. Sobotka said the CR did not face any fines at present.
- 15** The possible investor in the new reactor at the Dukovany NPP, should be either the owner, ČEZ, or the state, PM Sobotka has said. 3 financial option on the completion of the new unit are on the table, following a meeting of the Standing Committee for Nuclear Energy. According to him, the final proposal could be chosen at the latest by early 2018.
- 16** The industrial price slowed down in May to 2.3%, according to the CSO. That compares with April's 3.2%. But the producer price rises passed on by farmers, those in the construction sector, and in services rose in May compared with a year earlier. Agricultural prices climbed 12.6%, construction by 1.5%, and services by 0.9%. Higher fruit prices were one of the main factors in the farm sector figures.
- 19** Car production in the CR during the first 5 months of the year ending May rose by 5.2% to almost 625,000 vehicles compared with the same period in 2016, according to the AIA. The rise came in spite of a fall in output from the TPCA. The Škoda Auto has upped production by 14% with just over 380,000 cars manufactured.
- 21** The Czech economy is now prepared to adopt the euro and would have no significant problem in joining the single currency market, according to the governor of the CNB Rusnok. He noted however that there were still huge disparities in prices and salaries between the CR and members of the Eurozone which should be bridged before the country made the move. He said that, barring unexpected circumstances, this could be achieved within five years. Czech governments have so far refrained from setting a time frame for euro adoption, and Andrej Babiš, whose ANO party is widely expected to win the autumn general elections, has said he is against the country joining the single currency. President Zeman has appointed Stanislav Štech as MEYS Minister. Mr. Štech replaces Kateřina Valachová.
- 27** The fruit harvest this year is set to be 26% lower than the average for the last five years due to frosts in spring. Moravian crops were hardest hit by the adverse weather conditions and the yield of apricots and peaches, which are grown there, is likely to be a full 70% below the 5-year average. MA Minister Jurečka says he will call on the government to compensate the farmers affected, as also happened last year.
- 28** The CR and Japan have signed a deal allowing for a working holiday visa programme. Under the agreement, the two states' citizens aged 18 to 30 can work in the other country for 1 year without a permit. It was signed by Japan's PM Abe and Czech PM Sobotka on the first day of the PM Sobotka's 4-day visit to Japan. Mr. Sobotka's stay is set to also include a Czech-Japanese business forum and a visit to the Hiroshima Peace Memorial. He is the first Czech head of government to visit Japan since 2005. PM Sobotka met with Japan's crown prince Naruhito as part of his official visit to Japan.
- 29** The Social Progress Index, a world ranking monitoring social and economic progress and the quality of the environment in 128 countries around the world, has put the CR in 22nd place. The CR scored well in providing basic human needs and access to basic knowledge. It has most room to improve in the area of Tolerance and Inclusion.
- 30** Economic growth in Q1 2017 has been revised upwards to an annual 3.0%, an increase of 0.10 basis points from the earlier estimate of the CSO at the start of June. The q-o-q growth figure was also upped to 1.5% from 1.3%. Strong domestic growth and export demand helped fuel the Q1 growth figure.
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- Jul 1** More than 200,000 civil servants will get a wage hike as of July 1st. The hike concerns police officers, soldiers, nurses, fire fighters, prison guards and several other professions which the government considers to be underpaid. The 7 to 10% wage hike corresponds to an increase of some CZK2,000 to 3,000 a month and will require an additional CZK4bn from state budget.
- 4** The trade surplus in May dropped to CZK14.3bn, a decrease of CZK2.8bn on the same month in 2016, according to preliminary data released by the CSO. The favourable result was driven by the increased surplus in car exports and reduced deficit in hard coal and refined oil products. According to experts, the monthly export total in May was the 2nd highest in the history of the CR only exceeded by the result after March 2017.

Jul 4 The price of farm land continued to rise in the Q2 2017. CZ. Prices rose by around 4.0% in Q2 compared with Q1. That followed on from an 8.0% rise in Q1 2017. One of the factors fuelling the rise is the continued availability of loans for land prices. Czech land prices are reckoned to be very cheap compared with those in Western Europe.

Sales of new cars in H1 2017 increased by nearly 9% compared to the same period last year to over 144,000 vehicles, according to the CIA. The monthly sales growth slowed down to 3.6% in June. The biggest seller in the period between January and June was Škoda Auto with over 45,000 cars, followed by Volkswagen and Hyundai.

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9 The cabinet is expected to earmark over CZK70 to further enhance security at the CR's international airports next week, the news site Novinky.cz reports. The money should be used to purchase 145 cameras with face-recognition systems to be installed at Prague's Vaclav Havel Airport and 4 other international airports around the CR. Security measures are gradually being tightened at all the CR's airports. Overall CZK0.5bn should be spent on airport security next year.

10 Farmers are warning that an ongoing drought in the CR could be the worst in the last 3 years. In spite of occasional storms, the ground is not absorbing rainwater. This has led to South Moravia and large parts of Bohemia looking as parched as the Mediterranean. The government is considering mapping drainage systems across the country with the idea of converting them so that they can retain water locally when needed.

11 Czech labour costs in the private sector increased by 3.3% last year to average €10.4 an hour, way below the European average according to the German foundation, the Hans-Böckler Stiftung. Average European labour costs rose by a slower 1.6% to €26 an hour. The CR stands at 21st place on the labour cost rankings, 1 place behind Slovakia which has hourly labour costs of €10.7 an hour.

12 A survey of food samples in 5 countries, including the CR, have shown wide differences in the same products sold by manufacturers. Out of 21 products tested in Austria, Germany, Slovakia, the Czech Republic, and Hungary, only 3 were the same. In 13 cases there were wide differences in the same product sold in the different countries and in 5 cases minor differences. In 1 case the fish content of fish fingers was 63.8% in Germany and Austria but just 50.2% in the CR. The active ingredients of washing power sold in Germany and Austria was much higher than other countries. The MA Minister has said the problem of different quality foods sold as the same needs to be tackled at a European level.

The annual rate of inflation slowed in June to 2.3%, 0.1 p.p. lower than the May figure. The monthly inflation rate was unchanged. The annual figure stemmed largely from a slowdown in price rises for transport and cheaper clothes and footwear outweighing rising costs for food and drink.

16 Number of the long-term unemployed in the CR has been gradually dropping, according to the LO. In June, there were 166,691 people unemployed for more than a year, while the number of vacancies stood at 183,500. That figure is twice as low as in 2014. 4 out of 10 unemployed are jobless for more than a year, and 3 out of 10 for more than 2 years.

17 The Tripartite, dealt with the challenges and opportunities of lithium mining in the CR. The CR is estimated to have around 6% of the world's reserves of the rare metal, which is used in mobile phones and electric cars. The main reserves are in the mountains in the north-west of the country bordering Germany and in the Slavkovský Les district in the centre of the Karlovy Vary region. One of the government's main targets is to ensure that mining also results in work further down the line, such as processing and the use of lithium in final products. One of the issues raised was to what extent the state firm Diamo would take part in mapping and mining lithium.

The government has decided to prepare legislation on the so-called shared economy, featuring such businesses as Airbnb and Uber. The move follows an analysis of the application of Internet offers to new parts of the economy which highlighted the fact that there is an impact on the traditional economy. PM Sobotka said that ministries should prepare legislation which could come into force following October's elections to the lower house of parliament. Airbnb currently offers 15,900 sites for accommodation in the CR, of which 11,500 are in Prague. The Uber taxi offer has already been challenged in some Czech cities.

TUs and employers have opposed government plans to widen road tolls to main highways as well as motorways. Transport employers have warned that any increase in transport costs will be passed directly onto consumers. The MT is looking to widen tolls to around 900km of 1st class highways. One of the reasons for the move is the MT's preparation of a new tender for charging lorries for the use of motorways.

- July 18** The price of flats and houses in the CR grew by 12.8% y-o-y in Q1 2017. According to experts, the reasons for the rise were excessively slow building planning processes, as well as increased demand caused by low interest rates stemming from the CNB's now discontinued weak crown policy.
- 24** The CR will invest billions of crowns to fight drought, as outlined in the government's long-term programme. Under the plan, the government will be able to increase water and sewage prices in times of crisis. Along with establishing new rules for water and sewage, the government is also laying the ground for new reservoirs and improved monitoring. The main aim is to prevent the permanent loss of groundwater. The PM said that while analysis revealed the CR had enough drinking water, 1/5 of the CR was at risk when it came to drought.
- 27** Car production rose by 5.1% H1 2017 with output totalling 756,468 vehicles, according to the AIA. The country's biggest producer, Škoda Auto, saw production rocket by 13.5%, Hyundai's output climbed by 0.5%, but there was a 15% drop from the TPCA joint venture plant. June production was 4.7% higher than the corresponding month in 2016. The figures show continued overall growth albeit at a slower pace.
- 30** The CR is the best placed country in CE to react to unexpected global, political, or economic developments according to a ranking drawn up by the consultancy company KPMG. The ranking place the CR 25th in the world in terms of preparedness.
- 31** Beef and pork production decreased in Q2 2017 while poultry production rose, according to the CSO. Overall production was down 3.4% compared with the same period in 2016. Beef production took the biggest dip, down 8.1%, followed by a 6.6% drop in pork production. However, poultry production rose 3.2%. Beef and pork prices rose but poultry prices fell.
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- Aug 2** The CAE has suggested that export growth will continue at more than 10% till the end of the year. That should result in a record export figure of CZK3.5tn for 2017. The biggest question mark over the figure is whether labour shortages in certain key sectors of the Czech economy will start to bite more and whether the key auto industry sector will face a slowdown or production stoppages.
- 3** The number of bankruptcies significantly decreased in July. Altogether 45 companies faced bankruptcy proceedings in July, which is the lowest number since 2008. Y-o-y the number of bankruptcies is down by 136. The most bankruptcies were registered among companies involved in business and trade, the construction industry and services.
- The CNB has moved to increase interest rates for the first time since 2008. The two-week repo rate was increased by 20 basis points to 0.25%. At the same time, the Lombard rate was increased by 25 basis points to 0.50% and to the discount rate remains unchanged at 0.05%. The new interest rate levels come into effect on 4 August 2017. Interest rates are now the main tool for the CNB to adjust the economy after dropping the low crown policy in April.
- The CNB also upgraded its economic growth forecast for 2017 from 2.9 to 3.6% and also upgraded forecast for 2018 from 2.8 to 3.2%. Its growth forecast for 2019 is 3.1%.
- 6** The MH aims to set down stricter norms for vaccination of children. It is proposing an amendment to the law on vaccinations which would set an age limit for the MMR vaccine which parents often postpone for fear of side effects. A child would have to undergo their first vaccination within the first 18 months of their life and the second between their fifth and sixth year at the latest. The ministry argues that postponing vaccines upsets the whole vaccine calendar and puts other children at risk. NGOs are protesting against the proposed change on the grounds that it interferes with parent's rights.
- 9** Czech annual inflation was 2.5% in July speeding up from 2.3% in June, the CSO announced. The costs of food and non-alcoholic drinks, restaurants and hotels, and utility costs were among the main factors pushing prices higher. M-o-m, prices rose by 0.5%. The CNB has a target of 2.0% inflation.
- New operating licences for the Dukovany-3 and 4 nuclear reactors should be given by the end of the year, ČEZ has announced. The applications had already been submitted to the SÚJB. A new unlimited license for the 2nd unit at Dukovany was granted by the office at the end of June.
- 10** Czech importers of eggs from the Netherlands and Belgium have been told they must carry out laboratory checks for the insecticide Fipronil. The demand comes from the SVA. After eggs have been cleared they can be sold on the market. Eggs contaminated with the insecticide, which is harmful to humans and should not be used on chickens, have been found in neighbouring Slovakia. Millions of eggs have been withdrawn from the Netherlands, where the contamination took place, and Belgium, where it was first noticed. The insecticide is used against fleas, mites, and ticks.
- 11** The grain and rape harvest is predicted to be a lot lower in 2017. The cereals harvest is predicted to be 13.2% lower than last year's above average yield at 6.7mn t. The rape harvest is seen down 11.8% at 1.19mn t. The area under cereals cultivation was slightly down this year while that under cultivation for rape was 0.3% higher. The harvest for poppy seed is seen down by almost 1/5 with the area under cultivation down by 8.3%.

Aug 16 A record number of 31 political parties and movements have registered to take part in October's elections to the ChD. That total is 7 more than the last elections in 2013. Voters in Prague will have the biggest choice with 29 parties and groups competing. In the Karlovy Vary region the choice narrows to just 20 parties and movements.

The Czech economy experienced accelerated growth once again in the Q2 2017, according to preliminary figures. Czech GDP expanded by 4.5% y-o-y, compared to a rate of 3.0% in the Q1. Analysts say this was the fastest tempo of growth since the end of 2015. Lower growth, of around 3.0%, had been expected for the April to July period. One analyst described the released figures as a "pleasant shock".

20 Automation and robotics and other elements of Industry 4.0 in the CR are reportedly being adopted fastest in the fields of car manufacturing and electronics. But the CR still stands at the start of the 4th industrial revolution, according to a survey; one problem is a lack of qualified personnel. A number of companies have taken steps to implement 4.0 elements not least during the summer holidays when some assembly lines stand silent. Besides the auto industry, other fields where "smart" elements are being introduced are pharmaceuticals and chemicals, the CI confirmed.

21 The government decided to raise the minimum wage by CZK1,200, or 11%, to CZK12,200 a month from the start of January. The final decision represents a compromise between the increase of CZK1,500 sought by TUs and CZK800 which employers pushed for. Employers have cautioned though against further significant rises in future years. The government estimates that after the increase the minimum wage should amount to 40.5% of the average wage in the CR.

22 The CR has the chance to increasingly position itself as Japan's gateway to the EU after the UK's withdrawal from the EU, the MIT suggested following a visit by Japan's METI Minister Seko. The car industry, IT, defence, glassmaking, and food products were identified as areas for possible increased cooperation between the countries. Around 250 Japanese companies have already established themselves in the CR. Britain was previously one of the major gateways for Japanese investment in Europe.

The CR is the only new EU member state to receive more foreign workers than it posts abroad, suggests an analysis on labour mobility. The report indicates that in 2014, Czech companies sent 10,400 workers to other states, while the CR received 17,200 foreign workers.

24 Confidence in the economy in August was the highest since the start of the year, according to data released by the CSO. The August figure was 1 p.p. higher as compared to the previous month reaching 98.7 p.p. The confidence rate increased both among entrepreneurs and consumers. Confidence among entrepreneurs was up by 0.7 p.p. to 96.8 p.p. Confidence rose in industry, construction and trade and stagnated in services. Consumer confidence rose by 2.2 p.p. m-o-m to 107.9 p.p.

31 The CR has ratified the Strategic Partnership Agreement between the EU and Canada, which includes cooperation of the fight against terrorism and weapons of mass destruction. It will also involve cooperation in the area of security, fight against terrorism, organised crime and cyber-crime.

The FA have carried out over 55,000 checks since the introduction of EET and have issued nearly 1,700 fines to the tune of CZK15mn. 8 businesses were forced to close down for failing to follow the rules.

Czech household debt rose in the month of July to CZK1.5tn, according to the CNB. The amount owed by Czech households to banks and financial institutions therefore rose by CZK9bn in comparison with the previous month and by CZK113.6bn compared with the same period in 2016. Company debt for the same period has increased as well, by around CZK10bn to over CZK1tn.

Sep 4 The CR and Slovakia have agreed to initiate a summit in Bratislava in October to discuss double standards by international food producers selling foodstuffs of varying quality under the same brand name across different EU countries.

5 Teachers' TUs have declared a strike alert over the coalition's failure to agree on a wage hike for people working in the education sector. The parties of the ruling coalition agreed that teachers should get a wage increase, but failed to agree on how much it should be.

The average wage in the CR grew by 7.6 percent to CZK29, 346 in Q2, according to the CSO. Minus inflation the growth is 5.3% which is the fastest wage growth registered in the last 10 years. According to analysts this reflects the exceptionally healthy state of the economy and low unemployment rate. They predict it will lead the CNB to effect another hike in interest rates in September.

6 The CMKOS has declared a strike alert in support of teachers TUs. TUs are pushing for a 15% wage increase for teachers and a 10% increase for non-teaching staff from November. The PM Sobotka has expressed support for such increases but MF Minister Pilný says the state lacks the funds to cover them.

7 The 2018 draft budget proposal should be approved by the end of September, despite the coalition's ongoing dispute over wage hikes for public sector employees, PM Sobotka said after a meeting with MF Minister Pilný.

- Sep 7** The SEF has launched the 2nd round of a water tank rebates programme intended to boost a policy of rainwater harvesting and utilization. The MR earmarked CZK240mn to be used in subsidies for homeowners willing to install rainwater tanks to be used for watering gardens, flushing toilets and other household needs instead of drawing on public supplies. One household can receive up to 105,000 crowns in subsidies. The 1st round of the programme, which was launched in May, proved to be extremely successful, with people applying for the subsidies amounting to CZK110mn within the first 28 hours.
- 8** The unemployment rate drop to 4.0% in August from was 4.1% in July, the LOCR announced.
- 9** Maintaining a strong negotiating position in the EU, increasing defence spending, implementing anti-drought measures and developing a competitive economy based on high skills and high value-added products; those are some of the Sobotka government's recommendations to the future administration. The document enumerates some of the current government's biggest achievements, among them stabilizing the country's finances, reducing unemployment and increasing the minimum wage. Although the present administration did not adopt a time frame for euro adoption, it says the next government should open a public debate on joining the euro.
- 10** The MF has increased the revenues chapter in the 2018 draft budget by CZK21bn and had upgraded its growth estimate for 2018 from 2.9 to 3.1%. However the additional finances would still not cover the proposed wage hike for public sector employees. According to the MF, the budget would still be short of approximately CZK8bn.
- 11** The parties of the ruling coalition have agreed on a 15% wage hike for teachers and a 10% wage hike for other public sector employees as of November 1. Agreement on the salary increase was reached after the MF raised the projected revenues for 2018. The coalition parties did not reach a consensus on whether universities will receive the additional CZK4.5bn they asked for.
The number of inhabitants in the CR rose by 9,200 in H1 2017 to now stand at a total population of 10,588,063, according to the CSO. One of the main factors in the increase has been immigration, primarily from Ukraine and Slovakia. New Ukrainian immigrants numbered 2,600, Slovaks 2,100, and Vietnamese 700.
- 13** The current account of balance of payments showed a surplus of around CZK7.6bn in Q1 2017, the CNB announced. The surplus for the 1st 6months of the year totals CZK90bn.
- 14** TUs will demand an 8 to 10% increase in wages in negotiations with employers, the CMKOS said. The CI dismissed the demand as unrealistic saying the TUs were racking up political pressure ahead of the elections. The gathering of TU's leaders in Prague was attended by representatives from Slovakia, Austria and Germany.
- 18** Lithium mining in Krušné Mountains could lead to more than 1,000 jobs, say representatives of the town of Cínovec in the Teplice area, where mining is planned. Investments of around CZK10bn are expected and Cínovecká deponie, a company controlled by Czech billionaire Karel Janeček's investment fund RSJ Investments, possesses all the necessary permits needed to mine the resource in Cínovec.
Pensions next year are set to go up by an average of CZK475 per month next year, the MLSA announced. The planned increase is the highest since 2008. According to the Czech social security administration, the average monthly pension at the end of June amounted to CZK11,807. Prior to the current government, the average stood at CZK10,970.
- 20** The CR's total foreign debt rose by 47.4bn crowns to nearly 4.5tn crowns in Q2 2017, accounting for 91.9% of GDP, according to the CNB. Y-o-y, the foreign debt was nearly CZK1.1tn higher. The CR's foreign debt has been gradually increasing for some time. It exceeded the CZK4tn mark for the 1st time this year. It crossed the CZK2tn in 2010, 6 years after reaching CZK1tn for the 1st time.
- 21** Workers of Škoda Auto will be seeking a pay rise of more than 10% next year, according to the latest edition of the TU's weekly newspaper. It said a bare 10% rise was insufficient and pointed out that an agreement with bosses on flexible working methods was up for negotiation soon ahead of the overall pay and conditions deal which runs till the end of March 2018. Disagreement over flexible working would result in confusion across car plants. The average monthly wage is around CZK40,000 at the moment.
The grape harvest should exceed that of 2016 growers say as the harvest begins to be taken in. Growers expect grapes sufficient for around 580,000hl of grapes for wine to be brought in this Autumn, that's around 15,000 hl more than 2016. Severe frost earlier in the year fuelled worries that the crop this year would be a poor one. The harvest is concentrated mostly in the South Moravian region.
The Czech potato harvest this year looks like being up to 15% down on the excellent crop of 2016. The crop this year looks as though it will total between 600,000 to 650,000 tonnes. That is down on the almost 700,000 tonnes collected in 2016. This year's quality promises to be excellent. The crop looks especially good in the Czech potato heartland, the central Vysočina region, but other areas appear to have suffered from this year's drought.

Sep 24 The MT is planning on investing roughly CZK14bn in water transport up to 2023. The long-term strategic plan would extend waterways on the Vltava and Labe Rivers to 338km. Under changes, large vessels would be able to pass through Prague all the way up to Radotín, while the Labe water route would end in Pardubice.

25 Czech economic confidence climbed to its highest level since the start of the year in September, according to the CSO. The overall confidence index rose by 0.4 p.p. in September to reach 99.1 points in September, best performance since the start of the year. The index registered rising confidence in the prospects for the economy from both businesses and consumers. The rise in positive sentiment was strongest from consumers.

The Cabinet meeting made final preparations for the 2018 budget. Most of the major issues had been settled, such as a CZK475a month increase in pensions and 10% increase in wages for state workers, but some outstanding issues have still to be cleared up. These include how much extra funding can be found for universities. It was eventually decided that CZK3bn extra would be found for them. The target budget deficit for 2018 is CZK50bn with more money for spending facilitated by an increase in the expectation of tax and other earnings as a result of the CR's strong economic performance. A new government formed after elections at the end of October could adjust next year's budget.

The Cabinet approved a memorandum over the future of the auto industry in the CR. The memorandum seeks how to realise an already finalized action plan setting out the challenges and opportunities for the auto production and parts sector in the CR.

29 Life expectancy in the CR will not reach West European standards until 2030, according to a population projection and comparative study of European states. Even though the life expectancy of Czechs has risen by almost 4 years since 2000, it is still several years shorter than in France, Spain, Italy and the Nordic countries. At present the life expectancy for Czech men is 76 years and 82 years for women.

Oct 2 The CR has been placed 31st in the world ranking for global competitiveness for 2017-2018 by the WEF. The ranking is the same since 2015, when the CR last moved up the ranking. Switzerland is in top spot out of the 137 countries surveyed.

According to the MF, the CR is catching up with the average wealth of euro-zone countries. It says average Czech per capital GDP rose this year to 85% of the average in the 19 euro zone countries from 83% last year. And, it says the rise will continue next year to 86%. The placing is better than Slovakia, Slovenia, Poland, Hungary, and Portugal. But Czech costs are also seen rising as well from 63% of the euro zone average last year to 68% in 2018.

3 The Czech economy grew annually by 4.7% in Q2 2017, the CSO said, confirming preliminary figures released in early September. Analysts say this was the fastest tempo of growth since the end of 2015 and the biggest q-o-q growth recorded over the past 20 years. According to experts, manufacturing industry, especially car production, was the major factor behind the growth.

The population of the CR rose by about 73,400 people over the past 5 years to total around 10.579 million, according to the latest data released by the CSO. The rise was driven mainly by foreign migrants. Despite more children being born in recent years, the Czech population is ageing. Children up to the age of 15 account for 15.6% of the population, while people over the age of 65 account for nearly 19%. The average age is currently 42 years.

6 The Czech airline Travel Service has said it has acquired a majority stake in the CSA. The firm reached a deal to buy shares from Korean Air and state-owned company Prisko. The sale, however, will still need final approval from the CR's anti-monopoly office. If the deal goes through it will give Travel Service an almost 98% stake and a fleet of more than 80 airplanes.

7 The ruling CSSD and ANO have clashed over the recently signed MoU between the MIT and Australia's European Metals Holdings on a deal that would give the Australian company the right to mine lithium in Europe's biggest known deposit in the north-western part of the CR. ANO leader Babiš decried the agreement as „daylight robbery“, saying the privilege of mining the country's natural resources should go to a Czech state-owned company.

8 September's unemployment was 3.9% down from 4% in August. According to economists, due to the lack of skilled workers more firms are now taking in graduates fresh out of school whereas in the past they demanded work experience. Unemployment had not dropped below 4% since October of 2008.

10 The outgoing Czech PM Sobotka says the country CR should adopt the euro as soon as possible in order to remain at the core of the EU. Speaking at a congress of the CI, he said there was no other path open to the CR. Mr. Sobotka said all modernisation measures would function only if the CR were members of the EU's free internal market and part of a core of economically strong member states. He also said that Czech politicians who had spoken about the CR leaving the bloc were “crazies and semi-crazies”.

- Oct 11** The government and representatives of the automotive industry have signed a memorandum aimed at making it easier for CR-based producers to develop new technologies and keep step with overseas manufacturers. PM Sobotka said that securing the future of the auto industry would have a marked impact on the Czech economy and employment. The memorandum centres on the areas of electric vehicles, fully and partly self-driving vehicles and digitalisation.
- The management of Škoda Auto have reassured the PM Sobotka, that they will do all they can to keep jobs in the CR. There has been speculation that Volkswagen, which owns Škoda, could transfer part of its production to Germany from other countries. Mr. Sobotka said he had received the reassurances after a meeting with representatives of the automobile industry. His words were echoed by Škoda Auto CEO, who said the CR was the heart and home of the company and would remain so. He said the carmaker was currently looking to increase production capacity to keep up with worldwide demand.
- 12** A comparison of 21 food products sold in 5 countries, including the CR, has showed differences in most of them. The examination of the contents of food sold in Germany, Austria, the CR, Slovakia, and Hungary found only 7 of the products were totally the same. In most cases, the quality of food offered in Germany was superior. The latest results are likely to bolster the campaign by Czech and other CE countries against dual quality foodstuffs being sold in the same packaging across the EU.
- 13** The Škoda Auto brand and that of Volkswagen and Spanish manufacturing unit SEAT should be more clearly distinguished from each other according to the general manager of the Volkswagen Group. The move should, it is claimed, help reduce conflicts and tension between the companies targeting the same mass market. Production should be targeted at 14 different customer segments, according to the declaration made to managers in Volkswagen's home city of Wolfsburg. Media reports have recently suggested tension within the group particular focused on suspicions that the success of Škoda Auto could be coming at the expense of other Volkswagen companies.
- PM Sobotka insists that a solution to the problem of double product quality, over all foodstuffs, in the EU countries requires a revision of the directive on dishonest commercial practices. He stressed that several tests showed that the double quality of the products is not a casual phenomenon, but rather a widespread practice. He added that he considered it positive that it had been agreed that the solution to this problem should be sought jointly within the framework of the EU and with the active participation of the EC.
- 14** Heads of state of the V4 countries have expressed their support for the integration of the Western Balkan countries into the EU and called for accelerating the process during a meeting in Hungary.
- 15** TUs have prepared a list of 10 requirements for the future government to fulfil during its mandate. One of the requirements is to raise the minimum wage to 50% of the average wage within the next 4 years, the CMKOS said. The government decided in August to increase the minimum wage by 11% to CZK12,200 as of next year. That should be about 40% of the average wage, which reached CZK29,346 in Q2 2017.
- 16** Construction began at an industrial zone in the region of Moravia-Silesia on what investors are promising will be the world's most modern battery factory. Czech investors put up CZK1bn for construction to last 18 months, followed by 6 months of testing. The factory's production is estimated at 1.2GWh and it will be the biggest lithium battery supplier in the CR. The investors said that the project would also be the "most ecological of its kind in the world, with fully robotic production". The final lithium battery is based on the patented HE3DA technology.
- 17** MPs in the ChD have asked the government to nullify a recent MoU on the mining of lithium signed by the MIT Minister Havlíček with Australian mining company European Metals Holdings.
- 18** CAE has warned that excessive wage growth could make the CR less competitive as salaries are increasing at a faster rate than productivity. Czech exports from January to August last year grew by 5.9% y-o-y to reach CZK2.7bn, which was a record. Wages have grown by 3.0% or more for 9 quarters in a row and jumped by 7.6% in Q2 2017. CAE say this rate of increase could impact their ability to remain competitive.
- The CZK firmed to 25.72/€, meaning it is now stronger against the euro than it was when the CNB introduced a weak crown policy in November 2013. A few days prior to the CNB's 1st currency market interventions almost 4 years ago the crown was hovering at around 25.80 to the euro.
- 20** President Zeman has said he will call a meeting of the new ChD 30 days after the general election – the maximum period allowed under the Czech Constitution; he made the comment, explaining he wanted to allow enough time to meet with leaders of all parties which will clinch mandates in the 200-member ChD. He will begin meeting with them after October 28.
- 21** The ANO party took 29.6% of the vote and coming first in all the CR's regions success in the Czech general elections. The result is considerably higher than the 18.65% the grouping received in the last elections 4 years ago and leaves ANO on 78 seats. Following was the Civic Democrats that enjoyed a resurrection after some fallow years, climbing from 7.7% in 2013 to 11.3% this time out.

- Oct 21** Next was the Czech Pirate Party, who were not in the previous lower house but came in on 10.8% and another newcomer to the ChD, the Freedom and Direct Democracy party with 10.6%. The Communists, who took 14.9% in 2013, saw a falloff in support, picking up 7.8%. The major losers on a dramatic day for Czech politics were the leaders of the outgoing government the Social Democrats, who saw their support nosedive from 20.45% in 2013 to 7.3%. The Christian Democrats saw a slight decline, taking 5.8%, compared to 6.8 last time out. TOP 09 and the Mayors group reached the 5% threshold for entrance to the ChD, with 5.3 and 5.2% respectively. Turnout was 60.8%, a very slight rise on the figure for 2013. The Pirate Party have reiterated rejection of entering a coalition with ANO or tacitly supporting a government led by Andrej Babiš's party. The Social Democrats said that their party appears headed for the opposition benches.
- 22** Two ministers in the outgoing Czech cabinet have failed to win election to the ChD. Neither the Social Democrat MLSA Minister Marksová, nor the Christian Democrat MC Minister Herman won mandates in the general elections. Jan Mládek, who was MIT Minister for the Social Democrats until February, also failed to get in. President Zeman said that he would task Mr. Babiš with forming a new government. The president said he wished to help in the creation of a stable government.
- 24** According to the AIA, Czech auto makers are on course to produce a record 1.4mn vehicles this year. In 2016 1,344mn cars, also a record, were produced in the CR and that the growth trend is set to continue. The AIA attributed this success to domestic economic growth and foreign demand. However, the industry, which is producing at close to full capacity, was struggling to find workers on a labour market marked by an unusually high number of vacancies.
- 27** Andrej Babiš, the head of the ANO party which dominated in the general elections, will try and form a minority government made up of ANO nominees together with politically-unaffiliated experts. He made the comment after failing to convince other parties in the ChD to come on board, namely the ODS, with whom ANO would have enough mandates to form a majority.
- 30** A poll conducted by the CVVM agency suggests that a majority of Czechs remain distrustful or pessimistic about the CR's political parties roughly a week after voters went to the polls. Roughly 2/3 told that parties were only interested in voters at election time, that they were corrupt, that they divided society and that their main goals were maintaining their own advantages and interests. Some 72% of respondents said that although political parties criticized one another, they were all the same. A little over 50% said that parties were needed to defend interests of different social groups, and for democracy to function.
- 31** President Zeman has tasked Andrej Babiš with forming a new government. The president said he was strictly opposed to early elections and would give Babiš a 2nd attempt at forming a cabinet if his minority government fails in a confidence vote in the ChD. Babiš has said he will form a minority government and will ask the ChD for a vote of confidence in his cabinet before Christmas. There is concern that with support from the president he could govern the CR for some time even if he failed to win a confidence vote.
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- Nov 2** The CNB hiked interest rates by 0.25 p.p. to bring the basic rate to 0.5%. The latest move had been widely predicted by economists. There are also expectations that the CNB could follow up with a further rate rise this year and at the start of 2018 faced with a booming domestic economy.
- 6** Economic growth is expected to accelerate to 4.5% this year, as compared to 2.5% in 2016, according to the CCC. Next year the CCC predicts a slow-down of the GDP to 3.6% percent. This year's economic growth is driven by demand on foreign markets and consumer spending. The CNB upgraded its growth forecast for 2017 to 4.5% percent, up from the predicted 3.6% in August.
- 8** The number of visitors who stayed in Czech hotels and other forms of accommodation increased by 5.9% y-o-y in Q3 2017 to reach 7mn. There was an increase in the number of both international and domestic tourists, according to the CSO. The total number of nights booked in Czech accommodation facilities between July and October was 19.9mn, a rise of 4.2% on the same period in 2016. Unemployment dropped to its lowest point in almost 20 years in October to just 3.6%, according to the LO. In December 1997, the number of people without work was around 269,000. The amount of those without work in October this year numbered around 271,000. Meanwhile, the number of vacancies grew by some 4,000 to 210,000. The drop in unemployment and rise of vacant positions is particularly significant y-o-y, last October, unemployment stood at 5% and the amount of vacancies was 70,000 fewer.
- 9** A ban on keeping domestic pigs has been ordered by the SVS in a bid to prevent the spread of the highly infectious African swine fever. The ban applies to a high risk area of the Zlín region where the battle to contain the infection spreading from the wild boar population has been raging for the past 4 months. In addition, the SVS has tightened its rules for the transport of pigs across the region.

- Nov 9** Y-o-y inflation climbed to 2.9% from September's 2.7% percent, the CSO announced. That is the highest rate since October 2012 and an indication of what some experts are warning is an overheated economy. The main factors were the higher costs of food and non-alcoholic drinks. Utility charges and the costs of housing were also a major factor. M-o-m, the inflation rate in October was 0.5%. The CNB has a target yearly inflation figure of 2.0%.
- 10** No more than 9 candidates of 20 who registered to run in the presidential election this week will be eligible, the MI confirmed. According to the MI, 11 candidates did not fill the necessary legal requirements, either failing to submit enough signatures from the public or from lawmakers or filed after the deadline November 7. A total of 9 would-be candidates submitted no signatures at all. Those running in the election on January 13th, 2018, range between the ages of 41 and 74.
- 12** This year's state budget, including EU subsidies, could end up with a surplus of up to CZK10bn, according to MF Minister Pilný. Excluding money from EU funds, the minister estimates the budget should in with a mild deficit around CZK10bn.
- 14** The economic growth accelerated to an annual 5% rate in Q3 2017 from 4.7% in Q2, according to preliminary figures of the CSO. It is the fastest growth over the past 2 years. Compared to the previous quarter, GDP growth contracted from 2.5% to 0.5%. Analysts expect an overall annual economic growth by around 4.4%.
- 16** The fiscal policy of the CNB should stabilize in the coming year or 2, bringing interest rates to around 3%, governor Rusnok said. He said that inflation growth estimated at around 2% would spur the return to normal. A 2% inflation would mean interest rates of around 3%, Rusnok said. Interest rates in the CR have been at a record low for years. The CNB last raised the basic rate at the beginning of November raising it by 0.25% to 0.5%.
- 19** Czech internet retailers could achieve turnover of CZK100bn for the first time this year. While in 2012 Czech consumers spent around CZK51bn on online purchases, in 2016 the figure was CZK98bn and estimates suggest this year it could climb to CZK115bn.
- 20** The MF has improved its estimate for GDP growth to 4.1% this year and 3.3% in 2018. Officials said they had revised the outlooks upwards in view of the good shape of the Czech economy and international developments. In July the MF had issued estimates of 3.1% for 2017 and 2.9% for next year.
- 22** The CR had the lowest unemployment rate in the EU in 2016, according to the CSO. In 2017 the CR had an average 4% unemployment rate, compared with EU average of 6.8%. The CR was followed by Germany with 4.1%, while Greece was placed at the other end of the scale with 23.6%. Czechs are less willing to move because of work, according to an analysis by the Grafton Recruitment agency. Some 65% of people would not be willing to move despite a better job offer, which is 9% more than in 2015. Among the reasons behind the increase is low unemployment and increasing salaries. Labour mobility in the CR has traditionally been low compared to Western Europe.
- 24** The proportion of Czech national wealth flowing into the payment of pensions has dropped in the past years to 8.3% from 9.7%.
- 25** PM Sobotka has said he will hand over his government's resignation November 29th, i.e. after the newly-elected ChD ends its constituting session. President Zeman announced earlier that he would appoint ANO leader Andrej Babiš PM on December 6, and would appoint his minority government on December 15.
- 27** PM's designate Babiš says he has drafted an outline of his minority government's policy program. The main points are lower income tax, lower VAT on food products, higher pensions, digitalization of state administration and exemptions from the law on electronic cash registers for small entrepreneurs.
- 29** The minority government of the ANO Party will have 9 ministers from among party ranks as well as unaffiliated experts who were not a part of the previous government, while it is expected that a 5 current ministers will continue in their posts. 4 ministerial posts are to be held by women.
- 30** The CR is considering drawing on funds from the EIB to help develop its transport infrastructure. A loan of around CZK100mn could be sought which would be divided between road and rail projects. The loan could replace a shortfall in state funds and be possibly cheaper than using state bonds to finance such development.
- Food consumption in the CR last year rose by 1.9% with the average consumption per person climbing to 785.6kg of food. Consumption of milk and other dairy products rose by 2.1%. Consumption of fruit increased by 2.0% and of vegetables by 3.0%. Meat consumption rose to 80.3kg, that's around twice the average of 1950 consumption. The CSO said 2016 stood out for the all-time record amount of rice eaten by Czechs. The average came to 6.5kg/person, up by 0.6% on the previous year.

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- Dec 1** Economic growth in the Q3 accelerated from 4.7 to 5% compared to the previous quarter, according to the CSO. The growth was driven largely by increased domestic demand. According to economists it is the strongest y-o-y growth in 24 months. The positive trend is expected to continue.

- Dec 4** The average wage in the CR rose by 6.8% to CZK29,050 in the Q3, according to the CSO. This represents an average monthly increase of CZK1,840. The CSO notes in this respect that the average wage is driven by salaries in Prague and 2/3 of employees in the CR get below-average salaries. The average wage in Moravia is CZK26,498.
- 5** MPs approved the basic parameters of next year's state budget in the first reading. Deputies can now propose changes within the budget, though the basic framework will remain the same. The final approval of next year's budget is expected after December 19.
President Zeman formally accepted the resignation of the government of Bohuslav Sobotka, which was tendered by the coalition of the Social Democrats, ANO and the Christian Democrats last week.
- 6** Despite retail sales growth in October being slightly behind market expectations, analysts expect a record year for the retail sector. Consumer confidence in the economy is the highest in the history of the CR. According to the figures released by CSO, Czech retail sales, with the exception of cars, in October slowed down to 6.3% y-o-y. Fuels, non-food and food-sales rose higher, with the highest growth in sales recorded over the Internet and via mail order firms.
President Zeman appointed Andrej Babiš as PM of the CR. The move is the first step toward the formation of a government to replace the outgoing cabinet headed by Bohuslav Sobotka. Mr Babiš highlighted the CR's role in the fight of illegal migration, saying that the government needs to take a more active approach in dealing with illegal migrant smuggling. The new government will have to undergo a vote of confidence in the ChD within 30 days. At present only the Communist Party have said they will, under certain conditions, tolerate a minority ANO cabinet.
- 7** The CR's foreign trade surplus in October slumped by CZK5bn y-o-y to CZK9.7bn, according to the CSO. Compared to the previous month, exports in October increased by 0.7% and imports by 2.2%.
- 8** Unemployment dropped to its lowest point in almost 20 years in November to just 3.5%, according to the LO. The amount of those without work in November this year numbered 265,469. Meanwhile, the number of vacancies grew to 213,790. There have been 1.24 job seekers per vacancy, which is historically the lowest value. The LO expect the unemployment rate to increase in the months ahead. Unemployment rate (according to the Eurostat) was 2.6 % in October 2017.
- 10** Despite the annual Christmas carp sales, consumption of fish in the CR keeps stagnating. According to the CSO, Czechs consumed 5.1kg of fish per person last year, which was a drop by 7.5% on the previous year and also the lowest figure since 1995. Fish consumption in the CR remains to be one of the lowest in the EU, where it amounts to around 11kg per head. The amount recommended by the WHO is 17kg of fish per head.
- 12** The population of the CR grew by 18,700 in Q1 - Q3 2017. The population stood at 10,597,500 at the end of September. The rise has been mainly attributed to immigration, in particular from Ukraine, Slovakia, Romania and Bulgaria. The number of births in the CR in Q1 - Q3 2017 was very slightly down on the same period in 2016, while the number of marriages grew. 30 was the most popular age for men to marry, compared to 27 for women.
- 13** PM Babiš' new minority government was sworn in at Prague Castle. The cabinet will now have a maximum 30 days to find backing in a confidence vote in the ChD.
- 14** Czech car makers are set to produce a record 1.4mn vehicles this year, which is about 50,000 more than last year, according to figures released by the AIA. Production of cars, trucks, motorcycles and busses grew by 4.5% between January and November, to 1.3mn. Skoda is the driving force behind the growth in production followed by Tatra and Jawa Moto.
- 15** BMW has started construction of a test centre for electric and self-drive cars near Sokolov in the Karlovy Vary region. BMW's current test centres near its company headquarters in Munich, Germany, and in France and Sweden are already operating at near capacity, according to the manufacturer. BMW plans to roll out its first self-drive car in 2021.
The Prague region is the 6th most developed in the EU, even outstripping the French capital and its surroundings, the CSO announced releasing its findings after drawing on per capita GDP figures from 2015. Ahead of Prague were the Luxembourg, Hamburg, Brussels, Bratislava, and London regions, according to the analysis. Trailing Prague were also Stockholm and Vienna. The CSO added that Prague last year had 182% of average EU wealth. The whole of the CR averaged at 88% of the EU level.
- 16** The shortage of flats in Prague has trebled in the last 3 years to reach around 22,000 according to a survey carried out by the Deloitte. It highlighted the fact that the number of building permits had dropped from around 8,000 in 2000 to around a 1/4 of that level. The number of completed flats will probably drop this year to around 4,000 from 6,000 last year. Price rises for flats in Prague have been among the highest in the CR and in Europe over the last year.
- 19** Škoda Auto has again been named Czech Exporter of the Year after achieving exports of CZK310bn in 2016. That figure amounts to almost 9% of the CR's total exports in 2016. 2nd was Foxconn CZ, which finished ahead of Agrofert. The CAE expects Czech exports to reach a record CZK4.15tn in 2017.

- Dec 19** ChD passed the state budget proposal for 2018. Next year's budget is counting on a deficit of CZK50bn. Revenues should be CZK1314.5bn and expenditures CZK1364.5bn in 2018.
- 22** The Cabinet agreed to close down 14 departments at ministries and the Government Office. PM Babiš said on Friday that his government was getting rid of 73 posts as part of a reorganisation at ministries. The changes will come into force at the beginning of 2018. Another shake-up is planned for March next year.
- 29** Nearly 8 out of 10 Czechs believe that 2018 will not be worse than the current year with the remainder taking a pessimistic view. Young people aged between 18 and 26 were the biggest optimists with the pessimists most predominant among those aged between 54 and 64. 1 in 6 of those who answered questions said they thought they would be able to save over the coming year. Fear of losing their job and having to rely on savings has fallen significantly due to the booming economy.

注: 本報告は、チェコ政府公表資料、新聞等報道資料をとりまとめたもの。

ⁱ **ACER:** Agency for the Coordination of European Energy Regulators; **ACM:** Association of Car Makers; **AE:** Association of Exporters; **AIA:** Automotive Industry Association; **ASCR:** Academy of Sciences of the CR; **ASME:** Association of Small and Medium-Sized Enterprises and Crafts; **Bn:** billion; **CAE:** Czech Association of Exporters; **CBA:** Czech Banking Association; **CE:** Central Europe; **CEB:** Czech Export Bank; **CEPS:** Czech Electricity Transmission System Operator; **ChD:** Chamber of Deputies of the Parliament of the CR; **CI:** Confederation of Industry; **CIA:** Car Importers' Association; **CMC:** Czech Medical Chamber; **CMKOS:** Czech Confederation of Trade Unions; **CNB:** Czech National Bank; **CNG:** Compressed natural gas; **CR:** CR; **CSA:** Czech Airlines; **CSO:** Czech Statistical Office; **CSSA:** Czech Social Security Administration; **ČSSD:** Czech Social Democratic Party; **CTK:** Czech News Agency; **CTO:** Czech Telecommunications Office **CZK:** Czech crown; **EC:** European Commission; **ECJ:** European Court of Justice; **EE:** Eastern Europe; **EET:** electronic cash registers system; **EIA:** Environment Impact Assessments; **EIB:** European Investment Bank; **EP:** European Parliament; **ERDF:** European Fund for Regional Development; **ERM II:** Exchange Rate Mechanism II; **ERO:** Energy Regulator Office; **ESA:** European Space Agency; **ESIF:** European Structural and Investment Fund; **ESM:** European Stability Mechanism; **EU:** European Union; **EY:** Ernst & Young; **FA:** Financial Administration; **FDI:** Foreign direct investment; **GDP:** Gross Domestic Product; **GRECO:** Council of Europe Group of States Against Corruption; **GVA:** Gross Value Added; **H:** Half of year; **HRL:** Human Rights and Legislation; **ILO:** International Labour Organization; **LNG:** Liquefied natural gas; **LO:** Labour Office; **M-o-m:** month-on-month; **MC:** Ministry of Culture; **ME:** Ministry of Environment; **MF:** Ministry of Finance; **MH:** Ministry of Health; **MI:** Ministry of the Interior; **MIT:** Ministry of Industry and Trade; **Mn:** million; **MLSA:** Labour and Social Affairs Ministry; **MRD:** Ministry of Regional Development; **MT:** Ministry of Transport; **NAPDNE:** National Action Plan of Development of Nuclear Energy; **NAPCM:** National Action Plan for Clean Mobility; **NGO:** non-government organisation; **NHI:** National Heritage Institute; **NPP:** NPP; **OSA:** Copyright Protection Association for Music Rights; **p. p.:** percentage point; **PJ:** petajoule; **PM:** Prime Minister; **Q-o-q:** quarter-on-quarter; **Q*:** Quarter *; **RES:** renewable sources; **RIA:** Railway Infrastructure Administration; **SAO:** Supreme Audit Office; **SRMA:** State Material Reserves Administration; **SÚJB:** State Nuclear Safety Authority; **SÚRAO:** Radioactive Waste Repository Authority; **t:** tonnes; **Tn:** trillion; **TTIP:** Transatlantic Trade and Investment Partnership; **TU:** Trade union; **UN:** United Nations; **Y-o-y:** y-o-y; **V4:** Visegrad Four; **VAT:** Value Added Tax