

## チェコ政治・経済月報(11 月 30 日)

## 主な動き\*

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- Jan 1** The New Year's Eve celebrations were muted around the CR, due to the coronavirus restrictions in force. Tax amendments and amendments in the social sphere that come into effect in 2021 will improve the financial circumstances of many Czech families and employees. Lower income tax and a higher tax rebate, for lower and medium income groups, will save employees several thousand crowns in their monthly pay check. In addition, the minimum wage for which tens of thousands of people still work in the CR, has been raised by CZK600. More families are expected to be eligible for child allowances from January and the state has agreed to pay child support for non-payers of alimony and enforce payment from the debtor later. Old age pensions will increase by an average of CK839 a month.
- New rules have started to apply for foreigners travelling to UK, residing or working there as of January 1, 2021. For example, business trips or study programs lasting over 6 months now require a visa, while tourist trips do not. Until September 30, 2021, it will still be possible to travel to UK with an identity card, after that date people will be required to carry a passport. It is not possible for tourists to work or claim social benefits in the UK. People also have to reckon with more expensive calls and SMS messages.
- In New Year's speech, the ChD's Speaker Vondráček called on Czechs to stand together in the fight against Covid-19. The Senate's Speaker Vystrčil also called for solidarity and cooperation in the fight against the coronavirus. PM Babiš described the pandemic as the biggest crisis in the CR's modern history; a crisis that had shown how vulnerable mankind is to such threats despite the advance of technology. The PM apologized for painful decisions that his government had been forced to make, saying that human lives and health had to be given priority. He thanked workers on the front lines who fought the pandemic, citizens for respecting the restrictions imposed, and each and every member of the society who had gone out of their way to help. He said the government had made a number of mistakes in responding to the crisis but had also learned valuable lessons.
- 2** Nearly 49,000 Czech citizens have applied for resident status in the UK.
- 3** The PM Babiš said that everybody in the country will be able to register for vaccination against Covid-19 from February 1. The criteria governing access to the vaccine will be age, health condition and employment. The over 80s can register for the jab from January 15.
- 4** Establishments forced to close due to anti-coronavirus measures may receive compensation of some CZK400 per worker per day under the Covid Gastro aid program approved. Entrepreneurs whose activities were limited or suspended between October 14 of last year and January 10, especially those running gastronomical establishments, will have the right to take advantage of the subsidies. MIT Minister Havlíček said that they can simultaneously request compensation for salaries, contributions, rent during the last quarter of 2020, and even a compensation bonus for freelancers.
- The Association of Deans of Medical Faculties have called for university students in working in hospitals due to the coronavirus crisis to be adequately paid and to continue their studies. Currently, about 1,000 medical school students are helping out in hospitals and other medical centres, according to the deans, with more willing to volunteer under the aforementioned conditions.
- The CTO plans to launch a price and quality index for mobile services in February and other telecommunications services some months later. For mobile services, the index will compare calls, SMS and data services. For fixed location services, consumers will be able to prices for calling, internet and television services. The relative price of mobile data in the CR is among the highest in Europe.
- The year 2020 was worse than most Czechs (75%) had expected, but a majority (66%) remain optimistic for 2021, according to the Median. Women, people with a university education and residents of smaller cities were most optimistic. Among the greatest concerns are losing work and the further spread of Covid-19.
- Only first and second grade pupils at elementary schools returned to classrooms in the CR following the winter break, due to the coronavirus situation.
- 5** Vaccination against the coronavirus will take place in 3 phases, MH Minister Blatný said. The initial A1 phase, which is currently underway, will see the inoculation of those over the age of 80 as well as health care, social care and relevant Interior Ministry staff. In phase 2B, other groups in society marked as high-risk or relevant groups will receive the vaccine. This includes people over the age of 65, those with relevant chronic diseases and priority groups involved in critical state infrastructure. The vaccination of health care staff and seniors, some 600,000 people according to the presentation, should be finished by March. After these 2 initial stages, the final phase 2 will be activated, where all other members of the population who register will receive the vaccine.

**Jan 5** The introduction of antigenic tests, requires changes in the current PES counter-epidemic system. Rather than the number of positive tests, the new main criterion for setting the level of coronavirus risk will be the number of hospitalised patients who arrived in hospital without being previously identified as possibly infected through the state's coronavirus tracing system. All other measurements relevant to the current PES calculations remain in place.

The MEYS has issued measures to adjust entrance exams for secondary school graduation courses and confirmed that no compulsory uniform entrance exams for 4-year graduation courses.

About 15,000 people, mainly medical staff and seniors, have been vaccinated against Covid-19 in the CR.

- 6** Sales of new cars declined by 19% y/y in 2020, according the CIA. The best-selling brand, Škoda Auto, saw a fall of 13% in its sales compared to 2019. Volkswagen, 2<sup>nd</sup> in the market, sold 20% fewer cars while 3<sup>rd</sup>-placed Hyundai sold 17% less.

The CR's budget deficit for the year 2020 was CZK367.4bn, MF Minister Schillerová announced. Expenses used for combating the coronavirus pandemic reached CZK216.5bn. The Cabinet also increased investments which were worth CZK173bn, a rise by CZK34bn when compared to 2019. It is the largest deficit reached in the years since the establishment of the CR. However, the deficit was still lower than the maximum of CZK500bn approved by Parliament.

- 7** Some 60,459 people started businesses in the CR last year, which is 3,343 fewer than in the previous year and also the lowest figure in the past 4 years. 36,139 people gave up their trade licences and over 100,000 suspended their businesses, which is the highest number in a decade. By the end of 2020, there were over 1mn active businessmen registered in the CR; Prague has the most, with 174,000, while the Karlovy Vary Region has the least with 28,000.

Free antigen testing for Covid-19 will continue in the CR even after January 15, when the scheme had been due to end. MH Minister Blatný said the testing had proved to be useful especially in detecting people without symptoms of the disease. The current severe restrictions aimed at curbing a spike in Covid-19 numbers will remain in place until at least January 22.

- 8** The CR supports the EU call on China to release pro-democracy protestors arrested in Hong Kong, MFA Minister Petříček stated.

The Škoda Auto is preparing vaccination centers in which it hopes to inoculate its workers. However, it lacks access to the vaccine which is, for now, only in the hands of the state.

Unemployment rose in the CR in December to 4%. It is the highest rate of joblessness since the summer of 2017. The number of jobs posted in December rose as well, but only by a few hundred.

- 10** A Prague protest against government measures related to the coronavirus pandemic drew up to 3,000 people to Old Town Square, according to police estimates. The demonstration was organized in part by the Svobodní political party under the banner Let's Open the CR.

The average rent price for a two-room flat (2 + KK) in Prague dropped by 11.8% y/y in the Q4 2020 to CZK15,000. It also fell by 11.8% in Ostrava and by 2.2% in Brno but stagnated in Pilsen, Liberec and Olomouc.

- 11** Several Czech hospitals have been forced to cancel operations and recruit students, soldiers and even policemen into their ranks to stave off a shortage in personnel due to the ongoing stress on the medical sector due to the COVID-19 epidemic.

- 12** The Skoda Auto has announced its volume of car deliveries fell by nearly 1/5 in 2020 to 1.004mn as opposed to the 1.242mn delivered in 2019. The decrease was largely caused by the impact of the COVID-19 pandemic, which for example saw manufacturing plants close for 39 days.

- 13** PM Babiš says between 70,000 and 75,000 coronavirus vaccinations had already been carried out in the CR.

The average rate of inflation lay at 3.2% in 2020, which is the steepest rise in 8 years according the CSO. The rise was affected mainly by food, tobacco and housing prices. However, consumer prices experienced the lowest y/y growth in December.

- 15** 6 out of 10 Czechs consider the state's response to the spread of Covid-19 to be adequate, according to the CVVM. 61% of respondents said the measures taken against the epidemic were appropriate, roughly a fifth of people rate them as exaggerated and 13% consider them insufficient. The majority of respondents said the measures were poorly communicated by the Cabinet. People rate the work of doctors, nurses, paramedics, and emergency crews exceptionally high, but are more critical of the performance of the government, the media and the WHO.

- 16** Close to 117,000 people aged over 80 registered for a vaccine against Covid-19 on January 15, the day the reservation system for this age group was opened. 9,800 of them were also able to book a specific vaccination term. The rest are waiting for vacancies which are dependent on fresh deliveries of the vaccine.

MH Minister Blatný has expressed serious concern over the news that the Pfizer-BioNTech will cut back on vaccine deliveries to Europe in the coming weeks due to changes to its production site.

- Jan 17** The state's overall tax revenues, excluding social security premiums, fell by 5.7% y/y in 2020, dropping by CZK61bn, to CZK1,015tn. The state received CZK426.5bn in VAT, a y/y decrease of CZK5bn and collected CZK22.4bn less in corporate income tax, a total of CZK160.6bn, according to the MF. The drop in revenues is ascribed to the coronavirus pandemic and related restrictions. At the end of March 2020, the state's tax revenues still showed a growth y/y.
- 18** Shops selling stationery products and children's clothes and shoes will be allowed to reopen from Tuesday in a slight easing of the current restrictions aimed at curbing Covid-19.  
The crime rate in the CR declined by 16.9% year-on-year in 2020. The police recorded a fall in the number of reported crimes in all categories. Thefts were down by around 1/4 on 2019 and violent crime fell by 10%.
- 19** The appearance of a variant of Covid-19 known as the "British" mutation has been confirmed in the CR.
- 21** MPs have voted to allow the Cabinet to extend the current state of emergency until February 14, a week less than the 30-day extension the Cabinet had sought.  
Václav Havel Prague Airport handled only 3.66mn passengers last year due to coronavirus-related restrictions, an annual drop of 79% and the lowest number in 25 years. Passenger traffic had been rising steadily since 2013 and reached a record 17.8mn in 2019. Record highs were also recorded for the months of January and February 2020, with over 2mn passengers served each month.  
Nearly 155,000 people in the CR have been vaccinated against Covid-19. More than 7,200 people have already received a 2<sup>nd</sup> dose, MH Minister Blatný said.
- 22** Avian influenza has appeared in the CR again after a year-long absence. The presence of the H5N8 virus was confirmed in South Bohemia. Since then, veterinarians have detected an outbreak of the deadly virus at 2 poultry farms in the region. MA Minister Toman said more cases are to be expected in the coming days, since the virus has already been confirmed in a number other European states.
- 23** Deliveries of Pfizer-BioNTech vaccines to the CR will be reduced by about 20% in the coming weeks, MH Minister Blatný said. The vaccination of new groups will slow down in February due to the shortage of supplies.
- 24** Vaccine registration for people below the age of 80 or chronically ill will not be launched in the beginning of February as it was originally planned, PM Babiš said. He said the inoculation against Covid-19 will start when there are enough vaccines. It also depends on the interest of people above the age of 80. According to the CSO, there are around 440,000 people above the age of 80 living in the CR.
- 26** Around 15% of the Czech workforce now comprises non-nationals, according to the CSO. The number of foreigners employed by Czech firms almost tripled in a decade, according to figures for the period between 2010 and 2019. The number of non-Czechs has increased in all sectors of the economy. There were 407,000 more non-nationals in the workforce at the end of the 10-year period in question, while the number of Czechs grew by only 63,000.  
The MH Minister Blatný says the Cabinet is not considering buying coronavirus vaccines outside the framework of a joint EU contract.
- 28** The Cabinet has announced some fresh restrictions aimed at curbing the spread of Covid-19. In an evident bid to keep people away from ski centres, only people on work trips will be allowed to stay at accommodation facilities; they must produce a letter from their employer confirming they are on a work trip and are not allowed to bring family members with them. Chair lifts will not be permitted to operate in ski centres.  
The CR has slipped 5 places on an TI's international index of corruption perception. The CR came 49<sup>th</sup> in the world in the 2020 edition of the annual table.  
The Cabinet has approved a transfer of CZK5bn from state reserves to the MD. The money is to make up for a last-minute cut in defence spending to the tune of CZK10bn which the Cabinet made in order to secure KSČM's support for the 2021 state budget.
- 29** The Cabinet has banned all non-essential travel to the CR, regardless of which country people are travelling from. The decision, made in connection with the worsening coronavirus pandemic, enters into force on midnight January 29. The ban does not apply to working trips, trip to visit relatives, medical facilities and care homes, trips to attend weddings or funerals.
- 30** Interest in renting out or buying country cottages is still growing in the CR, with some real estate companies reporting a growth of 40% y/y. The trend is directly linked to the coronavirus pandemic that has restricted or banned travel. The price of such properties has risen by 20 to 35% since the beginning of 2020. People are also increasingly converting recreational facilities into permanent housing.  
The MT plans to gradually reduce congestion on Czech roads by expanding 90km of Czech motorways by a 3<sup>rd</sup> lane. The construction of the 3<sup>rd</sup> lanes will be undertaken in stages, due to the complicated administrative process involved, with work due to begin in 2 years on the D1 motorway, from Prague to Brno.
- 31** The number of people hospitalized with Covid has dropped by 476 to 5,391, but the risk index has once again risen from 68 to 70 points. Over 16,000 people have died from Covid or related complications in the CR since the pandemic started. The government is particularly concerned about the risk of new mutations spreading. The British variant has already been confirmed in 6 regions, although it is not yet spreading by community transmission.

**Feb 1** The SZIF in late 2020 recommended 2 companies in the Agrofert conglomerate founded by PM Babiš receive EU subsidies despite Brussels investigating his suspected conflict of interest. An audit by the EC found that Mr Babiš is in violation of conflict of interest because he remains the main beneficiary of Agrofert despite having placed it in trust funds in February 2017 after a change in Czech law. A Czech translation of the final EC report is due in May.

Smartwings Group, whose holdings include national carrier Czech Airlines, is seeking CZK500mn in compensation for flights cancelled due to anti-coronavirus measures last spring. Airlines are currently under a protective moratorium against creditors that expires at the end of February.

The Cabinet has approved a proposal by MF Minister Schillerová to suspend the 21% VAT on respirators for 2 months in order to make them more affordable.

- 2 The number of deaths in the CR increased by around 15% in 2020, according to the CSO. It is the steepest increase on record since 1950. According to preliminary data, 129,100 people died last year, which is almost 17,000 more than in 2019. The reasons for the increase in mortality are not reported in the statistics, but are generally ascribed to the coronavirus pandemic. According to the MH, 11,872 people died of Covid-19 or related complications last year.

In 2020 the Czech economy experienced the steepest drop in the CR's modern history. The gross domestic product fell by 5.6%, after growing for 6 consecutive years, the CSO said, citing various factors linked to the coronavirus pandemic. In the Q4 2020, when the CR operated largely in lockdown mode, the GDP fell by 5%. Lower household consumption and a sharp decline in foreign demand in the H1 2020 also contributed to the y/y decline. The trade, transport, and hospitality sectors were the worst affected but the sphere of industry, construction and services suffered as well. Employment fell by 1.6% last year.

- 3 The CC has overturned parts of the CR's electoral law that judges said breach the principle of equality and impinge on the chances of competing parties. Under the change, coalitions of parties standing together would need just 5% of the vote to reach the threshold for the ChD. Previously each party in a coalition was required to get at least 5% of the vote on their own to make the ChD. The CC also struck off an article that enabled a situation under which far more votes have been required to win seats in some constituencies than in others. The changes are due to take effect immediately, meaning they should apply during elections planned for October. The amendment must be approved by both houses of Parliament.

The CR will buy the breakthrough drug Bamlanivimab which has been found to be highly effective against Covid-19 in patients at risk of developing severe symptoms, PM Babiš said.

- 5 The CZK is at its highest level against the Euro since the start of the coronavirus crisis last March. On February 4, 1 euro traded against CZK25.89. In contrast, it weakened against the US dollar, which traded against CZK21.61.

The MF will propose resuming borrowing from the EBRD in response to the coronavirus pandemic. MF Minister Schillerová has said that EBRD assistance in the form of loans, capital investments or technical assistance could help speed the economy recovery. The CR drew EBRD loans from 1991 to 2007, when the CR's transformation process was deemed complete. Other post-communist EU members, such as Poland, Slovakia and Hungary continued to benefit from EBRD investments.

Unemployment in the CR reached 4.3% in January, an increase of 1.2% y/yr and 0.3% compared to December, the LO announced. A m/m increase was recorded in all 77 of the country's districts in January. It rose most in Jindřichův Hradec (up 19.4%) and Písek (up 18%). In Prague, unemployment rose by just 0.1% to 3.5%. MLSA Minister Maláčová has said unemployment will likely continue to rise in the coming months due to the impact of the coronavirus pandemic. However, it remains well below the EU average, which stood at 7.5% in December.

- 6 Testing for Covid-19, covered by health insurers, could begin at companies in the CR by the end of February. Agreement has been reached on this between employers and government ministries, the CI said.

The first doses of the AstraZeneca vaccine against Covid-19 arrived in the CR.

- 8 The Cabinet has approved a bill under which people who are forced to quarantine will receive a daily sum of up to CZK370 as an incentive to stay home. The compensation would be paid by employers – who would then reduce social security payments by the same amount – and last for 10 days. Compensation for loss of income by the self-employed is to be doubled.

The number of new apartment constructions launched in the CR fell by 1/4 last year. While the figure fell nationally by 24.5% in Prague the downswing was a full 40%.

- 9 The CR is helping Moldova and Peru in the fight against the coronavirus by donating facemasks and ventilators to the two states. In total the Prague government is sending 700,000 facemasks, 100,000 protective gloves, other PPE gear and 55 ventilators to Moldova and Peru.

Some 10.8mn tourists stayed in accommodation in the CR in 2020, which was a y/y fall of 51%. The number of foreign tourists fell by nearly 3/4 last year, when the coronavirus pandemic hit the CR. Previously tourism numbers had been rising steadily for several years.

- Feb 11** The EU has listed the Czech blue poppy in the European "Register of Protected Designations of Origin and Protected Geographical Indications". The process took five and a half years rather than the usual year. Vlastimil Mikšík of the Czech Agricultural University told ČTK that in the case of the Czech blue poppy, it had to be proven repeatedly that it is a food additive commonly consumed in the CR and not a pharmaceutical raw material. Ministry of Agriculture spokesman Vojtěch Bílý said the registration as a protected designation is a great success because the state has been trying in various ways to prevent counterfeiting of the special poppy plant for more than a decade.
- The government has moved to further tighten freedom of movement in three worst affected districts by the Covid epidemic—Cheb, Sokolov and Trutnov—where the number of infected is three times higher than in other parts of the country.
- Bavaria has tightened the conditions for Czech cross border workers in connection with the worsening epidemiological situation in the CR.
- 12** ANO party would win elections if held in January with 27% support, according to a Ipsos poll. The Pirates&STAN coalition would place 2<sup>nd</sup> with 23%, and the coalition of the ODS&KDU-ČSL&TOPo9 3<sup>rd</sup> with nearly 22%. The SPD polled at 8%, the KSČM at 6%, and ČSSD at below 6%.
- The MH has authorized the temporary use of Bamlanivimab, a drug containing synthetic antibodies made by Eli Lilly used to treat Covid-19 patients.
- 13** Germany will close its border with the CR as of midnight February 13 after designating the country as "very high risk" due to the growing number of variant coronavirus cases on Czech territory.
- 14** The Czech government has declared a state of emergency for the next fortnight, starting midnight February 14, when the current state of emergency is due to expire. Although the ChD refused to extend the state of emergency it in a vote on February 11, the government acted in response to a request from the governors of the country's 14 regions who argued that a state of danger would not give them adequate powers to enforce the necessary restrictions needed to keep the coronavirus epidemic in check.
- 15** A new opinion poll conducted by the Kantar CZ agency suggests that the Pirates&STAN coalition would now beat the ANO in general elections with 29.5% of the vote. ANO which has maintained a strong lead over other parties for years, would come 2<sup>nd</sup> with 26.5%. The coalition of the ODS&KDU-ČSL&TOPo9 would place 3<sup>rd</sup> with 19.5%. The SPD would receive 10% backing from the electorate, while the KSČM would only just cross the threshold needed to win seats in the ChD with 5% of the vote. The ČSSD would fall below the cut-off point with 4%.
- 17** The volume of coal mined in the CR last year was the lowest on the territory since 1965, according to MIT. 2020 saw a 38% year-on-year decline in the amount of black coal mined; lignite was down by 21%. Analysts say the fall-off is part of a long-term trend that has been intensified by the impact of the coronavirus crisis.
- The MH Blatný says that within 2-3 weeks the Covid-19 situation in the entire CR could be as bad as it is in districts that are now particularly hard hit. Cheb, Sokolov and Trutnov have been largely sealed off from the outside world over a high level of transmission of a new variant of the virus first identified in the UK.
- 18** Production of electricity in the CR in 2020 was the lowest in 18 years, the ERO announced. The figure was 6.4% lower than in 2019 and the lowest since 2002. Overall electricity consumption dropped by 3.5% to 71.4 TWh, which represents a 5-year low. According to the ERO, the main reason behind the low energy production and consumption is the coronavirus outbreak. On the contrary, household electricity consumption has been fuelled by the pandemic, increasing by nearly 5% y/y.
- 19** The government is preparing a crisis scenario for hospitals which are no longer able to take in patients or are nearing their capacity limit. MH Minister Blatný said that lighter cases that still need medical care could –in the event of need – be treated in makeshift health facilities set up in gyms. Earlier the minister also spoke of using spas for this purpose. Should the spread of the infection get worse the government may also order specialists in outpatient clinics and medical students to help out in hospitals.
- The Czech government is tightening the requirements on nose and mouth protection in view of the fast spread of the more contagious "British" variant of the virus. As of February 22, people will be required to use respirators or nano-filtered face masks in shops, on public transport and places with a higher concentration of people. People using surgical facemasks will be required to wear two for greater safety. Home-made face masks or scarves will no longer be acceptable. The Ministry of Health recommends the use of KN95 or FFP2 respirators.
- The ChD approved an increase in this year's budget deficit to CZK500bn under a fast-track procedure. Originally, the deficit was projected at CZK320bn. The increase will cover a fall out in revenues stemming from lower income tax for low and medium wage earners and additional coronavirus expenditures. The budget envisages revenues of CZK1.39tn and expenditures of CZK1.89tn.
- 22** Over 40% of the tests for Covid-19 conducted in the CR on February 21 were positive, according to figures from the MH. That is the highest positivity rate seen in the country since January 9.

**Feb 23** The majority of Czech companies active in the industry sector will end their 2020 fiscal in profit, according to a survey by the CI. A total of 45% of companies will have either reached, or exceeded their original profit margins. Meanwhile, 37% of related companies said that their profits for 2020 will be below expectations. Just 12% of industry businesses did not make a profit last year, or experienced an overall loss in their revenue. According to the survey, the coronavirus crisis had the most significant impact on the automobile industry, where 63% of related companies recorded their profits to be lower than initially planned. The largest share of companies that recorded a loss last year came from the glass and machinery sector.

**24** CSA have told the LO that they are preparing to sack up to 430 employees. The airline has been heavily impacted by the coronavirus crisis, in debt and cannot expect help from the government. Smartwings, which owns CSA asked the government for a CZK1.1bn rescue package earlier in February, but the request was declined.

**27** The ČMKOS chairman Středula has accused the government of putting economic interests over public health. Mr. Středula was referring to the fact that in tightening Covid restrictions on February 25 the government stopped short of closing down industrial production, which contributes to 30% of the GDP. The government has opted to maintain industrial production with strict hygiene norms in place and voluntary testing which should become mandatory in a few days' time. The state will contribute CZK60 per test, for a maximum one test a week per employee.

The Cabinet has declared a new state of emergency for a period of 30 days, in order to deal with the worsening epidemiological situation in the CR. The state of emergency is to last until March 28. The ChD on February 26 rejected a proposal to extend the ongoing state of emergency due to the fact that it had been called at the request of regional governors and was thereby legally questionable. The ChD approved a law on pandemics on February 26, which will give the MH exceptional powers, but the Cabinet says it is not sufficient to deal with the exceptionally grave coronavirus crisis.

The Cabinet has announced a series of new restrictions aimed at lowering mobility in the CR in an effort to curb the upsurge in coronavirus cases in recent days. As of March 1, people will not be able to travel between different districts (with exceptions for travel to work or to look after a relative in which case they will be asked to produce an affidavit of written statement from their employer). Schools and kindergartens will be closed with the exception of special groups for children of health workers and emergency crews. Only shops selling basic necessities, pharmacies and flower shops will remain open. Other stores which had exceptions, such as stationary goods, children's wear and shops selling sewing supplies will have to close. Respirators or masks with nano-filters will be compulsory not just in shops and on public transport but at workplaces as well. The government has appealed to the public to limit their contacts with others to an absolute minimum. The new restrictions will be in force for 3 weeks.

**28** PM Babiš has said he sees no reason to resign over the worsening coronavirus crisis in the CR. Mr. Babiš said that while he was aware the cabinet had made a number of mistakes in fighting the coronavirus epidemic in the past year, he was working night and day to turn the situation around and save lives.

PM Babiš has said he wants to make antigen testing compulsory in companies with over 250 employees in order to be able to maintain industrial production at the height of the coronavirus crisis.

President Zeman said he has been promised a delivery of the Russian vaccine Sputnik, which could be used in the CR as soon as it acquires the necessary certification by the EMA. The president said that, after consulting the matter with PM Babiš, he had written a letter to Russian President Vladimir Putin making the request. Mr. Zeman said that as far as he was concerned certification by the SÚKL would be sufficient, but the MH insists on only using vaccines that have been certified by EMA.

The CR registered 7,798 new cases of Covid-19 on February 27, roughly a thousand more than on the same day a week ago. Close to 150,000 people are currently fighting the infection, of which 1,500 are in a serious condition. The first 3 cases of Covid 19 were registered in the CR on March 1, 2020. Since then 1, 235 480 people have been confirmed Covid positive; over 20,000 have died of Covid or related complications. The current number of infected is the highest on record.

**Mar 1** The government has ordered compulsory blanket testing in companies in order for them to be able to remain in operation at the height of the coronavirus crisis. Companies with over 250 employees will have to start testing on March 5 and conclude the first round of testing no later than March 12, companies with over 50 employees no later than March 15. The state will contribute to the cost of testing for each employee four times a month. Companies have been asked to place as many employees on home office as possible. Those on home office need not be tested. The fine for failing to comply can reach CZK0.5mn.

People over the age of 70 have started registering for a Covid vaccine in the central registration system. Over 100,000 of them registered by mid-day March 1. There are over 1mn people aged over 70 in the CR. Teachers started registering on February 27, the 3rd group to be given priority after health workers and people over 80. GPs have joined the vaccination process as well, using mainly AstraZeneca vaccines. Over 653,000 people have already been vaccinated with 240,000 having received both doses.

- Mar 2** Some 1,568 Covid patients were in a critical condition in Czech hospitals on March 1 – the highest level since the pandemic began. The number in hospital with the virus was 7,717, a figure not seen since the end of October. 12,510 new cases of the coronavirus were detected, which was around 750 more than the same day the previous week. Some 33.4% of tests carried out were positive. The reproduction number was 1.12.
- 3** Hospitals in Benešov and Mladá Boleslav have declare states of mass disability due to a lack of capacity to treat Covid-19 patients, and other Central Bohemian medical facilities may soon follow. A state of mass disability is an extraordinary event in which a medical facility is unable to provide the standard level of care due. There are now 730 Covid-19 patients in Central Bohemian hospitals and only a dozen or so free beds in intensive care units, regional officials said.
- The Pilsen Philharmonic has announced its choice for chief conductor for the 2021/2022 concert season is Chuhei Iwasaki, a Japanese guest conductor who has been living in the CR for 13 years. Iwasaki, who was born in 1987 in Tokyo, studied composition and conducting at the Prague Conservatory, where he now teaches.
- Smartwings and CSA will require their passengers to produce negative Covid-19 test results before boarding as of March 5. Only a hardcopy certificate of a negative antigen test less than 24 hours old or PCR test less than 72 hours old from an accredited laboratory will be accepted. There is an exception for children under 5 years of age and passengers who present a written certificate in English or Czech from a physician residing in the EU confirming that the passenger has no Covid-19 symptoms, demonstrably recovered from it, and was in isolation as required upon a positive PCR test.
- 4** The PM Babiš said the government is unlikely to discuss easing Covid restrictions until after Easter. President Zeman has asked China for a supply of its anti-coronavirus vaccine Sinopharm, acting on a request from PM Babiš. Sinopharm is not among the three vaccines against Covid-19 approved by the EMA for use in the EU. Mr Babiš had previously said the CR could buy Sinopharm to keep in reserve until its eventual EMA approval.
- 5** The Cabinet ordered blanket testing of public sector employees. The measure applies to departments with 50 or more people. The testing, which has to be done at least once a week, will get underway March 10. The government has also called students of some secondary schools and universities to help in hospitals around the country. The mandatory work duty concerns mainly students in selected years of secondary nursing schools and medical faculties.
- The CR has called for international assistance in the fight against the coronavirus epidemic. The MH has started negotiating with Germany, Switzerland and Poland about the possibility to transport dozens of patients needing intensive care abroad. Many Czech hospitals have reached the limit of their capacity to treat patients in intensive care units, following an upsurge in serious cases of Covid-19. Requests for the transport of patients abroad must be sent to the MH by the attending physician.
- Unemployment remained at 4.3% in February, despite ongoing restrictions related to the Covid-19 pandemic, according to data released by the LO. The CR's labour offices registered over 311,463 job seekers last month, an increase of over 2,600 on the previous month, while the number of vacancies increased to 330,735. The lowest rate of unemployment is in Prague and in the regions of Central Bohemia, South Moravia and Pilsen, while the highest is traditionally in Moravia-Silesia.
- 8** In the Q<sub>4</sub> 2020, the average gross monthly wage increased by 6.5% in nominal terms y/y to CZK38,525, according to the CSO. Consumer prices rose by 2.6%, meaning that in real terms wages increased by only 3.8%. The median wage was CZK32,870. For men, the median reached CZK35,129, while for women it was CZK30,281.
- Elektrárna Dukovany II, a subsidiary of the ČEZ, has obtained a permit from the SÚJB to build a new nuclear power unit at the Dukovany NPP. According to the company, this is one of the most important preparatory steps before the start of construction and the selection of a supplier. The preparation and processing of documentation for the licensing procedure took five years and included over 200 professional studies, ČEZ said. Expectations are that at least one new reactor will be built at Dukovany by 2035 to replace the four existing units that are scheduled to be shut down between 2035 and 2037. The expansion of the Dukovany and Temelin nuclear power plants is to help the CR meet emissions reduction targets and goals for energy security.
- 2/3 of Czechs wish to be vaccinated against the coronavirus, according to the Median. Some 19% of respondents in the survey said they were strongly against being inoculated against the virus. 2/5 of Czechs would prefer to receive the Pfizer/Biontech vaccine if given a choice, the study indicates. Next most favoured is the AstraZeneca vaccine, with 27%. Only 1% would like to get China's Sinopharm vaccine.
- 9** The number of Covid patients in intensive care in the CR reached a new record of 1,789 on March 8. The total number hospitalised with the virus is almost 8,500, which is the 2<sup>nd</sup> highest figure since the pandemic began. The number of free beds in hospitals remains low; only 14% of ICU beds are currently available. Meanwhile the coronavirus reproduction number has fallen below 1 for the first time since early February and stood at 0.97. Some 10,466 new Covid cases were recorded, which was around 2,000 lower than the same day last week.

**Mar 9** The government has approved special bonuses for health and social workers in recognition of their extraordinary service during the coronavirus crisis. According to MH Minister Blatný, medical staff in hospitals will receive CZK75,000 each, similarly as they did last year. Care workers in social services will receive CZK15,000 to 50,000. The money is to be paid out in April. The government also approved two basic compensation programs for entrepreneurs, which should replace the multitude of programs introduced since the start of the crisis. The main criterion for eligibility for both is a drop in income by at least 50% y/y. Entrepreneurs will either be able to file for CZK500 to CZK1,500 per employee per day, or for 60% of the lost income. The compensation will be paid out retroactively from January 11, 2021.

Different quarantine rules will apply for people who contract the “South African” mutation of the coronavirus, MH Minister Blatný announced. The quarantine period was already extended for all, from 10 to 14 days, due to the spread of the “British” variant and people with the “South African” mutation will in addition have to undergo a PCR test at the end of that period.

- 11** The CR registered 14,353 new cases of Covid-19 on March 10, roughly a thousand less than on the same day a week ago. A record number of 1,916 people are in a serious condition. On average around 200 people are dying every day of Covid or related complications. The number of people hospitalized with Covid has dropped slightly to 8,734.

A dispute over whether to allow Russia’s Rosatom to enter a tender process to build a new unit at the CR’s Dukovany nuclear power station was not resolved at a meeting on March 1. Attending the hastily called talks were the MIT Minister Havlíček, the head of the BIS counterintelligence Koudelka, and representatives of opposition parties. Mr. Koudelka reiterated that the intelligence community was against Russian involvement in the key project. After the discussion Mr. Havlíček said this was a matter for the government to decide. However, there is also disagreement on the issue in cabinet, with MFA Minister Petříček opposed to a Rosatom bid.

- 12** Construction production slowed its decline in January but was still down 5.2% y/y. In December last year, the drop in annual terms was 11.4%, according to the CSO. Building construction, which includes the construction of houses, offices and warehouses, was hardest hit. Road construction, on the other hand, increased. The construction industry drop was affected by worse weather and the high comparison base from last year, before anti-coronavirus measures were introduced.

- 14** The chief hygiene officer Rážová leaves office. She was recalled from the post by MH Minister Blatný, who refused to give the press any reasons for his decision, merely indicating that they were professional and not personal.

- 15** The CR’s large and medium-sized companies have managed to test all their employees by the March 15 deadline set by the government, the CI said. In companies with more than 250 employees the share of positive tests was 0.75%; in companies with between 50 and 250 employees it was 1.24%. According to the CI, this is due to the fact that large companies started testing long before the government made it compulsory and introduced stricter safety norms than small companies.

- 16** The CR’s balance of payments account - the sum of all economic transactions between the Czech economy and foreign countries - ended in a record surplus of CZK203.5 bn last year. April and December were the only two months when the account balance was negative, according to the CNB.

There will be more hirings rather than firings among Czech employers in the Q<sub>2</sub> 2021, according to the Manpower. In total, 13% of businesses are planning to hire more employees. Meanwhile, 5% are preparing lay-offs. Just below 80% of respondents said that they do not plan any personnel changes during the first quarter of the year. Companies in all sectors, with the exception of those active in hospitality and gastronomy, are planning to hire more employees as the coronavirus epidemic subsides.

- 17** The number of primary and secondary school students who lack sufficient technology to take part in online education has fallen by 80% from about 250,000 last spring, when the first coronavirus school closures came. The situation has improved thanks to the loans of computers and other equipment acquired by the schools and distributed to families in need. However, about 10,000 children still do not participate in distance-learning at all, roughly the same number as in April 2020.

About 59% of Czechs want to be vaccinated against Covid-19, while about a 1/3 do not and the remainder are undecided. Seniors are most willing to get the jab, it found. A majority of respondents, however, were critical of the ongoing vaccination campaign, which began on December 27 and is among the slowest in the EU.

The average mortgage interest rate dropped by 0.01pps in February to 1.93%. It has now fallen 11 months in a row. At the same time, the volume of mortgages provided in February reached nearly CZK30bn, the highest amount in the history of the indicator.

The Cabinet is currently in the middle of negotiations with Volkswagen regarding the possibility of the company constructing a car battery plant in the CR. The negotiations are connected to an earlier announced project by ČEZ, which is considering the construction of a battery plant in Northern Bohemia. Mr. Havlíček said that he considers this a priority and one of the key possible future investments in the CR. Volkswagen has announced plans to construct 6 battery production facilities in Europe by 2030.

**Mar 22** The government will ask the ChD to extend the state of emergency in the CR by another 30 days in order to be able to keep the Covid restrictions in place until the epidemic subsides, MH Minister Blatný said. The government will also order compulsory Covid tests for firms with fewer than 10 employees and for the self-employed. The proposal to increase the frequency of testing from once to twice a week failed to win approval. The only employees exempted from testing are those on home office, people who have undergone Covid-19 or who have been vaccinated with the necessary two doses.

Plans for a Czech national day at the Dubai EXPO in a year's time have been revealed. The day on March 21, entitled Czech Spring, will present the CR as a country of springs, a font of ideas and a spring garden, organisers said. The world's fair had been due to take place in 2020 but was postponed for two years because of the Covid situation.

**25** A final decision on a contract to build a new unit at the Dukovany NPP will be made by the next Czech government, the MIT Minister Havlíček said. Work on the nuclear unit should begin in 2029, with a view to it going into trial operation 7 years later. According to information released by the MIT, Chinese company CGN will not be considered for the major contract. Four bidders remain in the running: France's EdF, KNHP from South Korea, the US-Canadian Westinghouse and Rosatom from Russia, with some Czech opposition parties critical of potential Russian involvement in such a key project.

People have been lighting candles on Prague's Old Town Square, where almost 25,000 crosses were painted earlier this week in honour of those who died with Covid-19 in the CR. Some people have also been using chalk to write the names of relatives who fell victim to the virus on the crosses.

**26** MPs approved a 2-week extension of the state of emergency that ends on March 28, until April 11, not the 30-day period that the government had sought. The move passed thanks to support coalition and KSČM.

**27** The 2021 Czech national census got underway at midnight March 27. Czech citizens and foreigners with permanent residency or living here for more than 90 days as of the start date must complete the survey by May 11 or face a fine of up to CZK10,000.

**28** The price of apartments in panel houses in the CR increased by 19.5% y/y in February to CZK38,452 /m<sup>2</sup>. The most expensive flats in panel houses were in Prague, with an average cost of CZK82,313/m<sup>2</sup>, while the cheapest ones were in the region of Ústí nad Labem (CZK17,491/m<sup>2</sup>). Prices of brick apartments increased by 10.8% on the previous year to CZK39,883. The difference between the prices of brick and panel house has dropped to CZK2,688/m<sup>2</sup>.

**29** "Indispensable" employees working in critical infrastructure, as well as certain police and firefighters, can now register to be vaccinated against Covid-19. The new phase concerns some 9,000 people.

**30** A opinion poll from the Median suggests that the electoral coalition of the Pirates&STAN would have come 1<sup>st</sup> with 27.5% of the vote if elections had been held in March. ANO would finish 2<sup>nd</sup> on 24.5%, the survey indicates. A coalition of the ODS&KDU-ČSL&TOP09 garnered 17.5% support from respondents in the poll, while SPD got 10%. The ČSSD would not reach the threshold to make the ChD, the survey indicates. General elections are planned for October.

**31** Some 8,568 new cases of Covid-19 were registered in the CR on March 30, 2,400 fewer than on the same day last week, continuing a downward trend. It was the first time since early February when less than 10,000 new cases were confirmed on a Tuesday. Over 7,500 people are hospitalised with the virus. The coronavirus reproduction number stands at 0.85.

**Apr 1** March has been the most tragic month in the CR since the start of the Covid pandemic over a year ago with 5,779 people having died of Covid or related complications in that month alone. Altogether the Covid-related death toll has reached 26,586. The epidemic has started to gradually subside in the past days and weeks, with 7,208 new cases registered on Wednesday, approximately 1,600 less than on the same day a week ago.

The Czech economy declined by 5.6% in 2020; the steepest fall since the establishment of the independent CR in 1993, according to the CSO. The drop was preceded by 6 years of consecutive growth. In the Q<sub>4</sub> 2020, the GDP fell by 4.8% y/y, but rose by 0.6% compared to the Q<sub>3</sub>. Household income grew by 2.8% last year, while spending fell by 2.9%, mainly due to the anti-Covid measures imposed.

**5** In the Q<sub>1</sub> 2020, tax revenues fell by 15% y/y, by CZK38.6bn, to CZK219.2bn, according to the MF. The state received CZK91bn in VAT tax, down CZK6.8bn y/y. On the other hand, the state collected slightly more on corporate income tax, a total of CZK41.6bn.

**7** The IMF has lowered its outlook for the Czech economy for this year. It now expects growth of 4.2% in 2021, while in the autumn the fund expected a rise of 5.1%. Among other things, the IMF's spring outlook predicts that inflation in the CR will fall in 2021 but remain higher than in many other European countries. The IMF has improved its growth estimate for the world economy this year to 6%, up from 5.5% in its January forecast.

MH Minister Blatný was officially dismissed and replaced by Petr Arenberger, the current director of the Vinohrady University Hospital. Blatný was the 3rd person to hold the post during the coronavirus pandemic.

Unemployment in the CR fell by 0.1pps in March compared to the previous month, which corresponds to an unemployment rate of 4.2%. That is the 2nd-lowest rate in the EU.

**Apr 8** The prices of houses and apartments in the CR rose by 8.9% in the Q<sub>4</sub> 2020. This was the 4th fastest growth rate in property prices seen in the EU, according to Eurostat.

- 9 Ipsos agency poll suggests that the Pirates&STAN coalition would win the elections into the ChD with 26.9% of the vote. ANO would receive 25.3% of the vote. This is the 3rd recent public survey to show that the opposition Pirates&STAN coalition is ahead of the ANO. The opposition coalition SPOLU polled 3rd with 20.9% of the vote. They were followed by the SPD favoured by 9.5% of respondents. The ČSSD and KSČ, polled below the 5% threshold to get into ChD. Elections into the ChD are scheduled to take place in October this year.
- 11 The state of emergency and the associated ban for people to move outside their home districts ended. The end of night curfew and a partial reopening of schools are no longer in force from April 12. Several businesses, such as shoe stores and dry cleaners are also allowed to reopen. Restaurants have had their opening times extended by one hour to 10pm. Monday also sees the reopening of zoos and botanical gardens. Weddings and funerals are able to take place as long as the number of guests does not exceed 15. The option to register in the state vaccine waiting list will also be opened up to over 65s.
- 12 President Zeman dismissed MFA Minister Petříček from office on April 12. His dismissal came at the request of ČSSD leader and Deputy PM Hamáček, who will temporarily take over the portfolio until a successor is found.
- 14 The Czech economy should grow by 3.1% this year, according to the MF. In 2022, the MF expects growth to reach 3.7%. The MF states that the ongoing coronavirus vaccination programme will improve the epidemiological situation which will in turn lead to the revitalisation of the economy at home and abroad. The forecast also expects inflation to reach 2.5% in 2021, with unemployment rising to 3.6%.
- 16 MH Minister Arenberger said that the Easter holiday did not lead to a spike in new coronavirus infections, but an easing of restrictions should be conservative and incremental. The MH is not planning any loosening at the moment, he noted.
- 17 The PM Babiš says that the CR's security services have clear evidence that officers of the Russian foreign military intelligence agency the GRU were involved in the explosion of 50 tonnes of munitions at a depot in Vrbětice in Moravia in October 2014 in which 2 people died. MI Minister Hamáček said that the Prague government was expelling 18 members of staff at the Russian Embassy in the city who had been identified as working for the Russian secret services. The spies have 48 hours to leave the CR.
- 18 The Russian MoFA will take retaliatory action the CR expelled 18 Russian Embassy staff.  
Deputy PM and MIT Minister Havlíček says that in the coming days the Russian company Rosatom will be excluded from a list of companies bidding to build a nuclear unit at the Dukovany plant.
- 19 Acting MFA Minister Hamáček says discussions about the CR obtaining the Russian-made Sputnik V vaccine are no longer on the table in view of the current situation. Mr. Hamáček said that the only route for the country was to focus on vaccines that had been approved by the EMA. The minister had just last week announced a trip to Moscow, scheduled for Monday, to discuss Sputnik V. He later said this had been a smokescreen intended to help keep secret plans to expel Russian Embassy staff identified as spies.  
Russia has expelled 20 Czech diplomats, giving them until midnight on April 20 to leave Russia.
- 21 President Miloš Zeman appointed Jakub Kulháněk MFA Minister. Mr. Kulháněk, who previously served as Deputy MI Minister, takes office amid a deepening crisis in Czech-Russian relations over the involvement of the Russian secret service in the deadly 2014 munition blasts at the Vrbětice depot.
- 22 The MFA Minister Kulháněk says that the Czech government will limit the number of diplomats allowed at the Russian Embassy in Prague to the number that the Kremlin permits at the Czech Embassy in Moscow. Mr. Kulháněk said that the move was in response to the operations of Russian intelligence on Czech territory, which he said was a flagrant breach of Czech sovereignty. Moscow has until the end of May to withdraw its people from Prague. The move comes following earlier tit-for-tat expulsions that occurred after the Czech government said last weekend that Russian GRU agents had been behind explosions at a munitions depot in Moravia in 2014. The Czech government had given the Kremlin until noon on April 21 to allow the 20 Czech diplomats expelled in recent days to return to Moscow. There are currently reported to be 5 or 6 staff members at the Czech Embassy in the Russian capital.  
The EU and NATO have expressed support for the CR following revelations that Russian intelligence agents caused deadly explosions at a Czech ammunition depot in 2014.  
The majority of Czechs regard Russia as a security threat, suggests a poll by the Median. Respondents assessed Russia's threat to the CR on a scale of one to 10, with the average coming to 6.4. In addition almost 2/3 of those surveyed said Russia's Rosatom should be excluded from a tender to build a nuclear unit in the CR. The government has already said the company will not be considered for the contract.
- 23 Moscow and Prague will reduce the number of embassy staff at their respective representations to 7 diplomats, 25 administrative and technical workers and 19 local support staff by May 31, the TASS news agency said on Friday citing the Russian Ministry of Foreign Affairs. Moscow nodded to a parity representation on Thursday, following a tit-for-tat expulsion of diplomats triggered by a diplomatic row over the Czech claim that Russian intelligence agents were behind a series of deadly blasts at a munition's depot in Moravia in 2014. The agreement means that Moscow will have to send home 63 embassy staff by the end of May.
- Apr 23 It is possible for people in the 60 to 64 age bracket in the CR to register to get vaccinated against Covid-19 via the website of the MH.

**24** PM Babiš definitely has a conflict of interest, according to a final EU audit. According to the conclusions of the EC, the PM continues to influence the multi-billion crown corporation Agrofert he established, even after he was forced to place it into trust funds to meet a strict new conflict of interest law. The outcome of the audit means that the CR will have to return millions of crowns in EU subsidies granted to Agrofert. Its conclusions are final and can only be challenged in court. Mr. Babiš has denied having a conflict of interest, insisting that he does not control or manage Agrofert holdings. He claims that the affair around his potential conflict of interest was triggered by political opponents in the CR in an attempt to discredit him and drive him out of politics.

**25** President Zeman has called for a thorough investigation into the deadly explosions at the arms depot in Vrbětice in 2014, saying that no sovereign country could tolerate having foreign agents undertaking terrorist attacks on its soil. In his first address to the nation about the revelations which have sparked an unprecedented diplomatic row with Russia, Mr. Zeman said the suspicions are grave and he trusted Czech investigators to get to the bottom of the incident and provide undisputable proof of the involvement of Russian agents into the affair. The president did not comment on the expulsion of Russian agents from the country or the government's steps in the matter. Opposition politicians have criticized President Zeman for casting doubt on the outcome of the investigation into the Vrbětice blasts and thus opening the door to Russian disinformation activities.

**26** There is only one line of investigation in the Vrbětice depot blasts and it is directly connected to the movements of Russian intelligence agents on Czech soil, MI Minister Hamáček said in response to President Zeman's claim that investigators were still working with two versions, one of which was an accident caused by unprofessional handling of explosives. Mr. Hamáček's words were confirmed by PM Babiš.

The EC has said the CR will not have to return any EU funds as a result of the audit which concludes that PM Babiš has a conflict of interest since no funds were drawn for the Agrofert conglomerate which is at the centre of the dispute.

Confidence in the Czech economy rose in April to the highest level registered this year, the CSO reported. The business confidence indicator increased by 7.1pps to 94.8, and the consumer confidence indicator increased by 9.9pps to 93.9. The rise is attributed to the gradual easing of Covid measures and the projected reopening of shops and services on May 3.

**29** MEPs approved a resolution calling on EU countries to coordinate the expulsion of Russian diplomats in response to Prague's allegations that Moscow was behind a 2014 ammunition depot explosion on Czech territory that left two dead.

České dráhy recorded a CZK4.1bn loss in 2020, mainly due to the coronavirus pandemic. The previous year, the company posted a CZK1.3bn profit, and has ended in the black ever year since 2014. The pandemic mainly affected passenger traffic due to travel restrictions. České dráhy's freight transport subsidiary ČD Cargo and other subsidiaries also posted losses.

The SÚKL says it has studied the materials received for the Russian Sputnik V coronavirus vaccine and concluded that they are insufficient for it to properly evaluate the risks and benefits.

**30** The GDP by 0.3%, q/q, in the Q1 2021. In the y/y comparison, it decreased by 2.1%. The negative y/y development of the GDP was influenced mainly by decreasing consumption of households. Employment increased by 0.2%, q/q. Compared to the corresponding quarter of the previous year, it decreased by 1.6%.

Czech doctors have expressed serious concern regarding the general state of health of the population after the pandemic is brought under control. They say they fear an outbreak of cardiovascular diseases as well as neglected diabetes and undetected cancer due to people having avoided screenings and preventive care during the pandemic. Psychiatrists also fear and increase in mental health problems.

There has been a steady decline in the number of Covid-19 cases and the number of hospitalized in the last few weeks. Currently close to 3,000 people are in hospital with the infection, of which 622 are in a serious condition. The reproduction number is at 0.8, and the risk index is at 54 points corresponding to the 3rd level on a 5-point scale. The overall Covid-related death toll has crossed the 29,000 mark. The health authorities have now confirmed the first case of the Indian mutation on Czech territory.

**May 1** The number of people receiving old-age pensions has dropped after two decades of steady growth. In 2020, the CSSA paid out 2.4mn pensions, about 14,400 fewer than in the previous year. The number last fell y/y in 2002. According to preliminary CSO data, the number of deaths increased significantly last year among older people, especially in the autumn months after the onset of further waves of the coronavirus pandemic.

**3** According to analysts, the Czech economy has done unexpectedly well in view of the pandemic restrictions. According to the CSO its performance in Q1 decreased by 0.3% compared to the previous quarter. Y/y, the decline eased from the previous -4.8 to -2.1%. A decline of barely 0.5% between quarters and 2.3% y/y is a surprisingly good result for a period during which tough anti-pandemic measures were in place from start to finish.

**May 3** The CR has significantly improved its cybersecurity following a spate of attacks last year, according to the security consulting agency Czech Point. It says that despite the steep worldwide increase in cybercrime during the coronavirus pandemic, the CR has moved 35 places up the ladder in cybersecurity, according to data from March 2021. On the other hand neighbouring Slovakia has slid 44 places down and is now more vulnerable to cyber-attacks.

- 4 Deputy PM Hamáček is under fire from all sides after the news site Seznam.cz accused him of wanting to hush up the involvement of Russian agents in the 2014 Vrbětice explosions in return for 1mn Sputnik V vaccines and a US-American summit in Prague. Seznam made the claim citing several independent sources and linking the story to Jan Hamáček's planned visit to Russia just hours before the Vrbětice scandal broke. The opposition parties are demanding an explanation from Mr. Hamáček and from PM Babiš, who reportedly signed papers okaying the deputy PM's trip to Moscow. PM Babiš has denied any involvement in Deputy PM Hamáček's planned visit to Russia, saying he had learnt about it from media reports and had not signed any papers sanctioning it.

Czechs' trust in their government is the lowest of all EU member states, according to the results of a Eurobarometer survey. The number of Czechs who trusts their government has dropped from 40 to 19% year-on-year, while trust in EU institutions has gone up from 39 to 48%, the highest rating since 2013. The Eurobarometer survey shows that public trust in Parliament has also taken a dive from 25 to 15%, while trust in the UN has grown from 45 to 57%. The average trust rating in EU governments and parliaments is at around 36%.

- 5 After Estonia, the CR is the most attractive country in CEE for foreign investors, according to a traditional economic survey of German chambers of commerce in the region. The survey took place in parallel in 16 countries and included 1,300 companies. In the eyes of investors, the CR scores particularly well in 2 areas: "productivity and motivation of employees", and "quality and accessibility of local suppliers". The Czech public administration came off worst, especially because of deficiencies in digitization. The biggest slump was in "political and social stability".

- 6 the CNB has lowered its estimate of economic growth for this year, but has improved its estimate for 2022. Newly, it expects economic growth of 1.2% this year and growth of 4.3% next year.

- 7 The ChD approved new legislation regarding the so called "Kurzarbeit" scheme, which reimburses part of the private-sector wages in order to discourage layoffs and limit working hours during the coronavirus epidemic. The plan would see employees receive at least 80% of their salary for periods when they were unable to work. The state would compensate these salaries, paid out by companies, by 80% up to the limit of 150% of the average national wage. If approved by the Senate, the legislation could be activated in July.

The unemployment rate in the CR fell from March's 4.2% to 4.1% in April, according to freshly released data from the LO. This is the lowest rate of unemployment registered since December. The number of jobs that were available in April also rose in y/y terms by more than 10,000.

A newly released poll, conducted by the Median agency in April, shows that the coalition of the Pirates&STAN is in the lead with 27.5%. The ANO party came in 2nd with 21% of the vote, 3.5% less than in March. The SPOLU coalition polled at 17%, 0.5% lower than in the previous month. The SPD party came in fourth with 11.5%, followed by the ČSSD with 6.5% and the KSČM whose predicted vote fell to 6% in April, down from 7.5% the previous month.

- 8 Ahead of the informal EU summit in Porto on Saturday, PM Babiš asked other EU leaders to consider expelling at least one Russian diplomat in solidarity with the Czech Republic over the Vrbětice case. A diplomatic dispute broke out between the CR and Russia about two weeks ago, after Czech security forces revealed that the Russian secret service was involved in the deadly 2014 munitions explosions in Vrbětice, south Moravia. The Czech government announced in mid-April that it would expel 18 Russian diplomats over the case. Russia retaliated by expelling 20 Czech diplomats, to which Prague reacted by announcing further forced departures of Russian diplomats.

- 9 The OPCR has been assisting Deputy PM Hamáček in organizing his alleged trip to Moscow, the website SeznamZpravy reported, adding that the news was confirmed by the president's chief foreign policy advisor Rudolf Jindrák. Speaking to Czech Radio later in the day, Mr Jindrák denied the allegation, claiming that his words were misinterpreted.

A new opinion poll carried out by Kantar suggests that the Pirates&STAN coalition would win the elections into the Chamber of Deputies with 27% of the vote. The opposition coalition SPOLU would finish 2<sup>nd</sup> with 21.5% of the vote. The ANO garnered 21% support. The SPD party was favoured by 12% of respondents, while the KSČM received 5% of the vote. The ČSSD would not reach the threshold to make the ChD, the survey indicates.

- May 10 Sales in services decreased by 7.9% in real terms compared to the Q1 2020, according to the CSO. Q/q, seasonally adjusted sales in services increased by 0.5% in real terms. Tourism-related services suffered the worst losses. In the Q1 2021 the number of foreign guests in hotels, boarding houses and camps fell by almost 97%. The number of domestic visitors to the metropolis who stayed overnight decreased by 86.4% compared to Q1 2020. The coronavirus crisis also had an impact on spa accommodation establishments. Spas were allowed to remain open but they could only provide care paid by health insurance companies and not by self-payers.

Shops around the country reopened after a five month break. Czechs will also be able to avail themselves of services which have been waiting for the green light, such as shoe repair shops, car bazaars, car showrooms, cable cars, solariums, watchmakers, goldsmiths, carpenters or travel agencies. The easing of measures is based on the number of newly infected in the course of a week staying below 100 per 100,000 inhabitants. As of May 10 people will no longer have to wear respirators out in the open, unless they are in crowded places, although they remain compulsory indoors. Social distancing rules also remain in place.

- 12 Prague Mayor Hřib has called on the MH to address the problem of uninsured foreigners who are eliminated from the Covid inoculation process. Hřib argued that if, this group of residents remained unprotected it would undermine the effort to secure herd immunity. Currently, only people with public health insurance can get vaccinated against Covid in the CR. It is not clear how many uninsured foreigners live in the CR, but the number could be in the thousands. LOs currently register over 280,000 workers from countries outside the EU.
- 13 Prague has become the headquarters for the EUSPA. It takes the place and expands on the work of the former satellite navigation agency GSA, which had been based in the Prague since 2012. The EUSPA will play a key role in implementing the EU's space programme, said the new agency's director, Rodrigo da Costa. It is currently the only EU agency based in the CR. Its expansion is expected to create around 400 new jobs.
- 57% of Czechs consider the government-imposed measures to bring the coronavirus epidemic under control ineffective, according to the CVVM agency. The outcome indicates a growing disillusionment with the government's handling of the epidemic. In May of last year 86% of respondents rated the government measures against the spread of the disease as effective. In December it was 61%.
- 14 Russia formally designated the CR, as well as the USA, as "unfriendly states", in a list included with a government decree signed by PM Mishustin. The Czech embassy will be allowed to employ no more than 19 Russian nationals and the US embassy none at all, Moscow said. Kremlin said that Moscow remained open for dialogue, stressing that there were only two nations on its "unfriendly states" list.
- 15 The MFA says Russia's decision to put the CR on a list of "unfriendly countries" is another step towards the escalation of relations not only with the CR, but also with the EU and its allies.
- The citizens of Germany, Austria, Hungary, Slovenia and Poland who have been vaccinated against Covid will be able to travel to the CR without any restrictions starting May 15, under a bilateral agreement reached with the stated countries.
- 16 The EU has issued a declaration criticizing Russia's decision to publish a list of "unfriendly states" and expressing solidarity with the CR and the USA, the two countries cited on the list.
- 21 The Turów mine in Poland continues to operate, despite order by the ECJ to stop mining activities immediately. The ECJ decision came as a result of charges brought up by the Czech government, which claims that the mining activity on the border of the two countries is causing severe, potentially irreversible, damage. The ECJ has ordered mining activity to be stopped until it decides upon a verdict.
- The Czech Post will be split into a state-owned company, providing state services through its branch network, and a private segment, which will continue to focus on offering mainly commercial services, MI Minister Hamáček said. The split should take place within 3 years.
- 23 The Czech economy will grow by 3% this year, followed by a 3.9% growth in 2022, according to the MF. In 2023 and 2024, the MF predicts the economy to grow by 3%. Inflation is expected to gradually fall coupled with a strengthening of the crown. Meanwhile, unemployment is expected to hover around the 3% mark. The survey explored the prognoses of 16 economic projections made in the CR, by a mix of public and private institutions. Last year saw the economy contract by 5.6% as a result of the coronavirus pandemic.
- 25 The presidents and prime ministers of the EU member states have expressed full solidarity with the Czech Republic in its dispute with Russia over the 2014 Vrbětice blasts. At an EU summit in Brussels on Monday night, EU leaders adopted a resolution condemning "illegal, provocative and destructive Russian activities against EU member states and elsewhere", expressing support for the CR and backing its tough response to the incident in expelling all Russian agents from the country and cutting down on the number of Russian embassy staff.
- MH Minister Arenberger has resigned from office in response to mounting pressure over irregularities in his tax returns.
- 26 The ChD has approved an amendment to the law that will give the CNB the right to lay down mortgage lending conditions. Until now, it could only give banks recommendations that were not legally binding. The amendment will also strengthen the central bank's position in trading on financial markets and expand its powers in other areas.
- May 26** President Zeman appointed Mr. Vojtěch MH minister in the 4<sup>th</sup> change of guard since the start of the coronavirus pandemic. Vojtěch, who served as MH minister at the start of the pandemic, returns to the post 8 months after his own resignation.
- 30 MH Minister Vojtěch wants regular PCR tests for Covid-19 to be administered in schools also following the summer break. Vojtěch is due to discuss the issue with MEYS Minister Plaga. The aim is to keep schools open full time.
- 31 Several additional coronavirus variants have been confirmed in the CR through sequencing – 53 cases of the South African, 13 of the Indian and nine of the Southeast Asian variants were detected.
- Police proposed indicting PM Babiš and a former advisor for having allegedly temporarily changed the status of his Stork's Nest complex over a decade ago to get an EU grant intended to support small and medium-sized businesses.

After contracting sharply in 2020, Czech GDP is projected to recover by 3.3% this year and 4.9% in 2022, the OECD said in its latest economic snapshot. The CR has had a high Covid-19 infection and death rate and progress in vaccinations has been relatively slow, but recovery should gather pace in the H2 2021, the OECD said, once the population is more extensively vaccinated. A rebound in services and boosting of private consumption and investment should be accompanied by higher inflation due to rising food and fuel prices. Unemployment, already low, will start to decline, the OECD said.

Further easing of anti-coronavirus measures came into force in the CR. For the first time in over 5 months, indoor catering is permitted. Swimming pools, saunas and wellness facilities, as well as bars, discos and casinos and museums, can once again receive guests.

**Jun 1** The GDP decreased by 0.3% q/q in Q1 2021, the CSO reported. In a y/y comparison, it decreased by 2.1%. The negative y/y GDP development was caused by a decrease in the final consumption of households and in the gross fixed capital formation. The Czech economy shrank both in the y/y and q/q comparison. The gross domestic product adjusted for price effects and seasonally adjusted was by 0.3% lower, q/q. In the y/y comparison, the GDP decreased by 2.1%.

**2** The CR has sent its national revival plan, which would enable the country to draw CZK180bn from the EU's coronavirus recovery fund, to Brussels. The EC will have 2 months to evaluate whether the proposal fits the union's criteria. In total, the EU has agreed on spending EUR750bn for the union-wide recovery fund. The Czech plan, approved by the government in May, counts on spending the largest amount of money, CZK91bn, on infrastructure and green energy. According to the CCC, the revival plan does not sufficiently address the need to digitise the state administration, despite 23% of the money being allocated for this goal.

**3** PM Babiš's minority government has survived a 3rd confidence vote called by 2 coalitions of opposition parties (the ODS, KUD-ČSL and TOP 09, Pirates, and STAN). As expected, KSČM deputies left the ChD during the vote, securing Babiš's victory.

**4** The average monthly wage in the CR in the Q1 2021 rose by 3.2% y/y to CZK35,285. In real terms, taking into account inflation, earnings rose by 1%. However 2/3 of employees earn less than the average wage. The median wage, a midway between the highest and the lowest levels, increased by 2.5% y/y to CZK29,867. It was CZK32,235 for men and CZK27,237 for women.

**7** The Cabinet has approved the basic parameters of next year's state budget deficit, setting it at CZK390bn, the MF Minister Schillerová said. The budget priorities for 2022 were savings on the state administration, including layoffs, investments of CZK189bn, an increase in the old-age pension, maintaining a lower income tax rate of 15% and raising the salaries of educators, police officers and soldiers and freezing the salaries of state employees.

The first ever public-private partnership road building project in the CR has got underway. A section of the D4 motorway between Příbram and Mirovice is to be built by 2024 by a consortium known as ViaSalis; it will then operate the road for a quarter of a century in return for payment from the state. The MT Minister Havlíček said the PPP model would be used again in future to finance other motorways and high-speed rail connections.

Unemployment in the CR fell to 3.9% in May, down from the 4.1% recorded the previous month. The unemployment rate in May was 3% than the figure seen in the same month last year. The MLSA Minister Maláčová said the latest numbers showed that the government had been right to end a programme supporting workers' pay in view of the Covid crisis. The economy is opening up and businesses can stand on their own two feet without aid, she said.

**8** The MH has announced it will further reduce the price of antigen and PCR tests for self-payers. As of June 8, the price ceiling for a PCR test has been reduced to CZK814, down from the present 1,510 and that of an antigen test to CZK201, down from CZK351.

**9** EP Members voted in favour of a resolution condemning PM Babiš's conflict of interest after an earlier audit by the EC found him to still be in control of Agrofert, the company he founded but placed into trust funds upon pressure from the Czech ChD.

**Jun 11** The central register for Covid vaccines opened to foreign nationals and Czechs without health insurance on Friday. According to the MH direct foreign nationals to centres with English-speaking staff. It is not clear how many people this may concern. According to the MI's statistics there were over 656,000 foreigners living in the country at the end of the Q1 2021. Over 344,000 of them have permanent residence in the CR.

**12** The newly established European Public Prosecutor's Office (EPPO) based in Luxembourg has taken over the case of PM Babiš's conflict of interest.

**13** Large foreign film and TV productions have started shooting in the CR again after a pause caused by the Covid-19 pandemic. Foreign film crews are attracted to the country by Czech film incentives.

**16** The opposition election coalition of the Pirates and the STAN would win the elections if they were to take place in June with 25.5% of the vote, according to the agency Data Collect. ANO party came in 2nd with 20.5% of the vote, followed by the Spolu coalition, made up of the ODS, the KDU-ČSL and the TOP 09 party, with 19.5%. The SPD received 10.5% in the poll, followed by the KSČM with 5.5%. The ČSSD would receive just around 5% of the vote according to the poll, meaning it would just manage to fulfill the threshold to get into the ChD. The new Přísaha (Oath) Party, centered around former police chief Robert Šlachta, also polled around the 5% threshold.

There was a 267% y/y rise in the number of cyber-attacks launched at the CR's health sector in 2020, according to the newly released annual report of the NCISA.

A segment of the Czech economy, particularly industry and related foreign trade, started to recover during the Q1 2021. The main reason for the recovery is that industry and foreign trade were largely unaffected by government coronavirus containment measures, unlike a significant segment of the trade and services sectors. Despite positive signs in some of the sectors, the Czech economy contracted by 2.1% during the Q1 2021, in part due to a fall in consumption connected to lockdowns. Investments were also low. Meanwhile, one of the main reasons for growth in the industry and foreign trade sectors was the rise in automobile production.

The NCISA has issued a warning of an upcoming wave of extortionary campaigns targeting the country's public and private sectors. The attacks are coming from a group of cybercriminals known under the name "Fancy Lazarus", which uses the threat of launching a powerful DDoS attack to extort payments in Bitcoin from its victims. Similar warnings were issued by NCISA in May as well. The state cyber watchdog recommends not replying to the group's emails. Instead, companies are advised to contact the police or the country's CERT cyber security coordination team.

The ChD voted in favour of exclusively using technologies provided by states that have acquiesced to an international agreement on government tenders for the expansion of the Dukovany nuclear power plant. In effect, this means that Chinese and Russian companies are not able to take part in the tenders. The vote came just after the government finished setting up its security questionnaire for companies competing in the multibillion crown tender. The document has now been sent to the state owned energy company ČEZ, which is expected to forward it to the respective contenders - France's EDF, South Korea's KHNP and the North American company Westinghouse. Russian and Chinese companies have also been excluded from the tender by the government.

17 Negotiations between the CR and Poland over the latter country's Turów lignite mine near the shared border began. The Czech government has petitioned the ECJ to fine Poland EUR5mn for each day it continues to mine coal from the mine, which it says is contaminating water supplies. The court last month ordered Poland to suspend mining at Turów, but Poland has thus far ignored the ruling. Discussion aims to agree conditions under which the Czech side would be willing to withdraw its lawsuit. In that context, ME Minister Brabec said the quality and decline of groundwater, increase in noise and dust, shocks and settlement of terrain, especially in the Liberec region, are all matters of concern.

19 The MFA Minister Kulhánek has laid out the country's plans for its presidency of the EU in 2022. Mr. Kulhánek said that the Prague government wished to host an EU summit with countries from the Western Balkans, as well as an EU-United States summit. The foreign policy chief said this reflected the priorities of the Czech presidency – planned for the H2 2022 – which were transatlantic ties and Western Balkans states' preparations for EU accession. Mr. Kulhánek said that in the nearer term the CR supported sanctions against the Lukashenko regime in Belarus.

20 Most Czech companies want their staff to return to their workplaces and do away with work from home practices, suggests a survey of 700 employers cited by Czech Television. Many firms believe that their employees are less productive at home and losing good working habits. 80% of companies surveyed said that were bringing their people back to their places of work. 14% said they would allow combined workplace and "home office" and just two% said they would prefer mainly work from home.

21 The ČEZ has sent 3 bidders to expand the Dukovany nuclear power plant papers for the security assessment process that precedes the official launch of the tender. They are the French firm EdF, the US Westinghouse and South Korea's KHNP. Russia's Rosatom and China's CGN have been excluded from the tender for security reasons. The security assessment process should be concluded by the end of November. The official launch of the tender is expected toward the end of the year, after a new government takes office following a general election in October.

Jun 21 The CR's foreign debt increased by CZK6.7bn in the Q1 2021 reaching CZK4.3tn at the end of March, which accounts for 76% of the GDP, the CNB said. Y/y, the foreign debt was CZK167.7bn lower. The private sector is responsible for almost 3/4 of the external debt. The remaining part consists of public sector liabilities, which include liabilities of the government and private entities guaranteed by the government and debts of companies with majority state ownership. The government sector's share in the external debt was 18.4% at the end of March.

23 As expected, the CNB has raised key interest rates, by 0.25pps to 0.5%. Analysts say the main reason is fears of rising inflation related to the ongoing economic recovery, and the market expects 2 more rate increases this year. It now takes the equivalent of 14.9 years' average salary to buy a new 70-metre flat in Prague. That is 5 years more than in 2014, evidence that salaries are not rising along with housing costs in the Czech capital. According to Central Group, in Bratislava it takes 12.5 years' salary to buy a comparable flat, in Munich, 12.3 years', in Berlin, 8.7 years, and in Vienna, 8.3 years.

24 7 villages in South Moravia have suffered major damage after being hit by a reported tornado on July 23 that was moving at a speed of 219 km per hour.

- 26 The confidence of Czechs in the president, the government and both chambers of Parliament has taken a dive in the last 9 months, according to the CVVM. A June poll suggests that only 29% of respondents now trust the president, compared to 46% last September and 28% of people trust the government, a 15% drop from September. The ChD has a 21% trust rating, the Senate enjoys the trust of 27% of respondents, while in a previous survey more than a third of respondents trusted them. Meanwhile trust in mayors and municipal councils has risen significantly to around 60%.
- 28 The tornado which devastated 7 villages in South Moravia on June 23 has claimed a 6th victim. Over 150 people were treated for injuries in the wake of the storm and 45 of them remain hospitalized. Over 150 people were treated for injuries in the wake of the storm, 45 of whom remain in hospital. Meanwhile, clean-up work continues with hundreds of firefighters, soldiers and police officers assisting in the effort. The tornado damaged 1,200 houses, of which over 60 are slated for demolition, destroyed hundreds of cars and damaged roads, forests and infrastructure. The area is a wine-growing region and many hectares of vineyards were destroyed as well as a solar power plant.
- 30 The nominal debt of government institutions rose by CZK630.3bn y/y to CZK2.5191tn in Q1 2021. The debt ratio increased in annual terms 32.4% to 44.1% of GDP, CSO data show. Compared to Q4 2020, the Czech government's debt rose by CZK366.1bn and the debt ratio by 6.3pps. The results continue to reflect consequences of the coronavirus pandemic, CSO said.
- The annual report of the NCCOC shows an uptick in efforts by foreign criminal groups to obtain legal residency in the CR. Most are from Russian-speaking countries, it states, while applications in 2020 from Asian countries dropped. Members of organized crime groups from abroad try to settle in the CR mainly through bogus marriages, unrealized university studies or fictitious employment, the NCCOC says. Others first acquire citizenship in another EU state, such as Hungary or Romania.
- Jul 1 The living standard of Czech households is virtually the same as prior to the coronavirus pandemic, according to an index run by the STEM polling agency and financial advisory company KPMG. While the country was hardest hit in terms of the epidemic in the first quarter of this year, assessments of household living standards have improved markedly on last year, the long-term study of household finances found. By contrast, the perception of the Czech economic situation has deteriorated compared to in 2020.
- 2 Over 27,000 minors aged 12 to 15 have registered for a Covid vaccine since the central register opened to this age group. There are approximately 456,000 children in that age group in the CR. They are being inoculated at vaccination centres with the Pfizer/BioNTech vaccine. At least one parent must be present. Approximately 1/2 of the adult population has received at least one Covid vaccine; 28% of people are fully vaccinated.
- 4 A growing number of people are retiring early and taking reduced pensions, according to the CSSA. At the end of the Q1, 28% of seniors were on reduced pension payments of 13,738 crowns per month on average, about CZK1,600 less than those who worked till the statutory retirement age.
- Prices of flats in large Czech regional cities increased by an average of 19% y/y year in Q1 to CZK77,800/m<sup>2</sup>. The growth rate was the highest in the last 5 years. A Prague flat cost on average CZK100,000/m<sup>2</sup>. Since the end of 2015, prices in the CR have increased by an average of 86%.
- 7 President Zeman will visit China in 2022, according to the Prague Castle. The announcement comes after a phone call between the Czech president and China's leader Xi Jinping, during which the two men spoke about economic cooperation and the recent tornado incident in Moravia. According to the Prague Castle, Xi considers the CR as a key partner within the EU. President Zeman has been to China several times during his time in office, most recently in 2019. A long-time advocate of Czech cooperation with China, President Zeman planned to visit the country again in 2020, but the trip had to be cancelled due to the coronavirus pandemic.
- Jul 7 After last year's coronavirus induced recession, Czech GDP is expected to grow by 3.9% in 2021, according to the EC. In 2022, growth will continue and reach 4.5%. Meanwhile, the EU economy as a whole is expected to grow by 4.8% this year. The forecast points to the extensive amount of investment during the spring months as a reason for optimism. The main driver of economic growth will be a rise in consumer demand.
- 8 A poll by the STEM, put ANO party at the top of a hypothetical general election result with 26.7% of the vote, 2.7% more than in the previous month. The PirSTAN coalition fell by four points to second place with 24.1%, followed by the SPOLU coalition with 17.4%. The SPD would come in fourth with 10.9% of the vote. The KSČM and the ČSSD both polled at 5.5%, meaning that they would pass the threshold necessary to get into the ChD. Přísaha, a new party formed around former police chief Robert Šlachta would just manage to scrape into the ChD with 5.1% of the vote.
- 9 The rate of unemployment in the CR improved in June, falling from May's 3.9% to 3.7%, the LOCR announced. The number of people looking for work decreased to 273,000 in June, while the number of jobs on offer rose to 355,000. Statisticians believe that the main reason behind the fall in unemployment were an improving epidemiological situation and the lack of foreign workers. Several businesses that were hit hard by the pandemic have been able to restart and there has also been a rise in seasonal work offers in sectors such as construction, agriculture, hospitality and forestry.

- 14 The ChD approved legislation requiring foreigners with long-term residence in the country to be insured with the state-owned insurer VZP, despite criticism that such a requirement amounts to unacceptable monopolization. According to the bill, only a subsidiary of VZP will be able to provide commercial health insurance in the next 5 years. Only after that period, other health insurers will also have this option.
- The ChD has passed a bill that will increase child benefits and the number of families who are entitled to them. Child benefits will increase by 26% and they will be paid to families with incomes of up to 3.4 times the subsistence level, retrospectively from July. Presently 10% of Czech families are entitled to them, under the new law it should be 20%.
- The ChD overturned the Senate's veto of an amendment to the building law drafted by MRD. The bill aims to accelerate permitting processes on construction projects under the principle of "one authority, one procedure, one stamp". The Senate criticized the fact that the amendment will transfer all decision making to the state-run Supreme Building Authority which will be organized similarly to the tax authorities and eliminates the possibility of cities applying their own rules. The bill also raised controversy in connection with a provision that said residential rooms do not have to have direct ventilation and daylight. The new building act is scheduled to take effect on 1 July 2023.
- 16 The EC has once again urged the Czech government to address the fact that the CR lacks a reliable system to identify and prevent conflict of interest in the public sector. This is stated in a letter accompanying the last audit of the EC which concludes that the PM Babiš has a conflict of interest because he continues to control his Agrofert business empire through trust funds. The PM insists that he has no influence on the trust funds and has fully adhered to all the requirements of the Czech conflict of interest legislation.
- 17 The CR is in talks with two potential investors, including Volkswagen, for an electric battery cell factory and is ready to offer billions of crowns in an incentive package, MIT Minister Havlíček said. The Volkswagen is aiming to open 6 battery cell plants in Europe by 2030 and the CR, which is home to VW's Skoda Auto plant, is a possible location. Havlíček said the government was also holding talks with another interested party but declined to name it.
- 19 The Delta variant of the coronavirus constitutes between 70 to 80% of all infections in the CR, according to the IHIS, based on data obtained during the last 2 weeks. The British mutation, which was spreading in the CR mainly at the beginning of the year, now accounts for around 10% of Covid-19 cases. There have been only isolated cases of the South African and Brazilian variants. Laboratories have also detected a case of the new Delta Plus variant, in the South Moravian region. Scientists have not yet reported on the characteristics of this mutation, so it is unclear if it is more contagious or marked by more severe symptoms.
- The EC has officially endorsed the CR's recovery and resilience plan, a key step towards the EU disbursing €7bn in grants under the Recovery and Resilience Facility (RRF). The Czech Republic will receive the money from the EU's extraordinary pandemic fund to support the implementation of crucial investment and reform measures outlined in the country's recovery and resilience plan, helping the country emerge stronger from the Covid-19 pandemic.
- 24 After the new unit of the Dukovany NPP is finished, up to 2 new units could subsequently be constructed at CR's other, Temelín, nuclear power plant, PM Babiš and Vice-PM Havlíček said. The decision, Mr Havlíček said, will likely have to be made by the next government. A single new bloc at Temelín could produce up to 1,600 MW of power, according to the minister, and would be a stable source of energy following the shutting down of coal plants. Temelín is the largest nuclear power plant in the CR and covers around 1/5 of domestic consumption.
- Jul 27 The Czech government wants to see the construction of at least one electric car battery factory on its country's territory, Vice-PM and MIT Minister Havlíček said. According to Mr. Havlíček, Volkswagen, the parent company of Škoda Auto, and the South Korean technology firm LG have expressed interest in developing such a project, which the government says could be finished by 2026 or 2028 at the earliest. Together with state energy ČEZ director Beneš, the MIT Minister also signed a memorandum which promises to support the planned project.
- 28 An area of the Jizera Mountains in North Bohemia known as Jizerskohorské bučiny (Jizera Mts Beechwood) has been placed on the UNESCO World Heritage List. The protected national park made the prestigious list as part of what UNESCO referred to as "ancient and primeval beech forests of the Carpathians & other regions of Europe". Jizerskohorské bučiny is the first Czech natural site to have been recognised in this way.
- The sale price of new apartments in Prague rose by an average of 9.4% y/y at the end of June, according to a report from property developers. Average prices increased by 5.6% compared to at the end of the Q1 2021. The developers say that prices have increased due to demand outstripping supply, as well as a rise in the cost of construction materials.
- ČEZ has successfully finished selling its Bulgarian assets which were purchased by Bulgarian corporate finance firm Eurohold for EUR335mn.
- 29 A shortage of parts means that the Škoda Auto car plant in Mladá Boleslav will be closed for longer than originally planned. A factory-wide holiday had been declared for the first 2 weeks of August but this break will now continue into the week after that. Škoda Auto has had problems sourcing computer chips and other components.

- 30 The Czech economy grew by 7.8% y/y in the Q2 and increased by 0.6% compared to the Q1, according to the CSO. The increase was driven by foreign demand and increased household consumption following the easing of coronavirus restrictions. The y/y increase in GDP exceeded the largest y/y increase on record, from the Q2 2006, which amounted to 7.5%.
- Aug 1** Following the Czech government's decision to provide two days of holidays to its employees who have been vaccinated against the coronavirus, PM Babiš said that regional administrations and other state agencies should do the same.
- 2 The volume of new mortgage loans for housing from banks and building societies reached CZK39.5bn in June, up CZK8.6bn from May and up CZK20bn in annual terms. It is a record high since statistics began being systematically monitored in 2014. The refinancing of mortgage loans from banks and building societies fell by about CZK250mn to CZK9.8bn in June. It was the 3rd strongest month since January 2014, after March and May of this year.
- 3 The CR's budget deficit rose from June's CZK265.1bn to CZK279.4bn in July, the MF announced. This is the highest July deficit rate yet in the modern history of the CR, surpassing the CZK205.1bn deficit registered in July 2020. Although state budget income experienced a CZK19.3bn y/y rise in July to CZK836.3bn, expenditures saw a y/y rise by CZK93.6bn to reach a total of CZK1.1tn.
- 5 As expected, the CNB raised key interest rates for a 2nd time this year, by 0.25pps to 0.75%. Economists say the main reason for the rate increase is the fear of rising inflation related to the economic recovery following the full year of the coronavirus pandemic. At its last monetary meeting on 23 June, the CNB raised interest rates for the 1st time since February 2020, also by 0.25pps. Before the pandemic hit last February, the base rate was 2.25%. The ANO would win the elections if they were to take place in July with 26% of the vote, according to the Median. The SPOLU coalition would come 2nd with 21.5% of the vote, ahead of the coalition of the PirSTAN coalition with 20%. Some 7% of respondents said they would cast their ballots for SPD, while 6.5% would back Přisaha. The KSČM would also reach the 5% threshold needed to win seats in the ChD, suggests the poll.
- 6 61% of people living in the CR are satisfied with the country's health system, according to CVVM. This is an increase of 17% when compared with the results of the last survey, which was conducted in 2019. A 1/10 of respondents said that they are not satisfied. Meanwhile, roughly ¼ said that they are neither happy nor unhappy with the current state of the Czech health system.
- June saw Czech industrial production grow in real terms by 11.4%, y/y, the CSO announced. In m/m comparison, it was 1% higher than in May. The metal construction sector saw a 21% rise in production numbers and was most responsible for the rise in growth in June. However, in the automotive industry, statisticians saw growth fall for the 2nd successive month.
- 9 The number of tourists staying overnight in Prague grew some 90% y/y in the Q2. From April through June, 252,427 people used accommodation facilities in Prague. More than 3/5 of them were Czech citizens or residing in the country. The number of foreign guests rose 97% y/y. Accommodated foreigners spent approximately 212,000 nights in Prague in the given period, while Czech visitors spent almost 319,000 nights. In y/y comparison, this is an increase of 125% for foreigners and 116% for Czechs.
- Aug 9** Unemployment in the CR in July, as in the previous month, remained at 3.7%, after having dropped 4 months in a row. Analysts say the development reflects the easing of measures to prevent spread of Covid-19. Usually in July unemployment rises slightly in line with seasonal developments. Compared to June, the number of jobseekers fell by 1,124 to 272,178, and compared to July 2020, there are almost 7,500 fewer unemployed. Meanwhile, at the end of July, employers offered 358,152 vacancies through LOs, 2,540 more than in June and 23,869 more in annual terms. Regional differences were also evident in this year's first full summer holiday month. The highest share of unemployed persons was reported by the Ústí nad Labem and Moravian-Silesian regions (5.5% each), followed by the Karlovy Vary region (5%). The lowest unemployment rate remains in the Pardubice Region (2.3%).
- 10 Brown coal mines in North Bohemia run by CEZ will cease operations sooner than originally planned. The mining would cease by 2038 at the latest – not by 2050, the previous target. However, CEZ group's Severočeské doly could wind down operations even sooner, depending on the market situation. Last year the Coal Commission recommended that the CR stop using brown coal to produce electricity and heat in 2038.
- 11 Czech companies continue to face severe shortage of skilled workers. Manufacturing and IT are among the hardest hit by the lack of employees. At the moment, there are some 50,000 vacancies for IT experts in the country. Catering, accommodation and personal services are also struggling to find workers as a result of the Covid-19 crisis, which forced people in these sectors to find jobs elsewhere. At the moment, employers are offering over 358,000 vacancies through LOs across the CR.
- This year's grain harvest will be around 4% lower than that of the previous year, suggests the CSO's estimate. Czech farmers are expected to harvest nearly 7mn t of basic cereals. The yield of rapeseed is expected to drop by over 13% y/y to a little over 1mn t. Meanwhile, the harvest of poppy seeds is likely to reach a 10-year record, increasing by over 40% to around 31,000t.

- 13 The 3 companies invited to take part in a tender to build new units at the Dukovany NPP have agreed to undergo a security check, the ČEZ announced. The companies are EdF of France, KHNP of South Korea and Westinghouse of the US. ČEZ had said in June that prospective bidders should present the relevant security documentation by the end of November. CNG of China and Rosatom of Russia and were excluded from the process, the latter due to evidence suggesting Russian military intelligence were behind a 2014 munitions storage site explosion on Czech territory.
- 15 Mr. Koudelka's term as director of the CR's BIS counterintelligence service ends on August 15. Whether he should remain in the post has been a burning political issue in recent weeks, with President Miloš Zeman a long-term critic of Mr. Koudelka and the BIS as a whole. With general elections due in October, the government of PM Babiš decided to make Mr. Koudelka acting head of the counterintelligence service once his term ended; the next government will resolve the matter of filling the post on a permanent basis. Critics say the question should have been resolved some time ago and that Mr. Babiš been pressured by the president with regard to Mr. Koudelka.
- 18 CR's average mortgage rate in July rose to 2.23%, which is the highest rate since June 2018. In the first 7 months of 2021, banks in the CR approved mortgages worth a total of CZK259bn, already exceeding last year's numbers. It is likely that the total worth of approved mortgages will exceed CZK300bn for the first time ever this year. However, the number and volume of newly approved mortgages actually decreased in July, when compared with the previous month.
- Up to 50% of the Czech adult population may have contracted the COVID-19 coronavirus since the pandemic began according to the first phase of a study conducted by the RECETOX research centre at the Masaryk University Faculty of Science. Official statistics indicate that roughly 17% of the population were infected with the coronavirus. However, this number does not include those who were not tested.
- The 3<sup>rd</sup> Czech Army aircraft sent to Afghanistan to evacuate local Czech and associated Afghan staff has left Kabul Airport, MF Minister Kulháněk announced. On board are Afghan interpreters with their children and holders of long-term residency in the CR, Mr Kulháněk said. According to MD Minister Metnar, the plane is carrying 62 passengers, among them 4 Afghans whose transport had been requested by Slovakia. 2 earlier flights had brought a total of 133 people from Afghanistan to the CR.
- 19 A new study finds that the CR still has the most favourable conditions for expanding production within the framework of European countries. Worldwide, it ranks 5<sup>th</sup>, behind China, India, the United States and Canada, according to the C&W. The CR was rated positively in all the monitored areas, namely operating costs, labour, political and economic risks and the ability to restart its economy after the Covid-19 crisis.
- 20 The majority of Czechs say the main issues that the government should address at the present time are the state of public finances and the Covid pandemic, according to the CVVM. Migration and corruption which topped the list a few years ago are now seen as less pressing. Concern regarding the state of public finances, highlighted by 56% of respondents, stems from the growing gap in public finances due to the effects of the pandemic.
- Aug 21 Czechs are marking the 53<sup>rd</sup> anniversary of the Soviet-led invasion of Czechoslovakia in 1968. Commemorative ceremonies are being held around the country at significant sites linked to the invasion of Warsaw Pact troops which were sent in by Moscow to crush the Prague Spring reform movement aiming to introduce "socialism with a human face".
- The Czech government will task the NCISA with the establishment of a national coordination centre for cyber security research and development. The decision stems from an EU directive passed in May that requires EU countries to have strong government bodies that supervise cybersecurity and that work together with their counterparts in other member states by sharing information.
- 23 A tender for the construction of a new unit at the Dukovany NPP could be announced before the end of the year, MIT Minister Havlíček said. The CR earlier excluded Russia and China from the multibillion dollar tender, citing security reasons. Invitations for security assessments were only sent to the U.S. group Westinghouse, France's EdF (EDF.PA) and South Korea's KHNP. The tender should be announced after a new government takes office following general elections in October.
- 24 The MF has revised upwards its growth forecast for the Czech economy for 2021 and 2022. In a new estimate, rates of 3.2% and 4.2% respectively. That is 0.1pps more than projected for 2021 back April, and 0.5pps more for 2022. All the components of domestic demand, including in particular investment and household consumption, will help stimulate this growth. In addition, according to the MF, the state budget deficit, revised upwards to CZK500bn last February, should amount to 7.7% of GDP, or 1.1pps less than announced in the spring.
- 25 ČEZ will make a decision regarding whether to mine lithium deposits in the CR commercially by 2023, ČEZ CEO Beneš announced. He said that mining would then start 2 years later. The final version of the company's lithium mining feasibility study should be finished by May of next year.

- 26 The CR offers below-average conditions for working women, suggests the Women in Work Index of the British marketing agency Reboot. The index evaluates a variety of factors that contribute to women's success in the workforce, including economic opportunities, women in leadership roles and maternity leave packages. According to the ranking, Bulgaria is the best European country for women with a total of 236 points out of a possible 300. The CR finished in the 21st spot, scoring 110 points in total. In terms of equal economic opportunities, it ended among the last 5 countries.
- 29 The average Czech household spent CZK149,810/person last year, according to the CSO. Consumer spending, which includes spending on food, housing, holidays, health, transport or education, fell by 2.2% y/y. Due to the Covid-19 pandemic, health expenditures increased by nearly 9% on the previous year, while the cost of food grew by 5%. To the contrary, Czechs spent 17% less on restaurants and hotels and 12% less on leisure activities and culture. Education expenditures saw a drop of 5% in 2020.
- 30 Registration for a 3<sup>rd</sup> Covid-19 vaccine will begin on September 20th. It is highly recommended for people over 60, patients with chronic diseases and those in high risk professions, but will be available to everyone. Hospitals and GPs will be administering the Pfizer/BioNTech and Moderna vaccines. People can get the 3<sup>rd</sup> dose 8 months after the completed vaccination. Presently, 5.6mn Czechs are fully vaccinated.  
The EC has warned the CR that it may suspend the payment of subsidies to the country unless the government introduces an effective control mechanism to detect and prevent conflict of interest. The EC has emphasized that the control mechanism should pay special attention to cases involving ownership of firms which have been placed in trust funds. The CR has been asked to compile a list of all officials in high posts who own companies or have placed them in trust funds as well as any EU subsidies these firms received since September 2017 and make it available to the EC.
- 31 The Czech state attorney Šaroch returned a case of alleged subsidy fraud relating to PM Babiš to the police for further investigation. The reason was the uncovering of new information after the police had concluded their original investigation. Mr. Babiš is suspected of wrongfully acquiring CZK50mn in EU funds for a conference centre near Prague known as Stork's Nest. He denies any wrongdoing.
- Sep 1** The MF has decreased its forecasted budget deficit for next year by CZK13.4bn to CZK376.6bn, according to a new proposal sent by the ministry to the government. Compared with the previous June plan, the state's projected income for next year was raised by CZK57.6bn to a total of CZK1.543tn. Meanwhile, expenditures rose by CZK44.2bn to a total of CZK1.919tn.  
The World Organisation for Animal Health has awarded the CR the status of being a country without any cases of bird flu, the SVA announced.
- 5 As soon as around 75% of the population is fully immunized against Covid-19, the requirement to wear facemasks in certain settings can be lifted, along with similar measures, MH Minister Vojtěch said.
- 6 EU finance ministers have endorsed the CR's National Recovery Plan, opening the way for the country to receive part of the funds allotted for its post-pandemic economic recovery. The CR should receive the first part of the CZK180bn economic aid package to which it is entitled later this month. It can collect up to 13% of the overall amount this year, the rest should be made available in the years to come.
- Sep 6** Unemployment fell to 3.6% in August, from 3.7% in July, according to the LO. The number of jobseekers fell by 4,289 to 267,889 while the number of jobs offered has increased. Unemployment usually rises slightly in August due to the arrival of new graduates on the labor market, but economists predicted a stagnation as the economy recovers from the pandemic.
- 7 The CR is on the brink of another wave of the coronavirus epidemic, MH Minister Vojtěch said. However, the situation is not dramatic and was expected with the return of children to schools in September and the return of society to normal after months of lockdown.
- 8 The effects of the coronavirus pandemic forced around 20,000 children in the CR into poverty, according to the Czech branch of UNICEF. However, she also said that the CR's social support system was well set up before the COVID-19 pandemic and that it did work relatively effectively, otherwise every third child would have found itself in poverty. The CR has around the same ratio of children living in relative poverty as Denmark or Island and belongs among states with some of the lowest child poverty levels
- 10 Inflation rose by 4.1% y/y in August, which is 0.7pps more than in July and the most since November 2008, according to data released by the CSO. The record inflation was driven by higher prices of goods and services in almost all sectors as well as by significantly higher housing prices. Most analysts had predicted a stagnation at 3.4% in July.
- 11 Representatives of schools, employers, pedagogical faculties, school inspectors and other institutions are set to take part in creating the blueprints for a major revision of Czech elementary education methods, the Education Ministry has announced. The panel of experts is expected to create a new education programme within the next two years which should be implemented in 2024. According to the government's 2030+ Education Strategy, teaching in schools will become less focused on memorising events and more on gaining new skills, such as the ability to analyse information and work with computers.

Car manufacturer Škoda Auto will not be able to produce 100,000 vehicles due to the ongoing global chip shortage, Škoda CEO Thomas Schäfer said.

12 In a newly released STEM agency poll, PM Babiš's ANO party placed 1st with 32.4%. The opposition coalition Spolu placed 2nd with 20%, followed by the PirStan with 18%.

13 The CR will continue the practice of advancing clocks during the warmer months so that darkness falls at a later time for at least the next 5 years. The government approved an edict to that effect.

Some 76,300 deaths were recorded in the CR in the H1 2021, 1/3 increase on the same period last year, when the country first felt the impact of the coronavirus epidemic. Despite the high death rate, the population had again climbed to above 10.7mn at the end of June, having fallen slightly below that figure at the close of the Q1 2021. The Czech population rose by 1,200 in the H1 2021, the lowest increase for that period seen in 8 years.

14 The CR has placed 22nd on the Economic Freedom of the World Index published by Canada's Fraser Institute, down by 3 spots compared to last year. At the same time, CR improved its overall score from last year's 7.65 to 7.81 points.

The CR must do more to meet the EU's energy and climate targets by 2030. These stricter targets will compel the country to move away from coal more quickly than now planned, according to the IEA, which has carried out an in-depth review of Czech energy policy.

15 The CR's GDP growth in the Q2 2021 was below the EU average. While in the EU GDP grew in the Q2 by 1.9% (13.2% y/y), in the CR growth for the same period was estimated at 1% (8.2% y/y). Nevertheless, while all EU member states registered y/y growth in the Q2, the CSO highlighted that GDP growth is still behind pre-Covid rates.

18 The ČSSD insist on 6% pay increases in the public sector from next year, the party's MLSA Minister Maláčová said.

19 Thousands of people in the CR will be in a position to receive a third round of vaccination against Covid-19 from next week as it is now at least eight months since their initial inoculation was completed.

21 Poland has been ordered to pay the EC €500,000 for each day it continues to extract lignite at the Turów mine near the border with the CR, the ECJ said.

22 The current government could issue a tender to build another reactor at the Dukovany NPP after the mid-October elections, MIT Minister Havlíček said. According to the ČEZ, all relevant information on expanding the plant could be sent to applicants by the end of November.

The CR has preordered coronavirus vaccines for 700,000 children between the ages of 5 and 11, the MH confirmed.

24 Confidence in the Czech economy fell for a 3rd consecutive month in September, dropping by 2.4 points to 96.2 points compared to August.

26 The PM's ANO party is losing its edge over political rivals a fortnight ahead of general elections, according to the results of a Kantar poll. ANO party is winning with 24.5% of the vote, with the SPOLU coalition is a close 2nd with 23%. The PirStan coalition would place 3rd with 20% of the vote.

27 The government approved the draft state budget for 2022, despite opposition from the ČSSD. The draft budget envisages a deficit of CZK376bn, with revenues projected at CZK1,543.3bn and expenditures at CZK1,919.9bn.

Sep 30 The CNB significantly raised its main interest rates. The key interest rate, on which commercial loan rates is derived, rose by 0.75pps to 1.5%, which is the biggest hike since 1997.

The Czech economy grew by 8.1% y/y in the Q2 and increased by 1pps to the Q1, according to the CSO. Household income in Q2 grew by 3.9%, the highest quarterly increase on record, while spending increased by 4.8%. The increase was driven by foreign demand and increased household consumption following the easing of coronavirus restrictions.

Oct 1 The average small company in the CR spends 272 hours a year on paperwork, that's 49 hours more than last year, according to the so-called bureaucracy index compiled by the Czech Liberal Institute.

Czech-Polish talks on resolving the Turow mine dispute have hit the rocks at the last minute when almost all the terms of the emerging agreement had been finalized. According to the Polish MR Minister Kurtyka, the two sides disagree on the duration of the contract, with the Czech side insisting on a clause that would make it impossible to terminate the agreement for many years. He said the Czech side was acting irrationally and its demands were "unheard of in international practice". The Czech ME Minister Brabec said that in view of justified fears regarding the depletion of water reserves and pollution on the Czech side of the border the duration of the agreement was extremely important.

The conflict of interest control system in the CR has improved significantly, but it is too early to say if it will guarantee results in practice, the head of the RV's Director-General for Regional Policy, Marc Lemaitre said at a hearing in the EP. The EC has given the CR a deadline by which it must introduce a mechanism that will detect and prevent conflict of interest.

3 PM's ANO placed 1st in a poll by STEM with 27.3% of the vote, the opposition coalition Spolu placed 2nd with 21.4% of the vote, followed by the PirStan coalition with 17.4%.

The government plans to spend CZK52.4bn on state employees' salaries next year, which is CZK 13.3bn more than this year. State employees could see a rise of around CZK1,491 per month, bringing their average monthly salary to CZK41,561. According to draft state budget for next year, the average salary in the state sector should increase by 3.7% in nominal terms next year. According to the latest data from the CSO, the average wage in the CR rose to CZK38,275 in the Q2 2021, an increase of 11.3% y/y.

- 5 Unemployment in the CR fell to 3.5% in September from 3.6% in August. The September unemployment rate is the lowest since April of last year.

PM Babiš says if he does not retain power after next weekend's elections he will quit politics.

- 6 The CR is one of five EU member states that have issued a joint appeal for the EC to address the issue of rising energy prices.

The ChD approved a bill which would freeze the salaries of elected officials for a period of 5 years. The proposed freeze would affect the incomes of MPs, senators, judges and the president. According to the existing law, the salaries of state officials would rise by 6% in 2022, which some MPs see as unethical in view of the present state of public finances.

- 7 Property prices in the CR grew by 14.5% y/y in the Q2, the highest rise in 6 years, Eurostat data shows. The country placed 3rd overall in an EU comparison, where prices on average rose by 7.3%. During the Q1 2021, property prices rose in CR by 12.1%.

Škoda Auto will limit, or completely stop, production in all of its 3 factories in the CR from October 18 until the end of 2021. The reason behind the move is a shortage of chips which are used in the interior electronics systems. The company will instead focus on finishing the large number of vehicles that are already in production.

Industrial production saw a decrease in real terms by 1.4% in August y/y, according to the CSO. Compared to the same month last year, the value of new orders fell by 3.5%. In July, industrial production increased by 6.8%. In m/m terms, the August fall in production was equivalent to 3.2%. CSO believes that the decrease in production was influenced by temporary shutdowns and holidays.

- 8 Retail sales in August rose by 4.1% y/y and for a 6th consecutive month. They had grown by 4% in July. The August growth mainly stemmed from sales by online stores, whose sales rose by 20.6% y/y. Sellers of building materials also did well.

- 9 In a surprising result, the opposition SPOLU coalition received the most votes in the current parliamentary elections. SPOLU won 27.79% of the vote and will have 71 seats in the ChD. The ruling ANO party placed 2nd with 27.12% of the vote, but will still have one more seat than SPOLU. The other major opposition coalition PirStan received 15.62% of the vote, followed by the SPD with 9.56%. No other party got the 5% of the vote necessary to win a seat in the ChD, including the ČSSD and KSČM, which had been represented in parliament since the foundation of the CR.

- 10 President Zeman was transferred to the hospital by ambulance from his Láň country residency. His health has been bad in recent weeks. He was hospitalised in September for 8 days. The president plays an important constitutional role during this post-election period, as it is he who names a prime minister to form a government.

- Oct 11 Petr Fiala, head of the three-party Spolu coalition that won the general elections by a razor-thin margin, has said he will wait until President Zeman's health improves to seek a meeting. As head of state, it falls upon President Zeman to ask someone to try to form a new governing coalition. The day after the elections, he was rushed to hospital by ambulance, but is now reportedly in stable condition.

Consumer prices grew at an unusually high rate for the 3rd month in a row, the CSO reported. September saw inflation grow, y/y, by 4.9%, also exceeding the previous month of August by 0.8%. A higher y/y rate of inflation was last registered in 2008.

- 12 PM Babiš said that President Zeman told him that he would task him with trying to form a new government, as the leader of the biggest single party after the weekend's elections.

- 13 Bohemia Energy, the largest group of alternative energy suppliers in the CR, announced it had shut down with immediate effect due to soaring European gas prices. The privately held business had some 900,000 customers.

- 15 Representatives of 5 parties aiming to form a new Czech coalition government began discussing its potential policy priorities.

- 16 Officials from the Central Military Hospital say they will treat as a great matter of responsibility and urgency a request from the Senate for a prognosis of the health of Miloš Zeman with regard to his ability to perform the role of president.

Devastating bark beetle infestation in Czech forests has peaked and is receding. The mass and unprecedented infestation first broke out in 2018. The situation has improved in Moravia and forestry workers in Vyočina are bringing it under control. The last large battlefields against the bark beetle are in the Ústí nad Labem and Liberec regions, an official from the state agency that oversees the country's forests, Lesy CR, said. Lesy CR say the priority now is renewing land hit by the infestation. Until 2018 some 10,000 hectares of land was afforested annually; this year it should be 22,000 hectares.

PM Babiš has said he plans to enter opposition and would not accept the task of trying to form a new government from President Zeman.

- 17 The ERO has demanded that all energy suppliers provide evidence that they can ensure supplies to their customers. They must submit this information by the end of October.  
A lack of computer chips means that the CR's automakers will produce more than a quarter of a million cars fewer than planned, the AIA said. The shortfall will mean a loss of CZK200bn for one of the country's most important sectors. In the first three-quarters of this year production was down by 22% on the same period in 2019; last year's numbers were impacted by factories being closed due to the Covid crisis.
- 18 President Zeman is not able to fulfil his presidential duties and the chances of an early recovery are highly uncertain, Senate chair Vystrčil said, quoting the president's chief physician.  
The MH has changed the conditions for administering Covid-19 booster shots, shortening the interval from 8 to 6 months after primary inoculation, effective immediately.  
Skoda Auto has announced it is halting production in all 3 of its factories in the CR for a period of 2 weeks due to a lack of computer chips and other parts. The company said in a statement that the only exception would be a single production line in the Kvasiny plant which would complete the production of 10,000 cars already in-the-making.  
The ČEZ says it is estimated that electricity prices will rise in the Czech Republic by around 1/3 from next year, while gas prices will be half to 2/3 more expensive.
- 21 The 65-member group, led by Taiwanese MFA Minister Joseph Wu, will visit the 3 countries between October 20 and 30 to promote trade ties and investment.  
The Czech government has approved a package of measures MH Minister Vojtěch argued were necessary to combat a surge in new Covid-19 infections. In recent weeks, the number of new infections has steadily risen, with the incidence rate now at 117 per 100,000. The stricter measures come into force on November 1 and include requiring pubs and restaurants to monitor compliance, Vojtěch said. FFP2-type respirators will also be made mandatory in workplaces, and in regions where the Covid-19 infection rate is highest, children over the age of 12 must wear facemasks when in class. Furthermore, health insurance companies will reimburse for the costs of testing for children and adolescents up to the age of 18. There are no plans, however, to reduce the timeframe for the validity of negative Covid-19 test certificates.  
The Japanese company Panasonic plans to close its television factory in the western Bohemian city of Pilsen, KOVO union sources said. Production is likely to end on March 31, 2022. According to the KOVO union, the closure stems in part from a shortage of computer chips worldwide, which has affected the company strategy.
- 22 The parties creating the new Czech government say they will affect a change of course in foreign policy. According to them, the CR will seek to implement a foreign policy based on Vaclav Havel's values, accentuating human rights and civil society, and active membership in the EU and NATO. There are plans to revise relations with Russia and China, and loosen the country's ties with the Visegrad Group.
- Oct 24 Czechs plan to economise mainly on food, alcohol and cigarettes, according to the outcome of a flash poll conducted by Cofidis. On the contrary, they see little chance of cutting down on transport, phone and Internet bills. Rising inflation and an expected further rise in fuel and energy prices will force many families to revise their budget priorities, according to the survey.  
The Russian Sputnik V vaccine is not recognized by the Czech authorities and tourists who have been vaccinated with it will have to quarantine upon entering the CR. Although the vaccine is not administered in the CR, the Russian authorities recently tried to get the Sputnik vaccine recognized in the country to facilitate travel for Russian tourists who are generally vaccinated with it. The MH said the vaccine would not be recognized until it got approval by the EMA.
- 25 Representatives of a Taiwanese trade mission visiting the CR and Czech government officials on Monday signed a series of memoranda on expanding bilateral cooperation in Internet security, the space industry, the development of catalyst technologies and precision engineering.
- 26 The Covid-19 pandemic has become one overwhelming affecting the unvaccinated, MH Minister Vojtěch said, citing October data showing that 74% of those testing positive and 63% of those hospitalized with the virus had not gotten the jab.
- 27 Taiwan's MFA Minister Jaushieh Joseph Wu paid tribute to the CR for its leading role in supporting Taiwan, which he said provides an example for others. The Taiwanese foreign minister also paid tribute to the democratic values of former Czech President Václav Havel, former Senate Chair Jaroslav Kubera and to the latter's current successor Miloš Vystrčil.
- 28 Bird flu has been detected in the CR, a month after the last known case was registered.
- 29 The Czech economy grew by 2.8% y/y in the Q3, according to the CSO. Compared to the previous quarter, GDP increased by 1.4%. The growth was driven mainly by domestic demand. Data from the Q3 indicate that the country's annual economic growth will not exceed 3.0%, and will thus fall below expectations. Economist predict that the economy will not reach pre-pandemic levels until next year.
- 30 The European Institute for Gender Equality (EIGE) has ranked the CR in the bottom fifth of EU member states on its latest Gender Equality Index.

- Nov 1** PM Babiš, who is due to address the Climate Change Conference in Glasgow, has called for greater realism on the part of the EU in its green policy. Before his departure for Glasgow, PM said he would devote his speech to the adverse economic consequences for the continent if Europe was overly ambitious in its plans. He said that in such a case there was a real threat that investors would leave Europe in favour of the USA and Asia. ME Minister Brabec likewise stressed that Europe should not wave the green flag alone, as he put it, saying that it was important to get the big polluters outside the EU to make a public commitment as well. The outgoing Czech PM has championed nuclear power as a way to help meet the UN's development agenda regarding global warming. But Babiš has denounced the EU's plan to cut carbon emissions via the Green Deal regarding phasing out combustion engines and coal production.
- 2** The next Czech government does not plan to replace the Czech crown with the euro. SPOLU, comprising the ODS, the KDU-ČSL and TOP09, and PIRSTAN electoral coalition, the Pirates and STAN, are currently setting up a coalition government with a comfortable majority in the ChD. Representatives of SPOLU say the country does not fulfil the conditions for adopting the common European currency and that the time is not yet right for such a move. The CR committed to introducing the euro when it joined the EU in 2004 but there is no deadline for this.
- 3** ČEZ has announced that it will be raising its electricity prices at the beginning of next year. The reason for the increase is the rise in the wholesale prices of electricity. The average price for 1 MWh will nearly double, from CZK 1,700 to CZK 3,120, excluding VAT. At the most common rates, customers can expect their costs to rise by a 1/3. This is lower than the MWh price partly due to the fact that regulated payments currently remain the same. The increase does not apply to customers who have a contractually fixed price.
- 4** The CNB raised key interest rates by 1.25pps to 2.75%, the biggest hike in 24 years. It was the 4th consecutive rate hike by the CNB in 2021. Inflation jumped to 4.9% in September, well above the CNB's 2% target. Roughly 1/5 Czechs believe in God, 1/3 believe in some higher power and 1/4 do not believe in either, according to the STEM. More than 1/2 of respondents believe that organised religion divides people more than it unites them. President Zeman has been transferred from an intensive care unit to a standard acute care room, the Central Military Hospital, where he was admitted several weeks ago, announced. The president was rushed to hospital on October 10, a day after parliamentary elections, due to complications linked to an undisclosed chronic illness.
- 5** The Speaker of the Senate Vystrčil said that the Senate would not for the time being move to activate Article 66 of the Czech Constitution, which would open the way for a transfer of the president's powers to senior state officials. In response to the medical council's findings that Zeman's health requires further hospitalization and will prevent him from fully performing his presidential duties, Senator Vystrčil said that if the president was capable of performing his basic duties there was no reason for such a move.
- Nov 5** The Cabinet has approved a rise in the minimum gross monthly wage by CZK1,000 to CZK16,200 as of January. While only about 150,000 of the CR's 4mn employees earn the minimum wage, it is a benchmark for determining higher wages in a number of professions. This January, it rose CZK600. The average monthly gross salary was CZK38,275 in Q2 2021.
- 6** 45% of Czechs are for the reintroduction of widespread teleworking in view of the recent rise in Covid infections, suggests a survey carried out by STEM.
- 7** In a new prognosis the MF estimates that average inflation will reach 6% in the CR in 2021.
- 8** Unemployment in the CR fell to 3.4% in October, down from 3.5% in September.
- 9** President Zeman tasked Petr Fiala of the ODS with trying to form a new Czech government.
- 10** The Czech Senate's Constitutional Committee says that the Senate should not take action to suspend the powers of President Zeman unless his health state worsens or he becomes unable to carry out key duties related to the change of government. Consumer prices experienced a y/y rise of 5.8% in October, the highest y/y rise for that month since 2008, the CSO announced. Foreigners who are long-term legal residents in the CR will have their COVID-19 vaccines paid for from the budget of the MH. The only thing that they will have to pay for is the application of the vaccine itself, MH Minister Vojtěch said. The Czech government has approved a pay rise of CZK1,400 from January, of which CZK1,000 will be an increase to base salaries and CZK400 will be allocated for bonuses, The NCISA recorded 14 cyber incidents in October, which was the 2nd highest number for one month since March, when it registered 30. Most of the hacking attacks did not have serious consequences and were quickly resolved. The NCISA said that the Czech medical system remained the focus of pressure from hackers. A rise in the registered number of attacks on Czech hospitals is in part due to the fact more now have to report such incidences.
- 11** The Czech economy will grow in 2021 after last year's record slump due to the Covid-19 pandemic, but the pace of recovery will be slower than expected, the EC says in its latest economic forecast. Czech GDP should increase 3% this year, just shy of a percentage point less than it forecast this summer. In 2022, the EC now expects the Czech economy to grow 4.4%. PM Babiš's government resigned, ahead of the convening of the first session of the newly elected parliament.

- 13 The number of people visiting Czech spa towns in 2020 dropped by 170,000 y/y to 196,307, which is the lowest figure since the end of the 1990s.
- 15 Czech President Miloš Zeman, who is currently in the Military University Hospital in Prague, will be transferred from the acute care ward to a standard bed.
- 16 Czechs will mark the 32nd anniversary of the Velvet Revolution and 82 years since the closure of Czech universities by the Nazis on November 17 with remembrance ceremonies and cultural events. Unlike last year, when the events were mostly online due to the coronavirus pandemic, they will be back on the streets this year, despite the worsening epidemic.
- Slovak president Čaputová visits Czech Republic on eve of 32nd anniversary of Velvet Revolution and met briefly with the President Zeman, Speaker of the Senate Vystrčil and the head of the newly-elected ChD Pekarová Adamová. Before her departure the Slovak head of state was due to lay flowers at the November 17th memorial on Národní třída and hold a debate with students.
- 17 Leading constitutional officials, politicians and the wider public honoured the 32nd anniversary of the Velvet Revolution.
- 18 The outgoing Czech government wants to reintroduce compulsory testing for Covid-19 in companies as new infections soar. PM Babiš said that it has yet to be decided whether mandatory testing would apply to all employees or just those who are unvaccinated. The outgoing the cabinet is also calling on all companies to allow employees to work from home if possible and not hold large events.
- 20 PM Babiš has admitted that he is considering the possibility of running in the 2003 presidential elections.
- 21 The worsening Covid epidemic is complicating the teaching process for schools around the CR with many teachers now having to provide both in-class and distance learning as more pupils are quarantined daily. Many teachers have had to resort to so-called hybrid teaching – giving lessons both in the classroom and online.
- Nov 23 Veterinary workers have started culling birds at a commercial poultry farm in South Bohemia, where the bird flu was detected last week. Strict hygiene measures are in place to prevent the spread of the highly contagious virus to other farms and private breeders in the region. Avian influenza reappeared in the CR several weeks ago after a year-long absence.
- The IMF has downgraded its economic growth forecast for the CR. Its November forecast predicts a growth of 2.6% this year and 3.5% next year, down from October's 3.8% and 4.5% forecast. According to the IMF, inflation will continue to rise next year due to developments in the labour and real estate markets, rising energy prices and supply chain disruptions. The IMF says it supports the CNB's current position on monetary policy, but warns that the CNB should carefully consider the potential risks when considering further rate increases. According to the IMF, a fast rise in rates could jeopardize economic recovery.
- 25 The outgoing Czech government has declared a nationwide state of emergency aimed at countering the spread of the coronavirus epidemic. The state of emergency will come into force at midnight on November 25 and will be in place for 30 days.
- 26 President Zeman has been released from Prague's Central Military Hospital, where he spent 6 weeks getting treatment for an unspecified chronic condition.
- The leading Czech online food retail stores Rohlik.cz and Košík.cz have reached out to help small farmers and entrepreneurs who have been hit by the ban on Christmas markets. Both online retail stores have offered to sell their products online. Rohlik.cz said it would be able to start selling their products online within three days. The ban on Christmas markets concerns all salespeople with the exception of those selling Christmas trees and carp.
- 28 President Zeman appointed Petr Fiala, leader of the ODS, to the post of prime minister at a ceremony in Lány chateaux.
- 29 Everyone can start registering for a booster shot against Covid as of November 29, the MH announced, saying that the system would alert people as soon as there was an available term. People over the age of 60 and those with chronic illnesses can get the booster shot 5 months after their primary vaccination. Others must wait until 6 months have elapsed.
- 30 The MH plans to introduce compulsory vaccination for people over 60 and people in high-risk professions, such as health care workers and people in social services, soldiers, police officers, firefighters and customs officers. The regulation will come into effect as of March 2022.

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。

\* ACER: Agency for the Coordination of European Energy Regulators; ACM: Association of Car Makers; AE: Association of Exporters; AIA: Automotive Industry Association; AHR: Association of Hotels and Restaurants; ALA: Association of Local Administrations; ANO: Ano 2011 Movement; ARR: Association for Rural Renewal; ASCR: Academy of Sciences of the CR; ASF: African swine fever; ASME: Association of Small and Medium-Sized Enterprises and Crafts; ATM: Association of Towns and Municipalities; BIS: Security Information Service; Bn:bn; CAE: Czech Association of Exporters; CAP: Common Agriculture Policy; CBA: Czech Banking Association; CC: Constitutional Court; CE: Central Europe; CCS: Central Crisis Staff; CEB: Czech Export Bank; CEPS: Czech Electricity Transmission System Operator; CFC: Czech Fiscal Council; ChD: Chamber of Deputies of the Parliament of the CR; CHI: Czech Hydro meteorological Institute; 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; CoE: Council of Europe; ČOI: Czech Trade Inspection Authority CR: Czech Republic; 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; CVVM: Public Opinion Research Centre; C&W: Cushman & Wakefield; CZK: Czech crown; EBRD: European Bank for Reconstruction and Development; EC: European Commission; ECJ: European Court of Justice; EP: European Parliament; EE: Eastern Europe; EET: Electronic

cash registers system; **EIA**: Environment Impact Assessments; **EIB**: European Investment Bank; **EMA**: European Medicines Agency; **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; **EUSPA**: European Union Agency for Space Programme; **EY**: Ernst & Young; **FA**: Financial Administration; **FDI**: Foreign direct investment; **GDP**: Gross Domestic Product; **GDPR**: General Data Protection Regulation; **GP**: general practitioner; **GRECO**: Council of Europe Group of States Against Corruption; **GSA**: European Global Navigation Satellite Systems Agency; **GVA**: Gross Value Added; **h**: heller; **H**: Half of year; **HN**: Daily Hospodářské noviny; **HRL**: Human Rights and Legislation; **IHS**: Institute of Health Information and Statistics; **ILO**: International Labour Organization; **Kantar**: polling agency; **KDU-ČSL**: Christian Democrats; **KSČM**: KSČM of Bohemia and Moravia; **LČR**: Forest of the CR; **LNG**: Liquefied natural gas; **LO**: Labour Office; **M/m**: month on month; **MA**: Ministry of Agriculture; **MC**: Ministry of Culture; **ME**: Ministry of Environment; **MF**: Ministry of Finance; **MH**: Ministry of Health; **MI**: Ministry of the Interior; **MJ**: Ministry of Justice; **MIT**: Ministry of Industry and Trade; **Mn**: million; **MLSA**: Ministry of Labour and Social Affairs; **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; **NCISA**: National Cyber and Information Security Agency; **NCCOC**: National Centre for Combating Organised Crime; **NERV**: National Economic Council; **NGO**: non-government organisation; **NHI**: National Heritage Institute; **NIPM**: National Institute for the Preservation of Monuments **NPP**: Nuclear Power Plant; **NSC**: National Security Council; **OGCR**: Office of the Government; **ODS**: Civic Democratic Party; **OPCR**: Office of the President of the CR; **OPDP**: Office for the Personal Data Protection; **OSA**: Copyright Protection Association for Music Rights; **Pirates**: Czech Pirate Party; **Pps**: percentage point; **PJ**: petajoule; **PM**: PM; **Q/q**: quarter on quarter; **Q\***: Quarter \*; **RAWRA**: Radioactive Waste Repository Authority **RES**: renewable sources; **RIA**: Railway Infrastructure Administration; **SAC**: Supreme Administrative Court; **SAO**: Supreme Audit Office; **SFTI**: State Fund for Transport Infrastructure; **SPD**: Freedom and Direct Democracy; **SRMA**: State Material Reserves Administration; **STAN**: Mayors and Independents; **STEM**: Public Opinion Research company; **STFI**: State Fund for Transport Infrastructure ; **SÚJB**: State Nuclear Safety Authority; **SÚKL**: Czech Institute for Drug Control **SÚRAO**: Radioactive Waste Repository Authority; **SVA**: State Veterinary Authority; **SZIF**: State Agricultural Intervention Fund; **t**: tonnes; **TI**: Transparency International; **Tn**: trillion; **TOP09**: TOP 09 Party; **Tricolour**: Tricolour party; **TTIP**: Transatlantic Trade and Investment Partnership ; **TU**: Trade union; **TUL**: Technical University of Liberec; **UN**: United Nations; **V4**: Visegrad Four; **VAT**: Value Added Tax; **WHO**: World Health Organ; **Y/y**: year on year