

チェコ経済月報(1月-12月)

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- Jan 2** Wages rises of up to 4% in 2016 are predicted by the CBA amid expectations that lower unemployment and labour shortages could strengthen the hand of workers. The unemployment rate fell to 4.9% in the Q3 2015. Some economists say a critical point has now been reached where employees can press their wage demands with hopes of success. More rapid wage rises in some low paid sectors such as construction, the restaurants sector, and tourism could be expected.
- 4** ČEZ announced a sharp drop in electricity production from its 2 NPPs in 2015. The total net production from the 3 plants last year came to 26.83 TWh compared with around 30.32 TWh a year earlier. The biggest production drop came from Dukovany, where 2015 power production reached 12.60 TWh, around 2.77 TWh down on the 2014 output figure of 15.37 TWh. 3 out of the 4 Dukovany units were closed from mid-September when flaws in X-ray safety checks on pipes by a sub-contractor were revealed.
- 5** The state budget in 2015 ended with a deficit of CZK62.8bn, which is CZK37.2bn less than the approved deficit for the year. It is the best budget result since 2008. According to MF, economic recovery and better functioning of the financial administration were among the major factors behind the favourable result. The approved budget for 2016 envisages a deficit of CZK70bn, which is CZK30bn lower than was planned for last year.
- 6** Senators approved the proposal of CSSD senators to restore the payment of sickness benefits in the first three days continues to count with reimbursement of 60% of wages of employees also during the first days of illness. Rates of social security contributions by employers should be lowered from 25% to 24.9% of the assessment base by lowering rates on health insurance from 2.3% to 2.2%. The first three days of illness are not currently reimbursed. Proposal of Senate bill will be submitted for further discussion in the next legislative agenda in the Committee on Health Care and Social Policy of the Senate. Also, proposal of KSCM deputies to restore the payment of sickness benefits in the first three days continues to count with reimbursement of 60% of wages of employees also during the first days of illness. The Committee on Social Policy of the Chamber of Deputies recommended the Chamber of Deputies to agree with the comprehensive amendment of KSCM's proposal.
- 7** Foreign exchange reserves of the CNB increased last year by €14.6bn, several times more than in the previous year. The exchange reserves at the end of last year stood at €59.5bn. According to data, the CNB in November again intervened on the forex market against the firming crown. The bank launched interventions in November 2013 with the aim to keep the crown's rate below CZK27/€. Car production in the CR grew by 4.5% last year, reaching an all-time record for the year. Close to 1.3mn cars were manufactured in the country in 2015, which is about 50,000 more than in the previous year, AIA announced. Bus production grew by 30% last year, reaching a record of 4,200 vehicles. Škoda Auto remained the biggest car producer with nearly 700,000 cars, followed by Toyota, Peugeot, and Citroen plant, which recorded the biggest y-o-y growth of 9.7%.
- 8** The turnover of internet retailers in 2015 rose by 20% y-o-y to a record amount of CZK25bn. This year, domestic e-commerce turnover is expected to grow at least by another 15%, reaching CZK100bn. Consumer electronics, mobile phones, toys and clothing were traditionally among the best-selling goods.
- 10** The ME will launch a pilot project aimed at water retention in the countryside. The Smart Municipality project will provide CZK50mn to cities, towns and villages that produce innovative systems for retaining water. Some localities had already grasped the value of combining construction in that area with local or home waste water recycling systems. Last year the CR was hit by a severe drought.
- 11** Servicing of cars of the Volkswagen group affected by the emission cheating scandal will most likely be non-mandatory in the CR and the other V4 countries, MT Minister Ťok said. According to him, it is up to VW, Škoda Auto and other subsidiaries of the VW group to decide on what approach they will choose in inviting drivers to service stations. The VW group should nevertheless try to get at least 80% of owners of the affected cars to visit car service stations and have their cars repaired, possibly by offering some form of compensation, the MT Minister said. Most of the checks are to take place in the second half of this year. In the CR, the affairs concerns over 150,000 cars produced between 2009 and early 2015.

Jan 11 MLSA Minister Marksová is proposing an amendment to the law which would enable fathers to go on a short paternity leave in the first 6 weeks following their children's birth. The minister proposes a 7 day paternity leave during which the state would pay out 70% of the father's salary. The Cabinet is to debate the proposal in early February.

The MI reports a rise in the number of people requesting Czech citizenship. According to the MI over 3,000 people filed for Czech citizenship in 2015, which is a 1,000 more than in the previous year. The rise is partially attributed to a 2013 law which introduced the concept of dual citizenship. The applicants for Czech citizenship are largely from Ukraine, Belarus, Slovakia and Vietnam. The MI has not ruled out tightening the legislation on citizenship in view of the migrant crisis.

12 The Czech economy grew more quickly in the Q3 2015 than a previous estimate had suggested. GDP expanded by 4.7% not 4.5% between the start of July and the end of September. Only 5 other OECD members saw faster growth in the Q3 2015.

14 Cabinet ministers met with managers of the struggling mining company OKD. The future of the OKD mines are threatened by low coking coal prices with around 13,000 immediate jobs at stake.

18 The Cabinet on approved a draft directive of the education and interior ministries aimed to prevent cheating on Czech language tests by foreign nationals applying for permanent residency.

Prague's Václav Havel International Airport registered over 12mn arrivals and departures in 2015. This constitutes 7.9% y-o-y increase in passenger traffic, the highest increase in the past decade. The number of passengers should grow further in 2016 when a number of new regular long-distance flights will connect Prague and China, and Prague and North America, and the Emirates carrier will start using Airbus A380 on its line to Prague.

19 PM Sobotka has signed a memorandum with General Electric on the US firm building a centre to develop and produce aircraft engines in the CR. The CZK9bn plant will produce turboprop engines for small and medium-sized planes and is expected to employ around 900 people. GE would ideally like to build near Prague.

21 ČEZ has confirmed that it will prepare this year a tender for nuclear fuel supply for its Temelín NPP. The tender could be held at the latest by mid-2017.

26 Dozens of road construction projects in the CR could be held up due to EU regulations. 64 construction projects are concerned; they have been in the process of acquiring authorization for so long – up to 15 years – which they are required by EU law to get fresh EIA assessments. PM Sobotka said this process could take years and could impact efforts to draw CZK9bn from EU funds.

The Cabinet has cleared the creation of a new committee to coordinate the development of nuclear power in the country as well as the position of a nuclear “envoy” appointed as the main point person for developments in the sector. As well as piloting the construction of new nuclear reactors, the envoy and committee should also oversee national plans for a long-term storage site for nuclear waste; the national nuclear supply chain for the industry; international nuclear cooperation; and safeguarding Czech nuclear power know-how.

27 The CBA has revised slightly down its economic growth prediction for this year to 2.4% from November's 2.5%. It has, however, upped its forecast for 2015 to 4.2%. The association sees growth in 2017 rising to 2.7%. Inflation, however, will only rise to something near the level of the central bank's expectations in 2017 when it is expected to average around 2.2%.

The CR has climbed from 53rd to 37th in the latest Corruption Perceptions Index published by watchdog Transparency International. Denmark placed best in the report, followed by Finland and Sweden.

28 The CR's dependence on exports to EU member countries increased last year, despite the Cabinet's efforts to diversify, the MIT Minister Mládek, said. Currently, some 84.4% of Czech exports go to other EU countries, compared to 82% in 2014. According to him, the CR has lost some traditional export destinations such as Syria, Iraq and Libya and has not succeeded so far in replacing them with new Arabic markets. Another problem he mentioned was the diminishing export to Russia.

29 PM Sobotka says the CR needs more time to prepare for euro adoption. He said it would be wrong to set a target date for euro adoption before the country improved its public financing and raised Czech living standards. The Sobotka Cabinet has repeatedly declared that it would not set a target date for euro adoption during its term in office.

The expenditures linked to the adoption of the euro in the CR would amount to 0.5% of the GDP, State Secretary for European Affairs Prouza said. The CR's contribution to the ESM would be CZK34bn. According to him the CR has made significant progress in fulfilling the criteria for euro adoption and is now economically ready to join the Euro Area. He said it is one of the Cabinet's priorities to launch a broad public debate on euro adoption in order for people to be better informed about the advantages joining the Euro Area.

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- Feb 2** The CR's teachers' TU have called for a pay rise for teachers and other employees in the education sector by at least 10% by 2017.
- 3** The CR reached the 21st position among the 178 countries included on the list of the Index of Economic Freedom. According to the assessment, Hong Kong is the most economically free country, while North Korea was placed at the bottom of the ladder.
 - 4** Czech Trade announced that it helped to win CZK1.3bn in foreign orders last year for Czech companies. The EC expects Czech economic growth this year to slow down considerably to around 2.3% from an expected 4.5% in 2015. Growth in 2017 is expected to climb slightly to 2.7%. One of the factors curbing Czech growth is lower pumping of EU cash at the start of a new funding period. Czech police last year apprehended 8,563 illegal immigrants in the country, a 77.5% rise compared with 2014. The biggest portion of those stopped, around a quarter, were from Syria, with Ukrainians and Kuwaitis the next biggest groups. Just under 170 people were also detained by the police for helping immigrants cross the border or live illegally underground in the CR.
 - 6** The series of paintings by Alphonse Mucha the Slav Epic will during the Q1 2017 be exposed in Japan and from mid-2017 in China. Whether the series of 20 massive paintings continue onto South Korea and the US before returning to the CR is not yet clear.
 - 8** The unemployment rate in the CR climbed in January to 6.4% from December's 6.2%, the LO announced. Just over 14,000 Czechs were added to the jobless total during the month giving a total of around 467,000 seeking work. The number of vacancies stands at around 108,000, the highest January total since 2008. Czech exports reached a record CZK3.9tn in 2015, the CSO; the figure represents a rise of 7.2% from the previous year. A little over 83% of domestic exports were destined for the EU. Exports to neighbouring Germany alone increased by 8.7% to almost CZK1.3tn; Germany is the CR's main trading partner. Czech exports to Slovakia and Great Britain also saw a rise in 2015 but to Russia fell by almost 31%.
 - 9** Last year the CR drew nearly CZK152bn more from the EU than it paid into the bloc, according to the MF. Since its accession the CR has contributed CZK429bn to the EU and received CZK990bn. Prague saw a y-o-y increase in tourist numbers of 7.8% in 2015, according to the CSO. Around 6.8mn visitors were registered, with almost 5.7mn of them coming from abroad. Tourist overnight stays totalled 15.9mn in 2015, which also represented a 7.8% rise. The CR received CZK151.8bn more from the EU budget last year than it contributed to it and its net position was the highest since the country's admission to the EU in May 2004. The EU funding was worth CZK193.7bn and Czech contributions reached CZK41.9bn. Like in the previous years, the country was a net recipient of EU money in 2015.
 - 10** The proposal on electronic cash registers, which would become obligatory for nearly all transactions, has been passed by the lower house of parliament. Around 15% of Czech elderly people are faced with. Those living on their own in old age, mostly women, are particularly vulnerable to hardship with around 75,000 elderly people falling into the poverty trap. Poverty is defined as having less than 60% of the average monthly income.
 - 11** The total worth of mortgage loans offered last year came to a record CZK184bn. The number of clients taking out loans jumped to around 102,000. The main factor in the booming market was the low average interest rates on mortgages of around 2.14%. The mortgage loans total in 2014 came to around CZK143 bn.
 - 15** The number of foreigners living in the CR at the end of 2015 rose to just under 468,000. That represents a rise of around 15,000 compared to the year earlier. Foreigners make up around 4.5% of the population living in the CR with numbers rising in the last 2 years. Almost 4 out of 10 foreigners live in Prague. The biggest single group of foreigners is made up of Ukrainians, around 23%, followed by Slovaks, around 20%, Vietnamese around 13%, Russians 8%, and Germans and Poles each having 4% of the total. Chinese last year for the first time became the biggest spending non-EU tourist in the CR. Their spending in Czech shops amounted to a quarter of all total spending by non-EU tourists and just piped the spending volume of Russians. Russian tourist spending slipped dramatically in 2015 to 24% of the total from 44% a year earlier. Taiwanese tourists were 3rd with 7% of the total. Over 100 representatives of Czech steel producers travelled to Brussels on Monday for a major protest. They joined thousands of others from around Europe in demanding that China not be granted market economy status – a move they say would make it harder for European companies to protect themselves from cheap Chinese steel imports and cost thousands of jobs.
 - 16** PM Sobotka stressed that a European solution to the immigration crisis has to be found. Speaking at the end of the V4 in Prague, Sobotka said the EU should work for the agreement with Turkey to stem the flow of immigrant to be fulfilled and for Greece to meet its Schengen zone obligations.
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Feb 16 Czech economy grew by 4.3% last year, according to preliminary estimate the CSU made public, and this is the biggest annual growth since the year 2007.

Construction of high-speed railway lines is a priority for the CR, but not for the other V4 countries, officials from the individual countries said at a working meeting of the countries' parliamentary economic committees. The CR deals with the preparation of railway lines for high-speed trains with speed at up to 300 kilometres. The other V4 members prefer modernisation of the existing railway connections.

The CR and Slovakia would be hit the most of all the signatories if the Schengen zone broke up, the reason being their open economies and a high share of trade with other countries, according to an analysis of UniCredit Bank. A slowdown in the movement of goods that would affect export competitiveness would be the most significant consequence for the Czech economy.

17 The PM Sobotka will also take to Brussels the message that planned reforms sought by Britain to curb immigration from other EU countries cannot impact foreign workers already in employment and paying into the British social system.

21 Four suitable sites for new reservoirs aimed at combating water shortages in the CR have been selected, the MA Minister Jurečka said. The spots were Pěčín in north-eastern Bohemia, Vlachovice in eastern Moravia and Senomaty and the nearby Šanov in the Rakovník district in the Central Bohemian Region. Minister said the areas in question had suffered during droughts in recent years, adding that the planned reservoirs were a long-term project and would not be built under him or possibly even under his successor.

22 The EIB opened its branch in Prague that will provide information to public institutions and companies on opportunities to finance projects using funding from the EIB and the ESIF.

25 Any proposals for the CR to potentially leave the EU were described by PM Sobotka as "senseless, harmful and dangerous". The PM also said EU membership was a "guarantee" of national prosperity and security, which had aided improvement of Czech society in the post-communist period. The PM was reacting to the debate surrounding the Brexit – a possible departure of Great Britain from the EU - if the British vote to leave in a referendum on June 23.

26 TU have called for a pay rise for state employees in the cultural sector of at least 10%. There are around 6,500 employees in the cultural sector and their salaries are about 2.5% below the national average, which is a little over CZK26,000. The MC has received an extra CZK100mn for this year's budget which is intended to increase wages of people working in the non-profit sector.

Newly released Eurostat figures for 2014 suggest that Prague is the 9th richest region of all EU member states. According to the figures, which measure per capita GDP adjusted for purchasing power parity, Prague's GDP stands at 173% of the EU average. London ranks number one in Europe at more than three times the EU average, followed by Luxembourg and Brussels. The entire CR is ranked at around 75% of the EU average.

29 The Westinghouse said that it has agreed with ČEZ to a program to test and license nuclear fuel for its Temelín NPP with a view to a future tender for nuclear fuel supply. Westinghouse said it will supply fuel assemblies for use at the reactor with testing taking place over a 2 year period to ensure compatibility with existing fuel. The Russian TVEL currently supplies fuel for Temelín's 2 nuclear reactors with the deal due to expire in 2020 –with the option for a further 5 year extension.

Mar 1 The rate of employment in the CR climbed to 71% in January this year, which was the highest percentage of the population in employment since 1993. Meanwhile, unemployment remained at 4.6% for the 3rd month in a row, according to the CSO; it uses a different method of calculating jobless figures from the MLSA.

2 The ChD has approved changes to the rules for state support for the film industry. Under the changes, the state would ensure around CZK180mn to CZK200mn a year in incentives. Claim for the funds, which would also be used to support the screening and promotion of Czech films at home and abroad, can also be made throughout the year instead of at the start as under the current system.

The CR would not be able to furnish the troops and soldiers expected to support allies in the case of an emergency, according to a February evaluation by the alliance's Defence Policy and Planning Committee. A shortage of trained soldiers and equipment would cause the shortfall, the report said. Poland, alone among CEE countries, was praised for living up to its commitments. The report did however praise the Cabinet for the pledge to raise defence spending to 1.4% of GDP.

3 New electricity tariffs which were expected to come into force in 2017 will not be introduced before 2019, the ERO said. A proposal for the redistribution of costs of electricity supply between different categories of Czech households and businesses has drawn widespread criticism and will have to be reworked. The proposal was rejected, among others, by the PM who noted that it would severely increase the cost of electricity for 38% of households and 91% of small producers.

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- Mar 4** The Czech economy last year grew 4.3%, a revised estimate of the CSO confirmed. The new data also raised the GDP growth figure for the Q4 2015 from 3.9 to 4%.
- 5** Around 10-15 Czech construction projects could be given a fast track procedure to help them get started earlier in the face of EC misgivings about past EIA, ME Minister Brabec said. The problem of dozens of projects for which Brussels wants new assessments to be carried out to replace some undertaken up to two decades ago was addressed at a ministerial EU meeting. PM Sobotka warned in February that the CR could lose out on up to CZK90bn in funding if the problematic projects are delayed for a long time.
- The population of Sika deer are expanding their population and territory in a way which is putting the native deer population at risk. The population of the deer, introduced 125 years ago, is rising by around 400 a year and is now pushing into Moravia and the Šumava National Park. The Sika deer has previously been well established in Western Bohemia. It is reckoned to be more adaptable than the native deer but also does more damage to woodland because it feeds on younger plants and trees.
- 8** Unemployment in the CR fell to 6.3% in February from 6.4% the previous month, according to the LO. It said that just over 460,000 people were out of work in February. Employers were seeking to fill almost 115,000 positions last month, the highest figure recorded since October 2008. The y-o-y fall in the jobless rate was more striking as it stood at 7.5% in February 2015.
- The Czech agriculture sector saw a fall in profits of over 50% y-o-y in 2015. While the industry saw profits of CZK19bn in 2014, last year the figure stood at CZK9bn. The fall has been attributed to a decline in commodity prices that hit animal products, particularly milk and pork.
- 9** A new law on holding public tenders was passed in the ChD at 1st reading. Among the changes proposed is greater scope for the tender organizer to include other factors in the evaluation rather than just the lowest price. It also allows bidders with a poor past record to be disqualified and sets a 10,000 payment for appeals against tender decisions made to the competition office.
- The CNB took the exceptional step of banning the Russian bank active in the CR, ERB, from offering loans or accepting cash on accounts. Its remaining activity has been limited to zero risk areas. Most of the bank's operations regard financing Czech business in Russia but it also offers basic banking services with branches in Prague and Karlovy Vary. It opened its first Czech branch in 2009.
- The rate of y-o-y inflation slowed in February to 0.5% from January's 0.6%, according to the CSO. One of the main factors for the slowdown was weaker price rises for alcohol and tobacco and more moderate cost increases for utilities and housing. Prices raised 0.1% m-o-m. The inflation figure is well below the target rate of the CNB of 2.0%.
- 10** The Cabinet has tasked the ME with preparing a new law to cut the country's dependence on fossil fuels, including oil, coal, and natural gas. The move was agreed on condition that steps will not undermine economic competitiveness.
- 11** The average nominal monthly wage in the CR reached CZK28,152 in the Q4 2015, the CSO reported. It is the 1st time the average wage has crossed the CZK28,000 margin. The quarterly increase was 3.9%, the fastest wage growth registered since 2009.
- 13** The gap in public finances in 2017 should be CZK60bn, MF said. Meeting that target would not be easy, the MF is counting on an increase in pensions, more funds for sports and emphasized the need for investment projects which would be given priority. The 2015 deficit in public finances was CZK62.8bn, which is CZK37.2bn less than projected.
- 14** Trust in the EU and the EP by Czechs has dropped to a record low. The survey suggests that just 29% of Czechs have confidence in the EU and just 24% in the EP; some 55% are favourable towards the UN and 52% towards NATO.
- Sales in Czech retail trade in January, not counting the automotive sector, fell to 4.6% y-o-y compared to 6.7% in December 2015. Czech consumers spent significantly more online, an increase of 15.4% y-o-y, while retail sales of food and fuel also increased. By contrast, consumers spent less on pharmaceutical items and medical goods. Prices decreased y-o-y in the categories of fuel, food and computers. Higher prices were registered in the categories of culture, sports and recreation, clothing and footwear and pharmaceutical and medical goods.
- 15** The CR's state debt last year increased by CZK9.3bn to CZK1.673tn. The total debt breaks down into every Czech owing around CZK159,000 each. Czech domestic debt rose by nearly CZK26bn to CZK1.389tn while the country's foreign debt dropped by CZK16.4bn to over CZK 283.6bn.
- 16** The CR's biggest carmaker Škoda Auto announced a record profit of around CZK19bn in 2015, a 6.5% increase from 2014. Overall sales over the same period increased by 6.2% y-o-y, to a total of CZK338bn, also a company record.
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- Mar 16** ČEZ has said that it will not make a binding bid for the German coal mine and power plant assets of the Swedish-based power company Vattenfall. ČEZ said that low wholesale electricity prices and uncertainty over whether brown coal power plants might have to be closed early deterred it from making a bid. Czech Coal said it had made a bid for the assets. The EPH said it made a joint bid along with the PPF Investments company.
- 16** The Senate has approved so-called electronic cash registers. The MF reckons the measure will curb tax avoidance to the tune of CZK18bn a year. Opponents say it adds another burden to small business and will not deliver on the promise of extra tax revenues.
- 17** TU at the Škoda Auto say they are prepared to take unlimited strike action to push their wage claims for this year. The current collective agreement runs out at the end of March. Management is currently offering a wage hike of 3% with the TU demanding 8%. Škoda Auto announced record profits for 2015. Last year the two sides agreed on a pay rise of 3.5%.
- 18** CzechTrade, the state agency tasked with promoting Czech exports abroad, announced the opening of a new office in Singapore.
- 21** According to the study by Deloitte, totally 67% of firms from the automotive industry plan to boost their production capacity in the next five years. The main competitive advantages of automotive industry in the CR include cheap labour force (stated by 75% of respondents), availability of grants and incentives (50%) and availability of labour force (42%). Disadvantages mentioned by respondents included lack of qualified labour force (50%), insufficient infrastructure and logistics (33%) and education system (33%).
- 22** According to the statistics of the AIA, road motor vehicle production in the CR grew by 4.5% y/y to 231,848 in 2M 2016.
- 24** Economic confidence in the Czech economy dropped by 0.4 points to stand at 196.7 points in March compared with February, the CSO announced. The composite index is back to the level at the end of 2015. Compared with March 2015, the index is still 1.6 points higher. The biggest drop in confidence came from consumers with industry opinion firmer. The biggest confidence fall in the industrial sector came from construction, where confidence levels have slipped back to the levels last seen at the end of 2014.
- Czech Television reported that Czech exports to Russia fell by 31% last year to total around CZK78bn, which represents around 2% of total Czech exports. The drop is mainly due to the weak rouble and fall off in Russian purchasing power due to low oil prices and prices for other basic commodities.
- 26** According to a survey published in the magazine Statistika&My, prices in the CR were at 59.4% of the EU average in 2014; this was lower than in countries such as Slovakia and Croatia and placed the CR in the six members of the bloc with the cheapest prices. However, it is expected that local prices are likely to approach the EU average in the long-term.
- 27** The average age of inhabitants of the CR has risen by five years and seven months to 42 since 1990, according to figures released by the CSO. While in 1990 there were 1.3mn people aged 65 or more on the current territory of the CR, the figure was 1.9mn in 2015. There are also fewer children in the CR: there were 1.6mn in 2015, compared to 2.2mn a quarter of a century ago.
- 29** The Czech and Chinese presidents, Miloš Zeman and Xi Jinping, signed a strategic partnership treaty between the two states at Prague Castle. Ministers from both countries also signed a number of memoranda of understanding in areas including industry, transport, health and education.
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- Apr 2** Czech export to the USA in 2015 increased by 13.6% y-o-y, to CZK91.8bn. Sales to the US amounted to 2.5% of total exports, and exceeded exports to Russia or China. The growth rate of exports to the USA was nearly twice as high as the growth rate in total exports from the CR, which increased by 7.5%.
- 4** The budget surplus for the Q1 2016 was the highest in the history of the CR, reaching CZK44bn, according to the MF. The result has been attributed to a growth in tax revenues and transfers from the EU.
- 5** March saw the highest ever number of car sales in one month in the CR, according to the CAI. Almost 23,000 new vehicles were registered in March, a rise of 8% on the same month in 2015. Sales for Q1 were 12% up y-o-y, with Škoda Auto enjoying a 21% increase in sales in that period.
- Czech exporters say the CNB's policy of keeping the crown weak has meant between CZK400-450bn in extra exports in the last 2 years. The CNB intervened to bring the crown down to around 27 to the euro in November 2013 and has maintained the policy ever since. According to the CAE, if the CNB had not taken action the crown would today stand at around 25/€. Exports could this year reach a record of over CZK4tn.
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Apr 6 The Czech trade balance in February recorded a surplus of CZK22bn, a rise of CZK4.5bn compared with the same month in 2015. The biggest contributors to the surplus was engineering goods and automobiles with payments for imported mineral oils making a much smaller dent in the surplus due to low oil prices.

The CI sees space for a growth in average wages in the CR. According to employers, a change in the structure of jobs including the introduction of incentives for the creation of job opportunities with higher value added or the introduction of the initiative Industry 4.0 would be suitable ways for the growth in the average wages. According to preliminary results of a survey conducted by CI and the CNB Bank in Q1 2016, employers predict an average growth in wages by about 2% in 2016.

According to Czech-German Chamber of Commerce and Industry, a total of 56% (2015: 29%) of German investors think the current economic situation in the CR was good. Some 40% of respondents think the situation was satisfactory (64%) and 4% of respondents think the situation was bad (7%).

7 Czech breweries recorded the highest beer production in history last year, for the first time increasing the level of production beyond 20mn hectolitres. The figures represented an increase by 2.2 on the previous year. Czech beer exports increased by 13.4% to 4.14mn hl, while the import of beer increased by 7.3%. Domestic consumption of beer per person dropped by one litre in 2015 to 143 litres.

The CNB spent CZK17bn in February intervening on the forex market against the firming crown. The bank launched the interventions in November 2013 with the aim to keep the crown's rate below CZK27/€. From then until February the CNB spent around CZK520bn on the interventions.

8 Unemployment in the CR dropped to 6.1% in March, from February's 6.3%, the LO announced. There were 443,109 people without a job, which is the lowest March figure since 2008, and 117,335 vacancies. At the same period last year, unemployment stood at 7.2% and there were over 525,000 jobless.

10 According to personnel companies, there is a severe lack of IT specialists on the Czech labour market. The situation has been deteriorating in recent years and the country now lacks around 100,000 IT specialists. Prague has 400 vacancies despite the fact that starting salaries in the field are on average CZK15,000 higher than in other areas. This is a common trend across Europe which currently lacks 700,000 IT specialists.

11 The majority of Slavětice inhabitants have approved the construction of a 5th unit at the NPP Dukovany. However the town strongly rejected the building of a nuclear waste dump in the vicinity.

13 Czech industry is currently lacking at least 70,000 workers and thousands of university educated experts, such as chemists and mechanical engineers, a new analysis by the CAE suggests. According to the analysis, there are currently more than 117,000 vacancies on the Czech jobs market. The CAE has called on the Cabinet to loosen its visa policy to simplify attracting foreign workforce from countries such as Ukraine, Vietnam, and Russia to the CR.

Czech economic growth this year should be around 2.5%, according to Moody's. The estimate is along the same lines as the MF but slightly lower than the CNB, which sees growth this year at around 2.7%. Growth will be slightly higher, at just over 3%, in Poland, Slovakia, and Romania. Moody's says the CR's high rating of A1 is not under any threat with a stable outlook confirmed. It points out that the health of many local banks, such as ČSOB and Česká Spořitelna, is actually better than the parent company, Belgium's KBC and Austria's Erste Bank.

Czech export of hops has dropped by 10% in 2015 compared to the previous year, to total 3,668t of hops. The slump in profits amounted to over CZK250mn. Last year's crops were damaged by unexpectedly high temperatures and drought. Dry weather also caused hops to have a lower concentration of alfa acids, which are responsible for the bitter flavour in beer. Most of the hop exports went to non-EU markets, mainly to Asia.

According to the IMF, the growth pace of the CR's GDP will slow down to 2.5% in 2016, inflation will increase to 1% and unemployment will drop to 4.7%. An estimate for 2017 counts on GDP growing 2.4%, inflation amounting to 2.2% and unemployment reaching 4.7%.

15 The migrant crisis is making Czechs increasingly wary of foreigners, according to STEM agency. The number of people who think an ethnic group or minority should have the right to live in the CR according to its own traditions has dropped by almost a half to 25% in the past 2 years. Only 25% of respondents now say requests for Czech citizenship should be granted without regard to nationality or ethnicity. And 3/4 of Czechs now consider foreigners to be a security threat.

On April 14, 2016, Czech Railways opened 3 tenders for the delivery of trains. The tender for up to 20 electrical units, primarily for national fast trains, is worth CZK4.60bn. The tender for up to 30 engine units for national fast trains on non-electrified routes is worth CZK4.04bn. The enquiry for up to 50 express wagons for international long-distance transport with travel speed of at least 200 km/h is worth CZK2.17bn.

- Apr 15** EU's share on total exports from the CR grew to 84.9% in 20M 2016 from 83.7% a year ago. In absolute figures, export to EU grew to CZK554.80bn from CZK510.91bn. Total export output reached CZK653.18bn (up 7%). Total import into the CR increased by 3% to CZK556.10bn. Out of the total, import from EU reached CZK370.28bn (up 6.1%). EU accounted for 66.6% of imports into CR, up from 64.6% a year ago.
- 18** According to the MF, on March 31, 2016 the gross state debt of the CR totalled CZK1,694.7bn. Medium- and long-term state bonds issued on the domestic market represented CZK1,263.8bn of this total and those issued on international markets represented CZK225.9bn. The debt to GDP ratio equalled 37.6 %.
- 19** 2/3 of Czechs believe that there are too many foreigners working in the CR, according to the STEM agency. 3/5 of respondents expressed the view that foreigners are depriving Czechs of jobs. Though both views prevail, they are down on last year. A similar survey in 2015 indicated that 80% of Czechs thought there was an excessive number of foreigners employed in the CR and over 70% believed incomers took Czechs' jobs.
- Production of road vehicles in CR rose to 356,959 units in Q1 2016, of which 351,658 were motor vehicles and 5,301 were towed vehicles. Passenger car production increased 2.12% to 349,766 units. Hyundai Motor Manufacturing Czech and Toyota Peugeot Citroën Automobile Czech reported higher manufacturing. Škoda Auto production declined 3.44%. The share of Škoda Auto in the total passenger car production was 55.82%. HMMC had 26.02% and TPCA had 18.16%. Local sales in the CR went up by 4.60%. Exports jumped by 6.45%, according to figures published by the CIA.
- 20** The average price of apartments sold in Prague grew by 8% y-o-y in the Q1 2016. The average price per metre in the period from the start of January to the end of March was a record CZK60,517. The rise has been attributed to a marked decline in supply; the developers said the number of flats offered on the capital's property market had fallen 20% y-o-y.
- Average mortgage rates in the CR have reached a new record low, 1.97%, down from 2.02% the previous month. Mortgage rates were likely to fall further.
- MIT will support projects and foreign activities sought on the basis of Czech exporters' preferences, including the tried and tested practice of business trips taken by the minister and governmental and constitutional agents, accompanied by Czech business missions. According to MIT Minister Mládek, Czech export totalled CZK3.4tn in 2015, up 6.4% y/y. The export in February 2016 grew 4.5% y-o-y and foreign trade balance ended with the surplus of CZK22bn.
- 21** Škoda Auto has agreed to give its workers a record salary increase of 11.5% on average over the next 2 years, according to TU. Negotiations between the two sides had previously reached a stalemate and the unions had threatened strike action. The unions calculate that the pay rises will cost the company CZK2.6bn.
- ME has allocated CZK9.5bn within the 2014-2020 Environment Operational Programme. Nature and landscape protection and care for them are the top priorities. The subsidy can reach up to 100% of the costs, depending on the type of measures. All types of organisations, excl. natural persons, may apply for the subsidies.
- 22** The ChD has approved a bill which would give the SAO greater powers. According to the proposed amendment the office would in future be able to look into the financing of local and regional administrations, state funds, health insurance companies, public schools and companies in which the state is a majority shareholder. Up till until now the SAO could only check up on state property management and state budget expenditures. The bill will now be debated in the Senate.
- The CR is among seven EU countries with the smallest budget deficit and state debt, according to 2015 figures released by Eurostat. The CR had a deficit amounting to 0.42% of the GDP and a state debt at 41.0% of the GDP. Luxembourg, Germany and Estonia had surplus budgets in 2015 and Sweden a balanced budget. The least indebted countries are Estonia and Luxembourg.
- 25** The ČEZ Group plans to invest CZK60bn into the development of renewable resources and other projects in the area of new energy in the 2016 to 2020 period. The company's aim is to increase the share of renewable resources to three times their volume, that is, from 800 to 2,400 MW.
- MIT release a study which highlights the benefits the TTIP could bring to the Czech economy. According to the most favourable of four scenarios for the CR, the complete elimination of duties and at the same time 20% savings costs based on the complete elimination of non-tariff barriers is about plus USD900mn per year and it is slightly less than 1.0% of GDP. Those sort of benefits could translate into an around 1.0% increase in real wages as well. While Czech exports to the US are relatively low for such a large economy, the study highlights the fact that a lot of US demand is for specialized and high value items where there are high potential margins for Czech companies.

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- Apr 27** The average price of apartments in the CR in 2015 increased by 6% on average y-o-y, according to a survey carried out by Deloitte. The average price per metre was CZK41,800. The most expensive apartments were sold in Prague (for CZK56,400 per metre), while the cheapest apartments could be found in Ústí nad Labem region (for CZK10,000 per metre). Last year, the overall sales of apartments amounted to CZK70bn, which is a 15% increase on the previous year.
- 28** Building production in the CR is facing a realistic threat that it will fall back into stagnation in 2016. If negative scenarios materialise, the sector could lose 2-3%, due to the unresolved situation regarding the drawing of European funds, negative effect of legislation influencing investment construction and continuous decline of building contracts. Contracts for structural engineering projects for Czech construction industry dropped 50% in Q1 2016. Under the best scenario, the sector could grow 2-3% in 2016, as compared to the 7% growth in 2015.
- 28** More than a fifth of vines in Southern Moravia have been affected by early morning frosts over the last week according to the Association of Vineyard Owners. There will be a clear impact on the future grape crop but the association has so far been unable to put a figure on the estimated damage. Temperatures dropped to below zero on Wednesday and Thursday nights. The worst affected vines are expected to be those in valley locations. Severe frosts last affected vineyards in the region four years ago.
- 29** The Czech unemployment rate dropped to 4.1% in March, according to the CSO, which has a different means of calculating unemployment than the LO, which registered a 6.1% unemployment rate in March. The figure published by the CSO puts unemployment at a 20-year-low and would make the CR the country with the lowest unemployment rate in the EU.
- 29** Czech confidence in the EU has fallen to its lowest level since the country voted to join the political and economic grouping in a referendum in 2003, according to the CVVM. Now around just 38% of Czechs, say they now have confidence in the EU. A year earlier the confidence was 52%. The rapid fall since then is largely due to the EU's perceived handling of the immigration crisis. The CR joined the EU in 2004.
- 30** The CR and the German state of Saxony have agreed on the joint construction of a new high-speed rail connection between Prague and Dresden. The line, which involves the construction of a tunnel under the Krušné Hory mountain range, should be in operation by 2030. It is expected to cut the current journey time between the two cities from two hours to just one.
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- May 1** In Q1 2016 the meat production amounted to 109 577t (+0. 6%, y-o-y); it consisted of 17 933t of beef (+8. 1%), 54 146t of pig meat (-6. 2%), and 37 427t of poultry meat (+8. 3%). Prices of cattle for slaughter almost did not change (+0. 4%) while they declined for pigs (-7. 4%) and chicken for slaughter (-2. 0%). Milk collection rose to 624 792 thousand litres (+4. 1%, y-o-y); its price plummeted by 15. 9% and it was sold for 7. 30 CZK per litre on average. Imports of live cattle came mainly from France, Belgium, Austria and Slovakia; their exports went above all to Austria, Turkey and Germany.
- A mere 1/4 of Czechs are satisfied with their country's EU membership, which is one of the lowest ratings since the CR joined the EU in 2004, but the opinion that it should retain membership still prevails, according a CVVM poll released on Monday.
- 2** The Cabinet approved an action plan for the agriculture sector up until the year 2030. According to MA, planned changes include lowering by tens of thousands of hectares rapeseed production, increasing the breeding of livestock, significantly boosting vegetable growth and markedly increasing the protection of arable land from soil erosion. According to available information, fruit orchards should increase from the current 14,500 hectares to 23,000 by 2030. By 2030, up to 60% of arable land should be protected from erosion compared to 11% now.
- In 1Q 2016 public investors called 2,133 tenders on the Czech market. Their value reached CZK73.5bn. This represents a 10.5% y/y increase in their number and a 26.1% increase in their volume. For both indicators this is also the most favourable quarter of the past 3 years.
- 3** Health sector workers in the CR are to receive a pay rise of 10% from January next year. According to the MF, an extra CZK9bn would be raised from employees' health insurance in 2017, the MF would provide another CZK2bn toward salaries in the sector.
- Only 26% of Czechs believe that the decisions of the EU are in their country's interests, according to the CVVM agency. The same survey last year indicated that almost 1/3 of Czechs shared that view. CVVM said the change was due to critical perceptions of the EU's handling of the migrant crisis. Some 60% of respondents in the latest poll agreed that the EU defends democratic values and that EU integration is beneficial to the defence of the state and the environment.
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May 4 According to EC prediction, Czech economy's growth rate will slow down to 2.1% in 2016 from 4.2% in the previous year. The growth rate will drop due to the subsiding of the effect of the additional drawing of European funds from the 2007-2013 period. GDP growth will be driven primarily by strong domestic demand. In 2017 GDP will grow 2.7%, according to estimations. EC also estimates that unemployment rate will decrease to 4.4% in 2017 from 5.1% in 2015. The inflation in 2017 is expected not to exceed CNB 2% target until 2017. Government debt will stabilize at 41% of GDP in 2016 and 2017, according to the estimations.

- 6 The CNB decided to keep the interest rates unchanged. The two-week repo rate stayed at 0.05%, the discount rate at 0.05% and the Lombard rate at 0.25%. CNB board has also decided to continue to use the exchange rate as an instrument for further monetary easing. CNB governor Singer has stated that the board expects to abandon the exchange rate commitment in H1 2017. CNB predicts GDP will grow 2.3% in 2016. The inflation will remain close to zero in the coming months. The inflation will approach the target set by the CNB within the monetary policy's horizon. Inflation will total 1.8% in Q2 2017 and 2.2% in Q3 2017, CNB predicts.

In March 2016, sales in retail trade after seasonal adjustment stagnated at constant prices, m-o-m. Sales adjusted for calendar effects increased by 4.3%, y-o-y, non-adjusted by 5.1%. For the entire Q1 2016, non-adjusted sales in retail trade except of motor vehicles and motorcycles increased by 6.1% at constant prices, y-o-y; for automotive fuel it was by 7.7%, for food and non-food goods the same by 5.8%. Sales for sale and repair of motor vehicles increased by 8.5%, sales for sale of motor vehicles (including spare parts) increased by 9.5% and for repair of motor vehicles by 4.0%.

The Cabinet wants to obtain information for making strategic decisions on projects of new NPPs construction. The MIT will address the nine companies, potential NPPs suppliers with request for information after receiving government's approval.

- 9 The tax income of the CR's state budget for the first 4 months of 2016 totaled CZK325.26bn. Overall income totalled CZK427.65bn (2015: CZK400.0bn). The highest share of this total was accounted for by social security insurance (CZK139.18bn) and VAT income (CZK77.56bn).

In 2016, ČEZ Distribuce will invest CZK9bn in grids. The investments aim to provide for high-quality and reliable power supplies and meet client requirements. In 2016, the company plans to complete the double 22 kV lines between Havlíčkův Brod and Světlá nad Sázavou or renovate the double 110 kV lines between Česká Třebová and Kasíkov. In 2015, ČEZ Distribuce invested CZK7.7bn in the grid construction and renovations. An additional CZK700m was spent on repairs.

Unemployment in the CR dropped to 5.7% in April, from March's 6.1%, the LO announced. There were 414,960 people without a job, which is the lowest figure since January 2009, and 124,280 vacancies. At the same period last year, unemployment stood at 6.7% and there were over 491,600 jobless.

According to the CTO, the average price of mobile calls by 11% to CZK1.1 per minute in the CR fell last year. Nominal price paid tariffs remained unchanged.

In March 2016, industrial production increased at constant prices by 0.6%, y-o-y. Working days adjusted industrial production increased by 3.6%. Compared to the previous month, seasonally adjusted industrial production was higher by 1.4%. The value of new orders decreased by 1.4%, y-o-y.

In March 2016, according to preliminary data of 'national concept' in current prices, the trade balance ended in a surplus of CZK21.7bn, which was an increase of CZK4.0bn, y-o-y.

ČEZ announced that it will increase its stocks of nuclear fuel for both its Temelín and Dukovany NPP. The 2nd unit would be brought into line with the 1st and the fuel reserve increased to 2 years from the existing 1. At Dukovany the target is to build up a 3 year reserve for the reactor this year from the current 2 year stock. Building up nuclear fuel reserves was one of the targets of the Czech long term energy framework adopted in June last year.

- 10 In March 2016 the construction output decreased by 12. 5% y-o-y. The planning and building control authorities granted by 2. 3% more building permits, y-o-y, and the approximate value of permitted constructions fell by 21. 6%, y-o-y. The number of started dwellings declined by 16. 7%, y-o-y, and the number of completed dwellings decreased by 5. 4%, y-o-y.

Consumer prices in April increased compared with March by 0. 6%. The price development was primarily due to a rise in prices in 'alcoholic beverages and tobacco' and 'clothing and footwear'. The y-o-y growth of consumer prices was 0. 6% in April, i.e. 0. 3% up on March.

The number of tourists in collective accommodation facilities in the CR grew by 11. 9% y-o-y to 3. 3mn in the Q1 2016 and the number of overnight stays rose by 12% to CZK9.5mn, the CSO announced.

- 11 The Cabinet approved the introduction of paternity leave (1 week). Fathers will get 70% of the assessment salary base, the same as are women on maternity leave. The amendment is to be approved by ChD now.
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- May 17** According to the preliminary estimate, the gross domestic product increased in the Q1 2016 by 3. 1%, y-o-y; compared to the Q4 2015 it was 0. 5% up. In the beginning of 2016, growth of the Czech economy continued. According to the preliminary estimate, the gross domestic product (GDP) adjusted for price effects and seasonally adjusted increased in the Q1 2016 by 3. 1%, y-o-y; compared to the Q4 2015 it increased by 0. 5%. The GDP growth was pulled by all components of the demand: by steadily growing consumption of households, slightly increasing investment activity, as well as external trade.
- 18** Out of 500 businesses that took part in the survey on administrative burden, 77% consider the extent of obligatory submission of documents/forms to be the greatest obstacle for doing business, followed by the issues of frequent legislative changes (75%) and high taxes (71% of businesses). Some businesses have to fill out as many as 2,000 forms per year, while only one-third out of them are duties that cannot be omitted. The Czech business environment is overregulated, and tend to become even more complicated. Despite the effort to reduce administrative burden for businesses, some measures introduced by the Cabinet are counterproductive.
- Czech firms are having trouble filling positions for manual labour or industrial work. Half-a-year ago, the Cabinet launched a pilot programme to attract foreigners, primarily from Ukraine, to the CR, by speeding up the visa application process. The emphasis was originally on skilled jobs such as IT; it turns out that what some companies need more is to fill vacancies for manual and factory jobs. That in itself is not a problem: what is, is that successful applicants aren't being processed fast enough.
- 20** Teachers' TU see a proposed 5% pay raise for teachers as unacceptable and made clear they would not stand for less than a 10% increase. Unless the Cabinet raises the proposal, they are promising to take as yet undisclosed steps to apparently increase pressure in June.
- The total vacancy rate at industrial properties in the CR dropped to 4. 2% in Q1 2016. This is the lowest level over the past 10 years. Full occupancy is reported from the regions of Central Bohemia, Hradec Králové, Liberec and Zlín. Ústí nad Labem, Jihlava, Plzeň and Prague are below the nationwide rate while Brno, Ostrava and Olomouc report vacancy above the nationwide rate.
- 21** Vineyards in South Moravia suffered damage valued at CZK1. 4bn and fruit growers' damages of CZK400mn from severe frosts in April. Worst affected have apricot and peach growers with around 60% of the potential crop reckoned to be damaged. PM Sobotka said he wanted to push for both national and EU steps to be taken as soon as possible to relieve pressure on farmers. As well the vineyard owners and fruit growers, dairy farmers and livestock breeders have been hit by low prices for their products.
- 23** The Cabinet rejected the amendments to the foreigner law and the health insurance law at its meeting and it will not deal with the health insurance of foreigners in near future as no ministry was assigned the task.
- 24** The MLSA is to send a proposal to the Cabinet to increase the minimum wage from next year, PM Sobotka said. The plan envisages a rise from the current figure of CZK9,900 a month to CZK11,000 at the start of January. While the TU would like an increase of CZK 1,500 from the present level, employers say they regard a rise of CZK 600 or CZK 700 as realistic.
- 25** MF registered totally 680,000 construction savings loans in the CR as of March 31, 2016, down 2%, y-o-y. The loans' value totalled CZK240. 9bn, down 1%, y-o-y. The loan/saved sum ratio grew to 63. 6% as of March 31 (up 0. 4%).
- President Zeman appointed CNB board member Rusnok governor of the bank. He will take up the post as of July replacing Singer.
- Passenger cars' production in CR grew by 10. 6% to 469,321 cars in Jan-April, TPCA raised output by almost 14%, Skoda Auto by 9%.
- 26** The MF's proposal for next year's budget sets next year's deficit at CZK 48. 5bn. For 2018 the MF envisages a deficit of CZK 38. 5bn and for 2019 of CZK 18. 5bn. The MF is willing to increase the deficit in case of higher spending by ministries and other state authorities. Under the agreement between coalition parties, the deficit could reach up to CZK 60bn next year and CZK 50bn in 2018.
- The Senate has rejected a lower house bill which would give the SAO greater powers. Following a four-hour long debate, 42 out of 60 senators present voted against the proposed amendment, under which the office would in future be able to look into the financing of local and regional administrations, state funds, health insurance companies, public schools and companies in which the state is a majority shareholder. Up till now the SAO could only check on state property management and state budget expenditures.
- According to the Association of Iron industry, before tax profit of CR's steelworks fell to less than 1/3 y-o-y, from CZK10. 2bn to CZK3. 1bn last year. Sales fell by 6. 7% to CZK84. 3bn. The main reason is the excessive production of steel in China.

May 27 Members of the ChD approved a new atomic law. The new law replaces legislation dating back to 1997 and updates Czech rules with the latest EU directives. The Cabinet says the new rules should simplify some of the procurements for building new nuclear reactors. The new law still has to be approved by the Senate, and the head of state.

29 Livestock numbers in the CR fell by more than half over the last 30 years, according to information released by the CSO. The number of cattle fell to just 40% of 1987 levels and pigs to around 36%. Farmers have warned that more breeding farms could close unless they receive broader support. The Cabinet recently outlined in its agriculture road map until 2030 plans to improve the situation.

31 PM Sobotka and 4 other ministers will pay a working visit to China to intensify Czech-Chinese relations and cooperation in air traffic, health and finances on June 16-20, the Cabinet Office told journalists. Sobotka will meet PM Li Keqiang and represent the CR at the meeting of the 16+1 forum comprised of CEE countries and China. Sobotka will be accompanied by MLSA Minister Marksová, MH Minister Němeček, MT Minister Ťok and MIT Minister Mládek.

Czech household debt rose again April, reaching nearly CZK 1,347bn as of month end, up by almost CZK 8bn from March.

Czech exports to the USA have grown rapidly in the past 3 years, approaching the CZK 100bn for the first time ever, according to the CSO. This makes the USA the country's biggest export partner outside the EU and the most dynamically growing market for the CR regarding mutual trade. The CR has the 30th largest export economy in the world and although 83% of the country's exports are destined for EU member states, exports to the USA have almost doubled in the past decade and since 2011 the volume of Czech exports to the country has exceeded the volume of USA imports. The USA market is now one of the top ten export destinations in terms of export volume. In terms of value creation the USA ranks among the TOP3 countries. In 2015 Czech companies exported goods to the USA worth CZK92. 2bn, a 2. 4% share of the CR's overall exports, and an export volume comparable to that with Spain or Belgium.

The new concept of raw material policy prepared by the MIT attaches a bigger importance to rare metals than in the past and it wants to find out how powerful their deposits are. The EC drew a list of originally 14 "critical" raw materials without which industry in the EU cannot do and the CR has potentially big sources of 4 critical raw materials. In addition to coking coal, which is mined in northern Moravia, they are mainly lithium, wolfram and fluorite that are mined in the Ore (Krušné) Mountains in west Bohemia. The ME said it will not allow anything more but prospecting for and mining of gold and continued prospecting for and possible following mining of shale gas.

Volume of foreign capital invested in share capital of Czech firms fell by CZK 33bn y-o-y to CZK 1,020bn in May due to outflow of money from tax havens.

For period of up to 1 year, young Israelis will be able to obtain visas that allow work in the CR, and vice versa, the Israel Population and Immigration authority announced. The program will be open to about 200 people. Similar programs exist between Israel and Australia, Germany, South Korea and New Zealand.

The employment rate, seasonally adjusted, reached 71. 8% in April 2016 and increased by 1. 6% compared to that in April 2015. The male employment rate was 79. 4%; the female employment rate was 64. 0%, both seasonally adjusted. The employment rate of persons aged 15-29 years, seasonally adjusted, was 47. 7%, in the age group 30-49 years it attained 87. 0%, and in the age group 50-64 years it got to 68. 5%.

Jun 1 The OECD has reviewed the economic forecast for the CR, increasing the GDP growth to 2. 4% in 2016 and 2. 6% in 2017. GDP growth increased strongly in 2015, partly due to EU-financed public investment. Financial conditions and income growth will continue to support domestic demand, but falling public investment is weighing on growth in 2016. Although gains in market share are likely to be smaller than in recent years, stronger demand from European countries will support export growth. Headline inflation remains low, but robust wage growth and fading effects of food and energy price falls will push inflation to the 2% target by end-2017.

A total of 47% of respondents attending a survey conducted by the FCCC planned investments in the CR in next 3 years. A total of 25% of future investors plan to extend their production and 20% plan renovations or acquisitions of new administrative premises. Some 17% of the new investments will head to the IT development. Some 8% of respondents plan to build a research or development centre or plan its extension.

Economic confidence has dropped in the CR for the 4th month running according to a poll of key managers in manufacturing. The PMI fell to 53. 3 points in May from April's 53. 6 points according to the monthly index. The fact that many companies are still hiring is seen as an indication that growth is not going to peter out altogether.

Jun 1 The average price of new flats in Prague rose in March and April by 1. 5% compared with the first 2 months of the year, according to Deloitte. The survey said the shortage of new flats coming onto the market during the spring was clear with around 1,400 fewer being offered than at the same period last year. That translates into a fall of around 22%. Many of the new flats being offered are part of projects already started with few new developments coming on stream, the report added. Prices are estimated to have climbed by 13% compared with the average in 2014.

2 The number of grocery stores in the CR has dropped by 4% since 2013, to 12,294. Small grocery stores with a shopping area under 400 m² saw the biggest drop in numbers. The number of supermarkets went down as well, by 28 over the past 3 years, while the number of hypermarkets increased by 19. Supermarkets and hypermarkets account for 80% of the overall sales of grocery items in the CR, which is the highest proportion in Central Europe.

Car makers in the CR increased their turnover last year by 7. 0% to a record CZK 912bn, according to the AIA. Exports accounted for 85% of the sales. The growth was fuelled mainly by record production of passenger cars, which increased by 4. 0% to nearly 1. 3mn cars. The CR currently holds 16th place in car production in the world and second place in number of cars produced per person, 2nd only to Slovakia.

3 According to a refined estimate, the GDP in the Q1 was higher by 3. 0%, y-o-y; compared to the previous quarter, it increased by 0. 4%. The GDP adjusted for price effects and seasonally adjusted increased by 0. 4%, q-o-q. In the y-o-y comparison, the GDP increased by 3. 0% at constant prices. The figures are slightly lower than the previous estimate which expected a y-o-y growth of 3. 1% and quarterly growth of 0. 5%.

4 An extra CZK 300mn in state grants to replace old boilers will be available this year. The EC has agreed to fund the ME scheme, making the move conditional on the money only going to renewable energy sources, meaning boilers using pure biomass or heat pumps. The ME is due to discuss the project with representatives of the CR's regions in the coming weeks.

6 The unemployment rate in the CR decreased in May to 5. 4% from April's 5. 7%, the LO announced. The total number of people seeking work was 394,789, the lowest from January 2009. The number of vacancies offered through the LO stands at around 129,054, the highest total number since November 2008.

The average monthly wage increased by more than 4. 4% in Q1 y-o-y. The rise is the equivalent of just over CZK 1,000. Minus inflation, the average rose by 3. 9%. The national average for the monthly salary in the CR currently stands at 26,480; in the capital the number is the highest, just below CZK 33,000.

Seasonally adjusted sales in retail trade except of motor vehicles and motorcycles increased by 0. 8% in April at constant prices, m-o-m. Sales adjusted for calendar effects increased by 5. 7%, y-o-y. Non-adjusted sales in retail trade increased by 4. 9%, y-o-y. Non-adjusted sales for sale of automotive fuel increased by 8. 8%, y-o-y; for sale of non-food goods it was by 6. 7% and for food by 1. 1%.

PM Sobotka has said that a planned railway route through Prague 6 to the Ruzyně international airport should be complete by 2024. He added the project would cost some CZK 24bn. It is not clear whether the route, as currently conceived, will at all be subsidized from European funds. MT Minister Ťok confirmed that current plans counted on part of the track running through an underground tunnel to be built in Střesovice; the local city council is against the modernization of an already existing above-ground route.

7 EC report concludes that the CR currently fulfils 3 out of the 5 criteria necessary for adopting the euro: the criteria relating to price stability, public finances and long-term interest rates. Legislation in the CR is not fully compatible with the Treaty and the CR does not fulfil the exchange rate criterion.

In April 2016, industrial production increased at constant prices by 4. 2%, y-o-y. Seasonally adjusted industrial production was lower by 1. 3%, m-o-m. The most contributed manufacture of motor vehicles, trailers and semi-trailers (16.9%), manufacture of fabricated metal products (7.0%), and manufacture of rubber and plastic products (5.4%). Industrial production decreased in manufacture of chemicals and chemical products (-17.4%), mining and quarrying (-10.5%), and manufacture of food products (-4.4%).

The CNB intervened on the foreign exchange market to the tune of CZK 11bn in April in order to combat the growing strength of the Czech crown. This brings to CZK 530bn the total amount the CNB has spent on euros since November 2013, when it first intervened in a bid to keep the crown at around 27 to EUR. Last month the board of CNB said it would probably maintain its weak crown policy until the middle of next year.

In April 2016 the construction output decreased by 13. 7% y-o-y, in real terms. The planning and building control authorities granted by 2. 9% more building permits, y-o-y, and the approximate value of permitted constructions jumped up by 40. 5%, y-o-y. The number of started dwellings declined by 3. 3%, y-o-y, and the number of completed dwellings decreased by 17. 8%, y-o-y.

- Jun 7** In April 2016, the trade balance ended in a surplus of CZK 23. 6bn, which was an increase of CZK 9. 3bn, y-o-y. Y-o-y, total balance was favourably influenced mainly by growth of the trade surplus in 'machinery and transport equipment' (by CZK 7. 1bn) and a decrease of deficit in 'mineral fuels, lubricants and related materials' (by CZK 4. 3bn). Furthermore, surplus in 'miscellaneous manufactured articles' and 'manufactured goods classified chiefly by material' went up (by CZK 1. 1bn and CZK 0. 8bn respectively); and deficit in 'food and live animals' fell (by CZK 0. 8bn). Total balance was unfavourably affected by an y-o-y increase of deficit in 'chemicals and related products' (by CZK 4. 8bn) and a decrease of surplus in 'crude materials' (by CZK 1. 0bn). The trade balance with EU28 Member States ended in a surplus of CZK 59. 8bn, which was an y-o-y increase by CZK 11. 2bn. Deficit of trade with non-EU countries grew by CZK 0. 4bn to amount to CZK 33. 5bn.
- 9** Consumer prices in May decreased compared with April by 0. 2%. The price development was primarily due to a drop in prices in 'housing, water, electricity, gas and other fuels', 'alcoholic beverages and tobacco' and 'food and non-alcoholic beverages'. The y-o-y growth of consumer prices was only 0. 1% in May, i.e. 0. 5% down on April and the lowest since the beginning of this year.
- 10** The latest OECD Economic Surveys of the EU and of the Euro Area underline the challenges facing European policymakers. Although growth has gradually strengthened, unemployment in many countries is still high, investment remains below pre-crisis levels in most European countries, and credit growth is still sluggish. The European economy is gradually recovering but further policy action will be required to address unresolved legacies of the global economic crisis that are weighing on growth and major new concerns that have emerged. The Surveys project EU GDP will grow by 1. 8% this year and 1. 9% in 2017, while GDP in the Euro Area will grow by 1. 6% this year and 1. 7% in 2017. The OECD addresses a number of downside risks facing the European economy, most immediately that posed by a possible United Kingdom vote to leave the EU. Brexit would lead to economic uncertainty and hinder trade and foreign direct investment flows both of the UK and the EU, hurting growth. EU GDP would decline by 1% in 2018 and still be almost 1% lower in 2023 than without Brexit.
- The ME will launch a new programme for municipalities focused on securing drinking water for people and searching for new sources in July, ME Minister Brabec said, adding that CZK 300mn will be set aside for this. The sum will be provided from national sources, but the ministry wants to spend almost CZK 7bn from European subsidies on further programmes. In a 2nd subsidy programme, the ministry wants to motivate people to better use rainwater. People could get a subsidy of up to 50% to buy large barrels for rainwater in gardens. The ME wants to test the programme mainly in dry regions, such as southern Moravia and in the Labe (Elbe) valley and the Ohře valley in west Bohemia.
- 13** The population of the CR increased by 4,700 to 10,558,500 during the Q1 2016. The increase resulted from the positive net migration (5,500) only; the natural change was negative (-900). In the y-o-y comparison the number of live births (27,100) slightly increased, the number of deaths (28,000) increased as well as the number of marriages and divorces.
- Czech politicians from parties across the political spectrum support Britain's remaining in the EU and believe that its departure would harm the EU as well as Czech citizens in Britain, a survey CTK conducted has shown. Czech politicians also fear a possible further splitting of the EU and the emergence of similar referendums in other countries. PM Sobotka previously said he does not wish Brexit because it could foment a wave of nationalism and separatism across Europe.
- 14** 9% of Czech firms plan to take on more employees in the Q3, according to a survey conducted by Manpower Group. The survey was conducted among 750 employers in the public and private sector. 3% of firms said they would be laying off staff in that period. There is a growing demand on the market not just for highly qualified workers but for low-skilled workers as well. 86% of employers do not expect any changes.
- 15** According to the MF, state debt increased in Q1 2016 by CZK 21. 7bn to CZK 1. 695tn. Foreign debt decreased by CZK 1. 5bn to CZK 283,5bn.
- Price levels for food, beverages and tobacco vary considerably across the EU Member States. In 2015, the prices for food and non-alcoholic beverages in Denmark were 145% of the EU average, while in Poland they were 63% of the EU average. In comparison, which ignores the difference in the purchasing power of the population, after Poland, the cheapest prices are in Romania, Bulgaria and Lithuania. The CR follows, together with Hungary. Food and non-alcoholic beverages in both countries can be bought for 79% of the EU average. Alcohol was priced in Ireland at 175% of the EU average, but at 64% in Bulgaria. For tobacco the highest prices were observed in the United Kingdom (218% of the EU average), while the lowest were recorded in Bulgaria (50%).

- Jun 16** The current wording of all valid Czech laws will be available online for free as of 2020 thanks to the bill on the introduction of the electronic form of the Collection of Laws that the Senate smoothly passed at its session. The bill wants to make the legislation more available and more comprehensible. Car production in the CR has increased by 13% to 593,743 vehicles over the past five months, according to data from the AIA released. At the same time, exports of Czech cars and light commercial vans increased over the same period by 7.5% to 686,694 vehicles. That suggests some previous production had been held in reserve. Domestic sales grew by nearly 8% to 3,229 cars. Last year, Czech car makers produced a record 1.3mn vehicles and the association expects further growth this year.
- 17** The latest version of the state budget draft for 2017 recons with an additional CZK 7bn for the education sector, MEYS Minister Valachová said. She said she planned to ask the cabinet to support a proposed 10% increase in pay for teachers and 5% increase for non-teaching staff. Such an increase would meet teachers unions' demands.
- 19** The Sobotka Cabinet will not be raising the majority of social benefits next year, according to MLSA Minister Marksová. Minister Marksová said that given the low unemployment rate the emphasis was on increasing the minimal wage in order to get more people to seek employment. The LO currently report around 130,000 vacancies. There are some 400,000 unemployed. All three ruling parties approve of this strategy.
- 21** The CR loses more than CZK 109bn a year due to grey economy. According to estimates, the informal sector amounts to 11.3% of GDP. As for sector distribution, the dominant share is taken by the segment of food products, beverages and tobacco (39.6%), a study by EY and MasterCard has revealed. According to the study, introduction of electronic wage payments could increase the government revenue (+ CZK 1.4bn) as well as electronic payments of government transfers, pensions and social benefits (+ CZK 5.1bn). An additional CZK 26bn could be brought in by consumer incentives. The growth of the Czech economy in the Q1 2016 was the 6th highest in the EU and among the countries with a better result were Malta, Romania, Slovakia, Sweden and Spain, according to an analysis released by the CSO. Compared with the GDP development in the EU, the growth of the Czech economy was stronger. This is the tenth quarter in a row when the CR reached a higher GDP growth than the whole EU, the CSO said. Czech economy grew by 3% y-o-y and by 0.4% against the previous quarter in the Q1 2016. "The favourable economic development was based on increasing domestic demand. Household spending was the main factor but the foreign trade result was improving as well," said the CSO. According to earlier comments of analysts, the Q1 data confirm the good condition of the Czech economy. They at the same time forecast that the growth will be weaker in the coming quarters due to the end to drawing of money from EU funds for the past programming period. For the whole of this year, Czech economic growth should move around 2.5%.
- 22** 60% of Czechs do not wish Britain to leave the EU and 22% hold the opposite opinion, according to a flash poll by the Median. The poll also showed that less than a half of Czechs would support remaining in the EU if they had a similar chance. The teachers should see a pay rise next year of at least 6%(but as high as eight depending on personal evaluation); confirmed PM Sobotka. Besides education, the Cabinet is putting special emphasis on the health sector and science. The draft budget, as outlined, is counting on a deficit of CZK 60bn 2017.
- 23** The 2016 fruit harvest is expected to see a 28% drop y-o-y due to the late frosts which hit the country at the end of April. Fruit growers estimate losses of around CZK400mn. The fallout should not affect prices on the market. The most severe damage is reported in southern Moravia. The CR wants to post agricultural attachés with diplomatic status in three more countries in the coming months, the MA confirmed. It already has agricultural attachés in Saudi Arabia, China, Russia and Serbia and wants to post them in the US, Japan and Lebanon in the near future. Their main task is to assist Czech firms in finding new export opportunities. Czech exports hit an all-time high of more than CZK3.9tn in 2015, which was an annual rise of 7.5% and an increase of 35% over the past 5 years, according to an analysis of exports presented by the ASME. Imports amounted to CZK3.5tn, and the surplus of balance reached CZK426bn. According to earlier data from the CSO, last year's exports totalled CZK3.89tn. According to MIT Minister Mládek, the foreign trade results surpassed expectations.
- 24** The United Kingdom European Union membership referendum, known as the Brexit referendum resulted in an overall vote to leave the EU, by 51.9%. Brexit could slightly slow down the growth of Czech economy in 2016, economic analysts predict. According to estimates, the GDP could drop by several p. p. tenths. Despite Brexit, the Czech economy is expected to grow by about 2% in 2016. The slow-down will be caused by a weakening demand for export to the EU, fuelled by uncertainty on world markets. At the same time, experts say that economic relations with the UK are not threatened in any way.

- Jun 24** The politicians have reacted to the UK's decision to leave the EU by emphasizing the need for change. PM Sobotka said Britain's decision to leave the EU is serious and irreversible and signals the need for a transformation. He said the EU must now take measures to minimize the impact of Brexit. MFA Minister Zaorálek said Brussels needed to respond to negative sentiments within the alliance. The EU must react more to people's day-to-day needs and integration must continue only in areas where it can be defended, Minister Zaoralek said. The leaders of the main right wing parties TOP 09 and the ODS have stressed that the CR should take an active role in the EU reform that will inevitably need to take place.
- 25** The PM Sobotka said that Europe may pay an excessively high price for his UK counterpart Cameron's pledge to hold an EU referendum in order to unify his Conservative Party prior to elections. Speaking a day after the UK's vote to leave sent shockwaves around the bloc, he said that would had happened was not the end of European integration – just the end of the UK in the EU. The PM said the main thing now was agreeing co-existence with the UK under conditions advantageous to the CR; the priority is ensuring the maintenance of smooth exports and good conditions for Czechs working in the UK.
- 27** The Cabinet has decided to create a special working group to deal with the possible implications of 'Brexit,' the result of last week's British referendum decision to leave the EU. The group will mainly focus on determining the Czech priorities in the upcoming negotiations with Britain.
- 27** The PM Sobotka said that he fears that there will be a new wave of separatism following the British Brexit vote. He said the British vote would probably encourage nationalism and separatism. He maintained that the European project is still the best guarantee that the horrors of the 20th century are not repeated and warned thought that the EU should reform itself so that it can be more effective, more flexible, and less bureaucratic. MFA Minister Zaorálek said after a meeting of foreign ministers from the V4 as well as France and Germany that Britain's exist should not stop the EU's evolution. He said new relations with Britain should be on friendly terms. Zaorálek added that rapid further EU steps towards integration would be the wrong response to the British referendum result.
- 28** According to PM Sobotka, the CR does not need to accelerate adoption of the euro because of the UK's decision last week to quit the EU. Older EU members have been pushing for increased integration in a 27-member bloc, including closer ties within a currency union. PM said that nobody would be pressured into anything, adding that it was in Czech interests for contact to be maintained between Euro Area states and those that have not adopted the common European currency. The V4 states issued a joint statement expressing deep regret for the UK's decision to leave the EU and saying that the EU must emerge stronger from the challenges that poses. The CR, Poland, Slovakia and Hungary said talks on a way forward should focus on protecting the bloc's interests. They also outlined a need to renew credibility in an EU that better reflects the concerns of citizens. ČEZ has begun proceedings to reclaim billions of crowns lost after the prolonged closure of 3 out of 4 of its nuclear reactors at the Dukovany NPP following faulty safety checks on pipes. Proceedings have begun against engineering company Škoda JS to reclaim around CZK 3.5bn. Škoda JS recruited a sub-contracted to carry out X-ray checks on pipes at the plant which were later found to be flawed. Much of the reactor was closed in late 2015 and into 2016 as a result. Škoda JS has denied being guilty.
- 29** The CR has won clearance from the EC to proceed with 10 large transport and infrastructure projects without the need to launch new EIAs. Brussels has had problems with the fact that dozens of Czech projects were given approval under old assessments that in some cases pre-date the country's accession to the EU in 2004. Some of the key projects have a European as well as Czech dimension. Large retail outlets in the CR will have to close on 7 state holidays every year after the ChD approved a bill implementing the change. The ban applies to stores with floor space of 200m² or more. The Brexit will not harm Czech exports in a short run, and the growth of Czech exports will accelerate mildly to 5% y-o-y in Q3 2016, the AE said. In September, the monthly value of Czech exports is even expected to exceed the record from March 2015, when exports amounted to CZK304bn. In Q1 2016, exports grew by 1. % y-o-y. The growth in Q2 is estimated at 3.4%. According to the AE, the Brexit will not harm Czech exports in a short run but it may become an initiator of further erosion, not only of the EU but also of other countries. This might most likely harm free movement of goods as well as persons. In the future, the Brexit might affect adversely the overall Czech exports due to a possible decrease in exports to Germany and is a source of considerable uncertainty that will lead to cautiousness in extending trade relations with one of the CR's most important export destinations.
- 30** The CR's GDP rose by 4.5% y-o-y in 2015 and by 2.7 in the previous year, according to the revised data released by the CSO. The revised figures are slightly higher than the previous estimates, according to which the Czech economy grew by 4.2% last year and by 2% in 2014.

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- Jul 3** The Swedish Cabinet approved the sale of brown coal mines and power plants in Germany owned by the Swedish state company Vattenfall to Czech energy sector investor EPH owned in part by businessman Daniel Křetínský.
- 7** The Cabinet is set to earmark nearly CZK 4bn in the next 5 years to support digital literacy, according to a strategy for digital literacy approved by the government. Over 3/5 of the sum will be covered by European funds while the rest will be paid by the state. The financing will be used for courses and training as well as for establishing digital centres for the public. The strategy, put forward by the MLSA, also aims to provide better access to the Internet for people from low income groups.
The Cabinet agreed to increase tax credits for parents with two or more children. Next year, parents will be able to deduct more from their tax for second and third children. At present, parents get an annual tax credit of CZK13,400 for the 1st child, 17,000 crowns for a 2nd child, and CZK 20,600 for every subsequent child. In 2017, parents will be able to deduct CZK 2,400 more from their tax returns for a 2nd child and CZK 3,600 more for every child thereafter.
The CR recorded a foreign trade surplus of CZK 18.2bn crown in May, which is an improvement of CZK 7.7bn compared to the same month last year. At the same time, it is the lowest foreign trade surplus figure recorded so far this year. In previous months, it always exceeded 20bn. Exports in machinery and cars were among the main factors fuelling the surplus.
- 8** Industrial production accelerated in May, achieving y-o-y growth of 8.6%, which is the highest figure since June 2015. In April, industrial production climbed by 4.2%. The main factor fuelling the output increase was higher production of cars. The growth in the construction sector, by contrast, slowed to 4.3% from April's 13.7, which is the worst result since March 2013.
- 11** The Cabinet has agreed to earmark CZK 100mn for the development aid budget in 2017. The increase brings the overall budget for development aid to around CZK 1bn. The MFA is originally reported to have asked for an increase of CZK 200m. Most Czech development aid is spent on specific projects in chosen countries with smaller slices of spending earmarked for emergency help and transformation aid.
- 12** Inflation in the CR remains close to zero, reaching 0.1% y-o-y for the 2nd month in a row in June, according to figures released by the ČSÚ.
The ČEZ has launched an international investment arbitration case against Bulgaria and is seeking hundreds of millions of euros from the Bulgarian state.
- 13** The number of foreign workers in the CR has more than tripled in the last 15 years, according to a new government report. 3/4 of non-native employees are from the EU and therefore do not require work permits; the highest number are from Slovakia. At the end of last year there were 323,000 such workers in the country; that figure was nearly 40,000 higher than in 2008, when the financial crisis began.
- 15** The MIT said that geological tests for a potential nuclear waste storage site would take place near the towns of Horka and Kraví Hora in Moravia.
- 18** Czech dairy farmers look set to get aid of €10.4mn within increased subsidies for farmers across the block approved by the EC.
- 20** ČEZ applied for an assessment of the environmental impact at the Dukovany NPP in case new reactors are constructed there. The analysis, known as an EIA, is necessary for reaching a decision whether or not the new blocks can be permitted and built.
Average mortgage rates reached an all-time low of 1.87% in June, according to monitoring since 2003.
- 21** A meeting of V4 PMs in Warsaw ended with calls for speedy EU reform.
The CR has placed 26th on BDO's 2015 list ranking the investment potential of 174 states. According to the BDO list, the CR is the most investment-friendly country of the post-communist bloc.
- 22** The failed to pump CZK 6.8bn in European funds earmarked for the county according to figures from the MF. The latest figure is an improvement on the CZK 10bn shortfall estimated by the MRD at the start of this year and the CZK 36bn figure given in the middle of 2015. The CR is looking to use up CZK 620bn earmarked for it under the latest spending period between 2014 and 2020.
- 23** Czech police stepped up police patrols in shopping centres and increased border security after the incident at a shopping centre in Munich, Germany. According to MI Minister there is no suggestion that a specific terrorist or other threat applies to the CR at the moment.
The total state debt has climbed by around CZK 18bn in H1 2016 and now stands at CZK 1.691tn or around CZK 160,000 for every single Czech citizen. The MF said the debt total had climbed as the result of more state bonds being issued because of the favourable financial situation.
- 24** Changes to the civil service law are being prepared in an attempt to streamline recruitment and fill many gaps in ministries and other state bodies. The current procedures are regarded as overly complicated and time consuming. Currently there are many vacancies in government departments.
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- Jul 25** The crime rate in the CR fell by 11.3% in H1 2016, according to police statistics released. A meeting of the tripartite failed to reach a consensus on increasing the minimum monthly salary. While all sides agree a rise is needed, the question is how high.
- 27** Brno and the surrounding South Moravian region is experiencing its biggest epidemic of Hepatitis A for the last 15 years. Since the start of the year, 107 cases have been reported according to the chief regional hygiene officer. For the whole of 2015 there were only 27 cases. Hepatitis A is an acute infection of the liver usually caused by poor hygiene.
President Zeman signed the New Atomic Law. The new law replaces legislation dating back to 1997 and updates Czech rules with the latest EU directives. The Cabinet says the new rules should simplify some of the procedures for building new nuclear reactors. It will be effective from 1 January 2017.
- 28** Wages for teachers will be hiked from September by around 8% compared with their current levels. The move should mean increases in monthly gross wages of around CZK 2,000 to 2,400. The Cabinet also agreed to a 5.0% wage rise for state employees to take effect from the start of November.
- 29** The MF has revised downward its estimate for the economic growth in 2016, from 2.5% in April to 2.2% now. Next year, the economy is expected to grow by 2.4% instead of 2.6%. In 2015, the CR saw economic growth of 4.5%. Reasons for the slowdown include an expected rise in oil prices as well as indirect aftereffects of the Brexit, under which Great Britain voted to leave the EU.
ČEZ has applied for a prolongation of its existing operating license for the 2nd unit at its Dukovany NPP until July 10, 2017. The current license is due to expire at the end of this year. The application to the SÚJB was made because of a prolonged shutdown at the reactor to check on pipe welds at the unit.
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- Aug 1** The MF saw the state budget surplus rise to CZK 75.6bn in July from CZK 41bn the previous month – the best July result since the founding of the CR in 1993. Last year, the surplus registered in July was CZK 25.7bn. The state budget for this year is counting on a deficit of CZK 70bn. The MF credited the surplus rise to record tax revenues.
- 3** Sales of new cars in July in the CR have fallen y-o-y for the first month since the start of the year. Sales were down 12.5% compared with the same month in 2015 and by just over 27% compared with June. Total car sales for the first seven months of the year, at almost 152,000, are still 12.5% up on the same period last year. The Škoda Auto has seen sales climb by around 1/3 so far this year and retains around 1/3 of the local market.
- 4** A record 54,000 home loans totalling around CZK 102bn were awarded in the H1 2016 according to figures from the MRD. That compares with 50,000 loans amounting to CZK 88bn given out in the same period of 2015. In June alone loans worth CZK 23.8bn were agreed, a record for the last 21 years.
The CNB has upped its forecast for growth this year but dropped its expectations for 2017. Growth this year is expected to reach 2.4%, a slight advance on May's previous figure 2.3%. But GDP growth has been shrunk in the latest prediction to 3.0% from the previous 3.4%. That 3.0% growth rate is now seen continuing into 2018. The bank board added that it does not expect its current low crown policy backed up by foreign exchange interventions to end before mid-2017 but that term could be stretched further if the 2.0 target annual inflation figure is not reached.
- 6** Medical tourism to the CR is on the rise, up by 15% in the past year. Foreigners who come to the CR predominantly request plastic surgery, fertility treatment, weight reduction procedures or spend time at wellness spas. Czech health and wellness facilities are particularly popular with clients from UK, Germany and Russia.
- 8** The AIA has said vehicle production in H1 2016 rose by 11.9% to total just over 719,000 vehicles. The growth in production is around twice the rate of 2015. Increases in production covered trucks, cars, buses, and motorbikes. Local sales of cars rose by 8.9% in the H1 with exports up 6.9%. The AIA says 2016 looks like being a record year for production.
Unemployment in the CR rose in June according to the LO. The bump ended a steady drop in unemployment since February. The rate rose from 5.2% unemployment in June to 5.4% in July. Since the start of the summer holidays, some 393,000 people have been looking for work – up by around 8,000. At the same time, the number of jobs being offered went up to the highest level in 8 years, some 136,000.
- 10** Czech soldiers and other defence ministry employees are set to get a pay rise of about 4% as of November. There are currently about 22,000 professional soldiers in the CR. Policemen, firefighters and state employees also expect to get a pay rise in November and the Cabinet has promised a 10% pay rise for doctors and nurses in 2017.
- 10** The number of passenger cars in the CR has increased by 116,000 to nearly 5.3mn cars in H1 2016, according to data of the CIA. The average age of passenger cars has also increased, from 14.3 to 14.9 years. Škoda Auto remains the most popular make of car with nearly 1.8mn registered vehicles, followed by Volkswagen and Ford.
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- Aug 11** The Czech hops harvest this year is expected to reach around 6,000t, just over a 1/3 more than the drought damaged harvest of around 3,800 tons in 2015. The total area devoted to cultivating hops has risen this year for the 3rd year in a row. It now totals around 4,700 ha, around 160 ha more than in 2015.
- 15** A total of 872 foreigners applied for asylum in the CR in the first seven months of 2016, just 12 fewer than over the same period in 2015, the MI reported.
The MA will launch a new funding programme next year to improve irrigation worth CZK 1.6bn. In all, the Cabinet is to invest some CZK 28bn by 2022 in fighting drought. Along with irrigation, the Cabinet aimed to improve ground water retention and to put money into renovating existing basins and ponds as well as building new ones.
- 16** Czech economic growth slowed to 2.5% y-o-y in Q2 2016, while the GDP rose by 0.9%, the CSO has revealed. In Q1 the economy grew by 3.0% and the GDP by 0.4%. Industry and services played a crucial role while GDP growth was boosted by foreign demand and household consumption.
- 17** The average price of new flats in Prague increased in May and June by 11.2% y-o-y to CZK 75,600 per m². Compared to the previous 2 months, it represents an increase by 2.8%. At the end of June there were 4,700 new flats available in the Czech capital, which is a 30% drop on 2015.
- 19** TU at the TPCA have reached an agreement on a gradual increase of salaries by CZK 1,700. According to the new collective agreement, the average gross monthly salary in worker positions should reach CZK 32,500 by the end of the year. The company currently employs some 2,800 people. As of December, the workers will also be working shorter, 8-hour shifts.
- 21** Events were held on remembering the 48th anniversary of the invasion of Czechoslovakia by Soviet-led Warsaw Pact troops. Over 100 people died during the invasion, which began on the night of August 20 and 21 1968 and was the start of an occupation lasting over two decades.
- 22** Czech arms manufacturers and producers of military equipment such as gas masks or filters, last year exported goods worth a record CZK 15bn. The highest number of exports, 28%, was to EU countries and was worth CZK 4.3bn. Czech arms exports to Bulgaria alone were worth CZK 1bn; exports to Slovakia saw similar numbers as did countries outside of the EU such as the USA and Iraq.
- 24** The Cabinet approved a rise in the salaries of teachers and other school staff. The teachers will get an 8% pay rise, while other school staff will have their wages raised by 5%. According to the newly approved regulation, young teachers can expect their 1st salary rise after 2 years of teaching instead of the current 6 years.
- 25** German Chancellor Merkel, who was in Prague within her post Brexit European tour, met with Czech PM Sobotka to debate the migrant crisis, the future of the EU after Brexit, and bilateral cooperation in the field of science and research.
- 31** Czech gymnast Věra Čáslavská, whose seven gold medals made her the country's most decorated Olympic athlete, has died at the age of 74.
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- Sep 5** Retail sales rose 1.6% in July compared with the same month last year, according to the CSO. Adjusted for the number of working days, the increase in spending comes to 5.1%. Sales were especially strong in non-food goods, where they climbed by around 8%. Growth in food sales was just 2.1%. The trend of increasing sales through mail order or via the Internet continues, with those sales up by nearly 20%.
Average monthly wages in the CR rose in the Q2 by an average 3.9% y-o-y, according to the CSO. The average rise of just over 1,000 crowns boosts the average to CZK 27,297. When inflation is factored in, the average percentage rise comes in at 3.7%. Compared to the Q1, wages rose by 0.8%.
- 7** TU meeting from across the CR called for an increase in minimum wages in the private sector from the start of next year to CZK 11,500 a month from the current level of CZK 9,900. The Cabinet has set a target for minimum wages to reach around 40% of the average wage. The meeting also called for average across the board wage rises next year of around 5.0%.
The CNB announced that it spent CZK 8.29bn in July on currency interventions aimed at preventing the appreciation of the Czech crown. The level of intervention is slightly higher than the CZK 8.45bn of June but way below the double digit figures from May, April, and February this year and the CZK 58.16bn figure for January. The CNB has spent around CZK 563bn since it began the so-called low crown policy of keeping the crown at or below CZK 27 to the euro in November 2013.
- 8** Unemployment fell in August to 5.3%. LO registered 388,474 job seekers, which is the lowest figure for the month of August since 2008. Meanwhile, the number of jobs available last month was the highest in 8 years. Unemployment in the CR had been gradually falling since February this year until July this year, when it slightly increased.
- 9** The rate of inflation speeded up in August to 0.6% y-o-y compared with 0.5% in July. Higher prices for alcohol and tobacco were among the main factors fuelling the rise. A slowdown in the drop in food prices, which has been a feature of recent months, and higher charges for utilities also contributed.
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- Sep 11** The CR could end this year with a balanced state budget, according to MF Minister Babiš. Much depends on how many ministries will spend cash earmarked for them in the remaining months, he added. The state budget recorded a surplus CZK 80bn at the end of August. A spending spree by ministries at the end of the year is a normal occurrence. The planned budget deficit for this year is CZK 70bn, though it is clear now that figure is exaggerated. A shortfall in spending of around CZK 30bn in infrastructure, especially transport investments, is one reason for the prospect of a balanced budget. Another is the low level of unemployment, now at its lowest level since August 2008.
- 12** The number of inhabitants in the CR rose by around 11,000 in the H1 2016 to now stand just short of 10.565mn according to the CSO. One of the main factors in the increase has been immigration, but the numbers of births has also exceeded the number of deaths. Immigration counted for around 10,000 of the increase in population. Around 20,000 people came to the CR with around half that number leaving.
- 13** Czech exports to Russia have continued to decline this year, falling by 12% y-o-y in the period from the start of January to the start of July. While the Russian federation was the destination of nearly 4% of Czech exports in 2012, that figure has now fallen to just 1.7%. EU sanctions imposed on Russia over its role in the annexation of Crimea are seen as a main reason for the trend. However, the Czech Chamber of Commerce says there are other factors involved, including Germany's increased share of Czech exports on the back of the Czech crown's weakness toward the euro.
- 15** The aggregate net profit of banks in the CR increased in the H1 2016 by CZK 7.27bn y-o-y to CZK 44.73bn, according to the CNB. The banking sector's total assets amounted to CZK 5.84bn at the end of June, which is an increase by CZK 375bn compared to the end of 2015. The banks recorded a CZK 98.43bn profit from financial and operational activities, a y-o-y increase by CZK 10.3bn. The average price of apartments in Prague and other regional towns in CR increased by 11.1% y-o-y in the Q2 2016. The average price per m² in Prague was CZK 60,300, while in Ústí nad Labem, m² is sold for CZK 11,400. The q-o-q increase was 6.1%, which is the fastest growth since 2010. The sales of apartments in Q2 amounted to CZK 20bn.
- 16** The yield from this year's apple harvest is expected to be some 23% less y-o-y and pears as much as 50%. The amount of apples grown this year amount to 119,373 tons, while pears will weigh in at 5,484 tons, some 45% less than a year ago; this year's poor yield could leave some harvesters on the financial brink.
- 20** The CR's foreign debt increased by CZK 133bn in Q2 2016 to reach CZK 3.353tn, according to the CNB. The country's foreign debt is equivalent to 72% of its GDP. The CR's foreign debt exceeded the CZK 3tn for the first time last year. It crossed the CZK 2tn line in 2010, 6 years after reaching CZK1tn for the first time.
- From next year car drivers in the CR will not need motorway vignettes to use certain sections of motorway. The 11 sections of motorway set to become free to use are mainly on the outskirts of cities such as Prague, Plzeň and Ústí nad Labem. The change was intended to help local drivers who at present do not use the sections of motorway concerned.
- 21** The Cabinet has approved a draft state budget for 2017 with a deficit of CZK 60bn. The draft is counting on wage increases for teachers and healthcare workers as well as increases in old age pensions. The state is also counting on an increase in revenues from health insurers. Among those seeing wage rises are other public sector employees, firefighters, the police, and in all likelihood, soldiers.
- 22** One exit from Prague's Blanka tunnel complex by the Prašný most crossroads will be closed temporarily within a few weeks in an effort to combat severe congestion around Vítězné náměstí, a square in Prague 6 that serves as a traffic hub.
- 23** The CR has placed 31st on the Economic Freedom of the World Index published, up by 11 places as compared to last year.
- 24** The number of students at Czech higher education facilities will again be lower this year than in the past, the reasons are the demographic development and the way of financing.
- 28** The CR neither improved nor worsened in the Global Competitiveness Report 2016-2017, remaining 31st out of 140 countries ranked.
- 29** The CNB has decided to continue intervening against the Czech crown to keep the exchange rate at around CZK 27/€. It will also leave interest rates unchanged at all-time lows. The bank board repeated in August that it is likely to end the interventions against the Czech crown in the second half of 2017. Over 15km of new highways are set to be built in the CR in the course of 2017. Among the newly opened motorways should be a remaining stretch of the D11 highway from Prague to Hradec Králové, which should be completed by end of August. The CR's highway network currently measures 1,228km. A new district in Prague 5 called Smíchov City could start construction in 2018. Plans for the proposed 1st phase include 2 buildings. The entire new district could take up to 15 years to complete.
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Sep 30 According to financial experts, the potential collapse of Deutsche Bank would not seriously threaten the Czech banking sector.

Oct 1 State employees could see a rise of around CZK 1,876 per month, bringing their average monthly salary to CZK 28,855. The amount has been accounted for in the government's draft state budget for 2017. The pay bump represents a rise of around 7%.

2 The same rights and duties must apply to all citizens of the EU must apply everywhere within the EU, including the UK, until it officially leaves, PM Sobotka made clear. He was reacting to the news that Britain's PM Theresa May will trigger Article 50 by the end of March 2017, beginning a two-year process to negotiate departure from the former 28-member bloc. The British PM has made clear, following Brexit, that the Cabinet wanted to decide who it would allow into the UK from within the EU, something Czech PM sees as infringing on the fundamental rights of EU citizens. He indicated the CR would oppose any unilateral steps blocking the freedom of movement.

4 According to PM Sobotka, nuclear energy helps the CR ensure stable electricity supplies. PM said that while RES would be an asset in future years they could not be relied on exclusively at the present time. He said that the CR expected to build new blocks at Temelín and Dukovany NPP at some time in the future.

The further renovations of Prague's main train station are now uncertain. The current owner of the building, the RIA, will not extend the contract with the Italian firm Grandi Stazioni that had focused on the shops and cafes that it operates in the new part of the station and will miss the Oct. 16 deadline to renovate the historical Fanta building, the older part of the station. The firm has long-term lease on the train station's commercial spaces in exchange for completely renovating the entire station.

5 The Cabinet approved an increase in the minimum monthly wage to CZK 11,000 starting next year, a hike by CZK 1,100. As of January 2017, employees working for a minimum wage will be paid CZK 66 an hour. The Cabinet has pledged in the coalition agreement to gradually increase the lowest salary to around 2/5 of the average wage. Currently some 3.2% of Czechs earn a minimum wage.

7 Industrial production rebounded in August with a 13.1% rise compared with the same month in 2015. That follows the 14.1% production drop in July. Part of the change is accounted for the extra number of working days in August, factoring out that distortion the y-o-y rise shrinks to 7.7%, the CSO announced. Higher car production was one of the main factors in the latest figures. On the negative side, pharmaceutical production was down by around 16%.

The Czech trade balance in August recorded a surplus of CZK 13.8bn. That compares with a deficit of CZK 1.7bn in the same month a year earlier. The biggest factors in the turnaround were higher exports of machinery and cars and lower spending on imported oil and other fuels. The trade surplus with other EU countries reached CZK 47.9bn. The surplus so far this year runs to CZK 146.6bn, CZK 55bn advance on the first eight months of 2015.

7 The CNB announced the volume of its foreign currency interventions in August aimed at sustaining its low was CZK 28.6bn. That is the 2nd biggest monthly total for intervention this year, exceeded only by the CZK 58.2bn total for January. The rate of intervention is a sign of what sort of upward pressures on the crown the bank is forced to resist.

10 Unemployment in the CR has been falling more or less steadily since January and reached a fresh low of 5.2% in September, according to the LO.

Turnout in the October 7-8 regional elections in the CR was 34.6%, which was 2.3% lower than 4 years ago. Turnout in the 1st round of the Senate elections, held simultaneously with the regional polls, was even lower - 33.5%. A 2nd round of Senate elections takes place on October 14-15 pitting the two best placed candidates against each other.

The ČSSD have a realistic chance of being a part of a majority of regional assemblies, following results of elections, party leader PM Sobotka said after a meeting of the party executive with regional leaders. In areas where the ČSSD placed 1st or 2nd, he made clear he felt the ČSSD would not face difficulties. Czechs voted for local assemblies in 13 of 14 regions. Overall, newcomers on the regional level ANO landed around 21% of all the votes nationwide, pushing the ČSSD, with just over 15%, into 2nd place. Previously, the ČSSD had dominated across the map and had had 11 regional governors.

10 ANO leader Babiš, whose party won the most mandates in communal elections, has suggested his party could realistically gain the governorship in 4 regions. The politician also expressed dissatisfaction over developments in regions, where parties were working on forming a coalition excluding ANO, who came first. He said he hoped voters were "taking notice", as he expected similar developments after next year's general election.

Oct 12 The Cabinet gave its consent¹ to the Comprehensive Economic and Trade Agreement, a free-trade agreement between the EU and Canada. CETA could be signed and ratified² on October 27 at the EU-Canada summit. The sectors that could benefit most from the CETA agreement in the CR are engineering, metallurgy and the chemical industry.

18 The number of state employees has grown by around 23,000 since 2012, according to data released by the MF. Nearly 440,000 people are now employed by the state in the CR, which has a population of 10.5mn. Annual salaries for such workers have increased by CZK 16.6bn in the last 4 years to reach CZK 149bn. The average state employee receives CZK 27,000 a month.

19 Car production in the CR was just over 1mn for the first 9 months of this year, an increase of 7% on the same period in 2015. Škoda Auto accounted for more than half of the output, registering increased production of nearly 10%.

The ChD approved a debt-brake mechanism that would prevent future governments from borrowing and spending beyond their means. The bill sets a debt ceiling at 55% of GDP, lower by 5% than that outlined in the EU's fiscal compact. It also envisages the creation of a fiscal council which would monitor adherence to the criteria set down. According to the proposal regions and municipalities would also need to have balanced budgets. The bill, which still needs to be approved by the Senate and signed by the president, should come into force on Jan 1, 2017.

20 According to governor Jiří Rusnok, the CNB could under certain circumstances maintain its policy of keeping the crown weak until 2018, its. However, that Q2 2017 was still the most likely date for ending the policy. It is, however, certain that it won't be discontinued before then, he said.

23 The SUJB's chairwoman Drábová has suggested that a deep nuclear waste storage site should be built in the vicinity of one of the CR's NPPs, be it Temelín or Dukovany.

25 The state budget will end in surplus this year, the MF Minister Babiš said. He said that would be the best budget result since the CR was founded in 1993. In addition, state debt has fallen for the 1st time since 2011. The minister chiefly attributed the positive figures to more effective tax collection.

26 The CR has climbed the World Bank's annual rating of countries for their business environment. In the Doing Business 2017 survey, the CR is now placed 27th, up 9 places on its position a year earlier.

The ChD in 1st reading passed the broad outline of the budget for 2017 that counts on a budget deficit of CZK 60bn next year compared with the approved deficit of CZK 70bn this year. Only changes within the agreed overall budget and spending and revenue raising limits can be proposed now.

28 Big stores and supermarkets have been forced to close their doors on the public holiday for the 1st time this year due to a new law according to which outlets bigger than 200m² must remain closed on all big public holidays.

30 The CR has welcomed the signing of CETA, a long-delayed landmark trade deal, between Canada and the EU. The agreement was signed in Brussels by Canadian PM Trudeau and top EU officials, following weeks of uncertainty due to opposition in Belgium.

31 A new poll conducted by the STEM agency suggests that voter preference for the ČSSD has fallen to a new low, putting them level, or possibly even below, the KSČM if elections were held today. According to the survey, the ČSSD would get just 14.4% of the vote and the KSČM 14.6%. ANO would come 1st with 29.7%. The right-wing parties in the opposition, the ODS and TOP09 with STAN, would gain 9% and 7% respectively. The KDU-ČSL would secure 6.7% and the SPD 5.2%.

The state will invest some CZK 1.25bn in flood prevention. According to the ME, the funds will in particular be used for the development of new systems to better manage flood risk, provide better retention and management of rainfall and to introduce better detectors and alarms in municipalities threatened by floodwaters.

Nov 1 The state budget surplus reached a new record of CZK 98.3bn at the end of October, up from CZK 82.3bn at the end of September.

2 The Cabinet agreed to a cash injection of CZK 2.5bn into the CEB, which helps Czech companies funds export projects in risky financial environments. Much of that sum will be aimed at covering losses from a Czech project to build a power station in Russia. The MF has complained that losses by the bank since 2014 have climbed to around CZK 18.4bn and have called for its shake up as well as that of the state export insurance agency. Some of the CEB support has been investigated by the police.

¹For agreements covering areas of shared competency with EU member states, representatives from member state governments also have to give their mandate for negotiations. This includes most agreements relating to foreign policy and broad trade agreements.

²**CETA Ratification:** The Council of the EU plays an important role in the negotiation and conclusion of agreements between the EU and non-EU countries or international organisations. It is involved at all stages of the procedure; from providing the mandate for negotiations to the Commission, to signing the agreement on behalf of the EU and adopting the final decision implementing it into EU law. If the Council of the EU approves the agreement, it will need the EP consent for it to be finalised. If the Council ratifies the agreement, it can be provisionally applied in areas where the governments of EU Member States deem the EU to have responsibility. The national parliaments of the EU Member States would then also need to ratify CETA for the areas which fall under their responsibility to take effect. After consent of the EP and ratification by Member States, the Council adopts the final Decision to conclude the agreement and the agreement is published in the Official Journal.

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- Nov 2** The Cabinet appointee tasked with fulfilling its nuclear action plan, Ján Štuller, has said 6 companies and partnerships have expressed interest in building new reactors in the CR. The companies are Russia's Rusatom Overseas; Westinghouse; France's EDF; the joint venture of Areva and Mitsubishi ATMEA; Korea Hydro and Nuclear Power, and China General Nuclear Power Corporation. The end of October was the deadline for companies to submit technical details of the reactor they could offer. The Cabinet wants to build a new reactor at Dukovany, one at Temelín, and possibly a follow-up one at each site.
- 3** The CNB has upped its forecast for growth this year. The figure for 2016 GDP now stands at 2.8% compared to the 2.4% given in August, but the CNB sees growth easing to 2.9% in 2017 compared with the previous figure of 3.0% and the same 2.9% rate should continue into 2018. The CNB sees inflation continuing to pick up and slightly exceed the target 2.0 rate by late 2017 or early 2018. It expects to discontinue its low crown policy by mid-2017 at the earliest.
Czech exports this year are set to rise by 3.0% and top the CZK 4.0tn market for the first time, according to the AE. The figure should be surpassed in spite of the chronic lack of workers in some sectors. Around 160,000 workers are needed with 90% of the vacancies in the manufacturing sector. Czech exports have been helped by the long term low crown policy of the CNB.
- 8** In September the CNB carried out its 3rd biggest intervention on the currency markets since launching a policy to keep the Czech crown weak against the euro in November 2013. The CNB put some CZK99.5bn into ensuring the crown remained at around 27/€. The CNB board has signalled that it will abandon the policy, which benefits exporters, in H1 2017.
Unemployment fell to 5.0% in October, down from 5.2% in September. Just over 366,000 people were out of work last month, the lowest figure since December 2008. Meanwhile, the number of jobs available was at its highest level for October in 9 years. The positive unemployment trend is being attributed to economic growth that has led to employers taking on large numbers of new workers.
- 9** Inflation speeded up in October to 0.8% y-o-y from September's 0.5%. Among the main factors for the rise were more expensive clothes and shoes and also alcoholic beverages. On the other hand, the increased prices for petrol and other fuel, which in September exceeded 7.0%, fell back to just over 3.0% in October.
The Czech tourism sector has enjoyed a bumper season in the first nine months of the year with 14.6mn tourists staying in accommodation. That is the highest total since 2000 and 7.1% above the total during the same period in 2015. Many more Czechs visited sites at home with stays up by just over 0.5mn to 7.4mn. The number of foreign visitors climbed by 419,000 to 7.1mn. Germans counted for 1.4mn of those visitors. The number of visitors from China, Taiwan, and South Korea strongly raised.
- 10** The ME starts to accept bids for projects to boost the roll-out of vehicles powered by clean alternative fuels. A total of CZK100mn will be on offer for various projects aimed at curbing air pollution and noise pollution in cities, such as electric cars. Bids can be made until the end of March 2017.
Around 100 Czech steelworkers took part in a demonstration in Brussels over the EC's decision about China's market status.
- 13** The PM Sobotka, presented his proposal for changes in his cabinet to the president. In a cabinet shake-up, the PM made clear he aimed to recall the MH and HRL ministers, Svatopluk Němeček and Jiří Dienstbier, from their posts. They are to step down on November 30.
- 14** The MF has upped its GDP growth expectations for this to 2.4% from the previous 2.2%. The forecast for 2017 has also risen to 2.5% from 2.4%. The MF expects a modest budget deficit of 0.2% of GDP both this year and next. But the budget should swing into a slight 0.1% surplus in 2018 and rise to 0.5% in 2019.
- 15** According to the CSO, the economic growth contracted in the Q3 2016, slowing to 1.9% y-o-y from 2.6% y-o-y in Q2. Analysts had been expecting slightly higher growth in the July to October period.
- 16** The Cabinet approved a proposed legislation that broadens the powers of the military police. Under the proposal, the military police would have the right to use undercover agents, carry out surveillance or use informers. The amendment would also enable military police officers to acquire and process personal data. The bill will now be sent to the ChD for debate.
- 19** The ČEPS appears to have won a victory with a decision out of the ACER to divide the Austrian and German joint trading area. Prague has long campaigned for the move arguing that the existence of the large electricity trading bloc exacerbated risks of distorted and damaging electricity flows and trading conditions in neighbouring countries. The CR will be part of a new capacity region covering North-West and CEE. ČEPS's Austrian counterpart has signalled that it will appeal the moving citing the risk of a 15% rise in Austrian electricity prices.
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- Nov 21** Tripartite of the unions, employers, and the Cabinet have agreed to boost paid sick leave in the case of long-term illness.
Renovation of D1 highway should be complete by 2020, but in order for the target to be met the tempo of construction along remaining sections of the throughway will need to be sped up, the MT confirmed.
- 24** Hundreds of small pubs around are closing down due to the law on EET which is due to come into effect on December 1. Breweries say many small regular clients have announced they are quitting the market. Plzeň Prazdroj says several hundred small outlets have scrapped orders as of December. This concerns largely small village pubs that do not serve food.
- 28** The CR will gradually increase its annual contributions to the ESA. The Cabinet decided to increase next year's contribution to CZK830mn, up from CZK527mn last year, and wants to sustain the trend in the future. According to MT, the CR's higher contributions towards research, particularly in the field of satellite technologies, should help the CR discard the reputation of being a mere "assembly plant" in Europe.
The EC has approved a support scheme for installations producing renewable energy built in the CR between 2006 and 2012. The EC concluded the measure would further EU energy and climate goals without unduly distorting competition. The scheme will have a total budget of CZK836.5bn over its lifetime.
The Cabinet has approved an amendment to the foreigners' law which would enable foreign nationals to work in the CR for a longer period before needing to extend their visas. Under the amendment the current 90 day period would be extended to 6 months, and in the event of a significant investment project even 2 years. The proposed amendment will now go to the ChD.
- 29** The ChD has passed a conflict of interest law. In addition to a previous provision preventing Cabinet members from owing media outlets, the approved version of the bill bars their companies from applying for subsidies or taking part in public tender processes.
The company Metroprojekt is set to build a high-speed rail line (possibly a tunnel) between Prague's Vaclav Havel Airport and the city's Veleslavín, which is where travellers now transfer from the Metro system to a bus to the airport. Metroprojekt can go ahead with the project after none of the companies that lost the competition appealed the result. RIA said construction work would not begin until 2020 at the earliest.
- 30** President Zeman officially appointed Jan Chvojka as new minister for human rights and legislation and Miloslav Ludvík as the new MH minister.
Czech households' borrowing from banks climbed by around CZK11bn in October from September according to the latest figures released by the CNB. Y-o-y the total household debt has risen by around CZK94bn to now total CZK1.4tn. Company debts rose between September and October by around CZK7.0bn to total CZK1.22tn.
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- Dec 1** The EET began to take effect across the CR. In the 1st wave, the measure applies to hotels and restaurants covering an estimated 40,000 businesses. It will be widened out to the rest of the economy in the following years.
- 4** ANO would come 1st in general elections with 33.5% of the vote, suggests an opinion poll conducted by TNS Aisa. ČSSD would come 2nd with 14%. The ODS placed 3rd in the poll, with 9%. They were followed by the KSČM on 8.5% and the KDU-ČSL with 7.5%.
- 7** ChD passed the draft state budget for 2017 which will have a CZK60bn deficit, CZK10bn fewer than the budget this year. The bill counts on increases in social benefits, pay rises for academics and researchers and, for example, monument restoration. Expected next year are revenues of CZK1,249.3bn and budget expenses of CZK1,309.3bn.
In October, the CNB carried out its 2nd biggest intervention on the currency markets since launching a policy to keep the CZK weak against € in November 2013. The CNB put some CZK107bn into ensuring the crown remained at around 27/€. The CNB has signalled that it will not abandon the policy, which benefits exporters, before the middle of 2017.
- 8** The MC approved the loan of the Slav Epic series of paintings by Alfons Mucha to Japan. The cycle of canvases by the famous art nouveau painter is set to leave the CR in February and go on display in Tokyo in March 2017.
- 9** Consumer prices in November increased by 0.3% compared to the previous month. This development was primarily due to a rise in the prices of food and non-alcoholic beverages. The y-o-y growth in consumer prices amounted to 1.5%, i.e. 0.7 p. p. up on October and the most since June 2013. Analysts ascribe the higher than expected growth to the EET introduction ahead of which many entrepreneurs increased prices to make up for the extra expenditures. Analysts predict that inflation may thus reach the CNB's target of 2% in the first months of 2017.
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- Dec 12** The population of the CR increased by 18,600 in the Q1-Q3 2016 y-o-y. The number was affected most by immigration: the number of new arrivals, largely from Slovakia and Ukraine, outnumber those who moved away from the CR by some 12,600. The overall population of the CR is now 10,572,400 people. Stress tests on Czech banks show that the sector is sufficiently resilient to withstand unexpected shocks, the CNB said. The tests were based on banks' results to the end of Q3 2016. The CNB said the sector's capital adequacy was considerably higher than the 8% regulatory minimum, even in a stress scenario in which there was a marked downturn in the domestic and international economies.
- 13** The number of tourists staying in Airbnb-style private accommodation in the CR grew by 40% y-o-y to 2.2mn in the Q1-Q3 2016. The overall number of visitors had grown by 12.6% to reach 9.3mn. Hotels saw an upswing of 6.3% in overnight stays in the same period. The Japanese company Asahi Group Holdings is to buy the Plzeňský Prazdroj from SABMiller. Plzeňský Prazdroj, which makes the famous Pilsner Urquell lager, is changing hands as part of a €7.3bn deal that also includes a number of other breweries in the CEE region. The EC made the sale a condition for agreeing to SABMiller's acquisition by Ab InBev.
- 14** The MF plans to launch the receipt lottery in order to encourage consumers' assistance in fighting tax evasion. A receipt lottery will become part of the EET. It will be launched in mid-2017 and is expected to distribute up to CZK65mn a year in winnings.
- 15** The Cabinet has accepted the recommendation of the MF and the CNB and opted not to set a target date for joining the single currency euro in 2017. Specifically, no move will be made to join the ERM II. Some members of the Cabinet had been pressing for a more positive approach to joining the euro. The pace of price rises for flats in Prague and other major Czech cities slowed slightly in Q3 to 2.7% compared to the previous one. Flat prices in major cities have climbed by an average 21% since the start of 2015.
- 16** The 16km of missing link between Lovosice and Řehlovice of D8 motorway linking Prague and Germany in the direction of Dresden has been completed.
- 22** Tightened security measures in the CR introduced in the wake of terrorist attack in Berlin will remain in place at least until January 2, according to the MI. The CNB's Board confirmed its commitment to continue with forex interventions if needed to weaken the crown with the aim of maintaining an exchange rate of CZK27/€. The forex interventions as an instrument for easing the monetary conditions are not expected to let up until the second half of 2017.
- 27** Confidence in the Czech economy slipped in December with the main index falling by 0.2 points to 99.1 points compared with November's score. While consumer confidence climbed by 0.8 points to 108.7 points but this was more than outweighed by falls in the trade, industry, and construction sectors. Confidence in the services sector was unchanged.
- 28** The 1st level security alert currently in place in the CR will last until at least the Spring, according to MI. According to Deloitte, Czech exports next year to rise by around 6.0%. A crucial factor is the expected end of the low crown policy. Exporters will then probably be faced with an appreciating and fluctuating local currency. Around 84% of Czech export currently head to EU countries.
- 30** Prague's Václav Havel Airport serviced a record 13mn passengers in 2016. Last year the airport handled 12mn passengers from around the world.

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。

¹ **ACER:** Agency for the Coordination of European Energy Regulators; **ACM:** Association of Car Makers; **AE:** Association of Exporters; **AIA:** Automotive Industry Association; **ASME:** Association of Small and Medium-Sized Enterprises and Crafts; **Bn:** billion; **CAE:** Czech Association of Exporters; **CBA:** Czech Banking Association; **CEB:** Czech Export Bank; **CEPS:** Czech Electricity Transmission System Operator; **ChD:** Chamber of Deputies of the Parliament of the Czech Republic; **CI:** Confederation of Industry; **CIA:** Car Importers' Association; **CNB:** Czech National Bank; **CNG:** Compressed natural gas; **CR:** Czech Republic; **CSA:** Czech Airlines; **CSO:** Czech Statistical Office; **ČSSD:** Czech Social Democratic Party; **CTK:** Czech News Agency; **CTO:** Czech Telecommunications Office **CZK:** Czech crown; **EC:** European Commission; **ECJ:** European Court of Justice; **EET:** electronic cash registers system; **EIA:** Environment Impact Assessments; **EIB:** European Investment Bank; **EP:** European Parliament; **ERDF:** European Fund for Regional Development; **ERM II:** Exchange Rate Mechanism II; **ERO:** Energy Regulator Office; **ESA:** European Space Agency; **ESIF:** European Structural and Investment Fund; **ESM:** European Stability Mechanism; **EU:** European Union; **EY:** Ernst & Young; **FDI:** Foreign direct investment; **GDP:** Gross Domestic Product; **GVA:** Gross Value Added; **H:** Half of year; **HRL:** Human Rights and Legislation; **LNG:** Liquefied natural gas; **LO:** Labour Office; **M-o-m:** month-on-month; **MC:** Ministry of Culture; **ME:** Ministry of Environment; **MF:** Ministry of Finance; **MH:** Ministry of Health; **MI:** Ministry of the Interior; **MIT:** Ministry of Industry and Trade; **Mn:** million; **MLSA:** Labour and Social Affairs Ministry; **MRD:** Ministry of Regional Development; **MT:** Ministry of Transport; **NAPDNE:** National Action Plan of Development of Nuclear Energy; **NAPCM:** National Action Plan for Clean Mobility; **NGO:** non-government organisation; **NHI:** National Heritage Institute; **NPP:** NPP; **p. p.:** percentage point; **PF:** petajoules; **PM:** Prime Minister; **Q-o-q:** quarter-on-quarter; **Q*:** Quarter *; **RES:** renewable sources; **RIA:** Railway Infrastructure Administration; **SAO:** Supreme Audit Office; **SRMA:** State Material Reserves Administration; **SÚJB:** State Nuclear Safety Authority; **t:** tonnes; **Tn:** trillion; **TTIP:** Transatlantic Trade and Investment Partnership; **TU:** Trade union; **UN:** United Nations; **Y-o-y:** y-o-y; **V4:** Visegrad Four; **VAT:** Value Added Tax