

チェコ政治・経済月報(12 月 31 日)

主な動き*

目

- Jan 1** The year 2019 will bring 3 significant anniversaries. Czechs will mark 30 years since the Velvet Revolution that toppled 4 decades of communist rule, 20 years since the CR's admission to NATO and 15 years since the CR joined the EU.
- PM Babiš does not rule out a cabinet reshuffle this year. The ANO leader said he would definitely be speaking to some ministers in the party's minority coalition with the ČSSD. The KSČM, who support the government on key votes, are dissatisfied with the work of ANO nominee Ťok as MT Minister and the ČSSD's MFA Minister Petříček. Mr. Babiš said that Mr. Ťok needed to get tougher and deliver results, adding that he would also get tougher. ČSSD leader Hamáček says he is opposed to any of the ČSSD's ministers being replaced.
- 4** The CR's state budget for 2018 ended with a surplus of CZK2.9bn, said MF Minister Schillerová. According to the MF, it is the 2nd best result since 1996. The MF had initially planned for a CZK50bn budget deficit.
- 5** The Cabinet will later this month weigh up changing the title of the MRD. PM Babiš wants to have the government department – which was set up 22 years ago – renamed the Ministry of Public Investment, a move that would be accompanied by a rearrangement of the purviews of government offices. The MRD Minister Dostálová is in favour of the change. However, other cabinet members have said they need time to consider the matter.
- 8** The Cabinet has agreed on special legislation in the event of a “hard Brexit” to treat Britons living here as if they were EU nationals up until December 31, 2020. That date mirrors one for a similar policy which the British government has announced for EU nationals living within the UK. The Czechs government hopes to get the legislation passed as soon as possible. The draft special legislation was prepared primarily by the MI and is to be put into action if a hard Brexit were to take place in March 2019.
- The Cabinet has ordered the administrators of the CR's critical infrastructure to carry out an analysis of the risks of using software and hardware produced by Chinese Huawei and ZTE. This concerns a total of 160 public and private organisations. The NCISA has been instructed to provide them with assistance in this regard, PM Babiš said. The NCISA last month flagged up the usage of Huawei and ZTE products as a potential security threat.
- Y-o-y growth in industrial output in the CR slowed to 4.8% in November. In October growth had reached 6.7%. However, taking into account seasonal factors, industrial output actually rose by 0.9%. The main driver of growth remained motor vehicle production, which went up by 10.2%. By contrast construction stagnated in the 11th month of 2018 following growth of 10.4% in October.
- 9** Unemployment in the CR rose from 2.8% in November to 3.1% in December. The increase followed a 4-month period of stagnation. However, December's unemployment rate was still lower than the same time the previous year, when it stood at 3.8%. The total number of people out of work last month was the lowest for December since 1996. The vacant jobs figure was up both m-o-m and y-o-y.
- The CR had by the end last year received about 25% of the total CZK582.9bn in EU funds allocated to the CR for the 2014-2020 programme period, according to the MRD, which is responsible for the absorption of EU funds. The MRD said all 10 operational programmes fulfilled the set conditions and thus the CR does not have to return any money, which amounts to CZK145.6bn.
- 10** Consumer prices in the CR rose by 2.1% in 2018. It was the 3rd highest average annual rate of inflation in 10 years, according to the CSO. The cost of basic necessities, such as food, housing and transport, accounted for the largest part of the increase, along alcohol and tobacco. Consumer prices in December increased by 0.1% compared with November, driven mainly by price increases in food and non-alcoholic beverages. The CNB has set an annual average inflation rate target of 2% and last year raised the base interest rate 5 times to tame inflation. CNB governor Rusnok said further tightening of monetary policy is likely this year.
- The MFA Minister Petříček said the Chinese ambassador to Prague, Zhang Jiangmen that publicising the content of a private meeting was inappropriate. This was a reference to talks between Czech PM Babiš and Mr. Zhang before Christmas. Afterwards the Chinese envoy said on social media that the Czech leader had climbed down over banning Chinese-made Huawei mobile phones at the OGCR. Mr. Babiš later said this was a lie. Mr. Petříček said he believed the discussion would ensure similar misunderstandings did not occur again. The PM ordered 160 key Czech organisations to look into whether they were at risk from using products made by Huawei or another Chinese firm, ZTE.
- 11** The economy grew 2.4% y-o-y in the Q3 2018 and by 0.6% in quarterly terms, the CSO said. Per capita income rose 2.8% in annual terms during the Q3, when the average monthly salary reached CZK26,442. Meanwhile, retail sales excluding cars and motorcycles rose by 6.1% y-o-y in November, about 1.5pps above the market consensus.

- Jan 11** The MEYS will back a proposal by the teachers' TU to raise the average salary of teachers by the end of 2021 to CZK49,450. That amounts to a 35% increase from current levels and about CZK5,000 more than the coalition government has committed to so far. To reach figure of CZK49,450, the TU expect a 15% increases this year and in 2020, followed by a 10% increase in 2021.
- 14** The greatest problem the health system is currently facing is a lack of nurses, MH Minister Vojtěch and President Zeman agreed after a meeting. Laying out his plans for 2019, the MH Minister said he wanted to increase shift rewards for nurses by CZK5,000. Both men also agreed on the necessity of digitising the health sector. CZK320bn has been allocated to the MH in 2019, CZK23bn more than last year.
- EU auditors have begun examining documents held in Prague by the SZIF in connection with allegations of conflict of interest on the part of the PM Babiš and the company Agrofert, which he placed in trust funds 2 years ago. Similar controls began at the MRD and the MLSA. Critics say that Mr. Babiš is still able to influence Agrofert despite it being in trust funds. They also say that as PM he has influence over negotiations on the EU budget and the use of EU funds in the CR. The PM is facing criminal charges of abusing EU subsidies in connection with a hotel and conference centre near Prague. He denies any wrongdoing and says he is the victim of a politically motivated campaign.
- 15** The UK's departure from the EU would affect a great many Czech citizens living in Great Britain, the MFA Minister Petříček said. He said Czech estimates put the figure at around 100,000. Mr. Petříček said he would regard a possible no-deal Brexit as unfortunate but said the Cabinet would also have to plan for such an eventuality. The minister also said elections to the EP in March would be a test of the resilience of European liberal democracy and the EU as a whole.
- 16** The average mortgage rate rose to 2.91% in December from 2.78% the previous month. Mortgages have risen at the fastest rate in 10 years. The size of an average mortgage loan grew steadily throughout 2018 to stand at nearly CZK2.3mn in December. The number of applicants had surged in September as people sought to get mortgages before tougher lending guidelines set by the CNB came into effect on October 1. Under the guidelines, a borrower should not be eligible for a loan which is greater than 9 times their annual net income, or need to spend over 45% of their monthly net income to service the debt.
- 17** Illegal migration to the CR has stabilised since the migrant crisis of 2015, with fewer than 5,000 people found to be in the CR last year without required papers. The majority of the 4,992 foreigners found to be in the country illegally were Ukrainians, followed by Moldavians, Vietnamese, and Russians. In total, that is 254 more people than in 2017. The number of foreigners who arrived legally but overstayed their visas rose by 165 to 4,653.
- 20** PM Babiš has confirmed that a government planned tax reform will have to be postponed until 2021 since the national budget could not afford the subsequent fall-out in revenues it would bring about. The opposition parties have criticized the delay. The proposed tax reform envisages the abolition of the so-called "super gross" tax wage. Instead, the draft amendment introduces a progressive tax rate of 19% for income of up to CZK1.5mn and 24% for income above this amount. Entrepreneurs, including those claiming expenses as a% of income, will be allowed to deduct 75% of social security and health insurance contributions paid.
- 22** The ChD has voted to return pay for the 1st 3 days of illness to Czech employees from July of next year. MPs overruled a Senate veto of a bill to that effect, which was tabled by the ČSSD. Senators argued that the current legislation – under which the 1st 3 days are unpaid – keeps the sickness rate down. However, the MLSA Minister Maláčová said employees should not be punished for being unwell.
- 23** The average price of new homes sold in Prague reached CZK101,091/m² by the end of 2018, an increase of 18.6% y-o-y. The number of residential dwellings sold dropped by 9% to 5,000 last year, the lowest since 2012. The most expensive flats are traditionally in Prague 1 (currently at CZK198,000/m²) and in Prague 2 (CZK164,000/m²). The most affordable apartments are in Prague 4 and Prague 10, where the average price is CZK89,000/m². In terms of price/m², smaller flats are more expensive than larger ones, regardless of location. Air traffic over the CR set a new record in 2018. The number of take-offs, landings, and flyover flights increased by 6.9% y-o-y, to 912,815 in total. An average of 2,500 aircraft used domestic airspace in a given day. The busiest traffic was also at Prague's Airport, where the number of take-offs and landings grew y-o-y by 4.8% to 155,216. Total traffic at Czech airports rose by 3.5% in annual terms.
- The Cabinet is looking to introduce changes to the educational system to place greater emphasis on apprenticeships. The move is part of a long-term strategic plan to increase the CR's overall competitiveness and bolster innovation. Among those working on the plan are experts from the CI, CCC, ASMP, and representatives of schools and the MEYS and MIT. PM Babiš, as chair of the government's R&D council, will oversee implementation of the strategic plan, which identifies 10 key areas requiring fundamental change. These include creating half a dozen development centres for making breakthroughs in artificial intelligence, laser technology and nanotechnology.

Jan 24 Overall confidence in the economy has declined for a 3rd consecutive month, dropping by 0.6 points to 98 points. Compared to last January, overall confidence in the economy is down, with levels lower for both business and consumers y-o-y. Overall confidence in the economy last dipped below 98 points in July 2017, when it stood at 97.7 points. However, while business confidence has fallen in monthly terms, that of consumers has not, holding steady at December's level.

The production of passenger cars in the CR increased by 1.7% last year to a new record of 1.437mn vehicles, the AIA said. Production has now grown for a 5th straight year. Exports of passenger cars rose 2% y-o-y while domestic purchases dropped 1.7% in 2018. Škoda Auto increased its production to 886,103 cars, up 3.3% in annual terms. It said growth was due to the modernisation and expansion of its Czech manufacturing plants. Hyundai, on the other hand, recorded a 4.6% drop in production to 340,300 cars. TPCA, returned to production growth with a 6% increase to 210,993 vehicles.

The EET introduced to counter the grey economy and tax fraud brought some CZK12.3bn into state coffers last year, MF Minister Schillerová said. The MF had projected that receipts from the online sales-reporting system would be some CZK600mn lower, she said. Compared to 2017, last year's EET revenue increased by CZK4.4bn. The EET system was introduced in stages, starting in December 2016, when it applied only to restaurants and accommodation facilities. As of March 2017, it also became mandatory for wholesalers and retailers. The planned 3rd and 4th "waves" will affect craftspeople and food producers such as farmers' markets. These are unlikely to take effect until 2020.

According to the Median, the ANO would win the general election with 30% now, 0.5% more than in November, followed by the ODS with a 2% rise, winning 15.5, and the Pirates with a 0.5% rise, reaching 13.5. The ČSSD would finish 4th with 9%, 1.5% less than in November, followed by the SPD with a 2% drop to 8% and the KSČM with a modest gain, reaching 7.5%. Other parties have not passed the 5% ChD threshold.

25 Speaking at the World Economic Forum in Davos, PM Babiš said cyber-security concerns should be resolved at EU-level. The PM met with the Huawei representative within the framework of the forum, to inform him about the present situation. He said that in the wake of a security warning regarding Huawei products by the NCISA, Czech experts were analysing the possible security risks to the CR's infrastructure. When the warning was released a few weeks ago PM Babiš ordered the OGCR to cease using mobile phones produced by the Chinese company. Other Cabinet bodies have followed suit.

26 The Union of Judges is preparing to upgrade its ethical codex in connection with suspicions that President Zeman had tried to influence the outcome of court rulings in cases that involved the Office of the President or that he felt strongly about. It has emerged that the president's chancellor met with judges on a number of occasions to inform them about the president's stance on a given court case. The CC's president Rychetský stressed in connection with the scandal that he trusted the independence of Czech courts and the said meetings did not automatically mean that judges were influenced by them. On the other hand, he said the matter was serious in that such incidents inevitably undermined public trust in the judiciary.

29 The crime rate in the CR declined by 4.9% in 2018. It was the 5th year in a row that the number of reported crimes was down. Just over ½ of the crimes reported last year involved property. Some 116 murders were registered, 30 fewer than in 2017. The police said they had managed to clear up 54.9% of all the crimes they dealt with.

The CR has improved its standing in TI's Annual Corruption Index for 2018. The CR has moved 4 rungs up the ladder to 38th spot in the worldwide rankings. Under TI's criteria, the CR picked up 59 points compared to 57 in 2017. However, it is still lagging behind the EU average by 6 points.

30 Senators from the Liberal Democratic Caucus - Senator 21 say they will take legal action against President Zeman for alleged gross violations of the Constitution. Senator 21 caucus head Láška said that the impetus stemmed from improper interventions by the president and his staff.

31 The CR obtained CZK45.3bn more from the coffers of the EU last year than it put in, according to the MF. The difference in 2017 was CZK56bn. The MF said the gap had decreased partly because of higher Czech contributions to the EU and partly because a rise in the use of EU funds for the 2014 to 2020 period had not offset a decline in EU budget revenues in the previous 7-year period. The CR has been a net beneficiary of EU funds every year since it joined the bloc in 2004.

2 The MF says that if the UK leaves the EU without having reached a deal it would lead to poorer economic results in the CR. A no-deal Brexit would result in GDP growth of below 2.0% this year, between 0.6% and 0.8% less than would otherwise have been expected. If the UK exits the EU with a deal the Czech economy should expand by 2.5% in 2019, the MF believe.

3 The Cabinet is preparing more significant income tax cuts than previously planned to make up for the fact that the planned abolition of the so-called "super gross" tax wage has been postponed until 2021. Under a tax reform bill being drafted by the MF the income tax Czechs pay could drop from the present 20 to under 19%. MF Minister Schillerová said she wanted to link the proposed tax changes with changes to the health insurance system. On the other hand, the PM has stressed the need to cut expenditures in public administration and has requested ministers from his own party to outline their cost-saving plans.

Feb 6 The CR ranks 12th among EU countries with a 2% share in the EU's total industrial output, the CSO announced. Czech industrial output grew 3% y-o-y in 2018, the 5th consecutive year of growth. Although above the EU average, the full-year growth rate slowed from 6.5% in 2017. Leading 2018 growth was the production of computer, electronic and optical equipment, and metals. In previous years, the automobile industry was the biggest contributor.

PM Babiš has been fined CZK200,000 on a misdemeanour charge by the local authority in the town of Černošice after it ruled that he was in conflict of interest because he continued to control media outlets via the Agrofert conglomerate. Mr. Babiš's lawyers have filed an appeal against the decision by the authorities in Černošice near Prague, where he lives. A complaint had been taken to them by the Czech branch of TI. The PM is suspected of still controlling the huge Agrofert group despite having formally transferred ownership to trust funds. He denies this. The EC is currently investigating Agrofert's receipt of EU subsidies.

The foreign trade surplus dropped by CZK30.8bn y-o-y in 2018 to of CZK132.7bn. Compared to 2017, exports of domestic companies increased by 3.5% and imports rose 4.6%. Germany was the country's largest trading partner, accounting for about a ⅓ of Czech exports and a ¼ of imports.

7 Hotels and other accommodation facilities saw a record number of tourists in 2018. The overall number of tourists accommodated in hotels, bed and breakfasts and camps reached 21.3mn, which is an increase of 6.4% on the previous year. The number of overnight stays in the CR increased as well, reaching over 55mn. Over 10.6mn foreign tourists visited the CR last year. The biggest number came from Germany, followed by visitors from Slovakia, Poland and China.

8 The CNB has lowered its surplus predictions for the public finances in 2019 and 2020. In November it said the surplus should reach 1.3% this year. However, it has now revised that figure to 1.2%. Meanwhile, the CNB has reduced its surplus estimate for next year by 2pps. Overall growth predictions for the Czech economy in 2019 have also been cut to 2.9%, 0.4pps lower than the November forecast. Government debt is still very low in the CR compared to among its V4 neighbours. In 2017 it stood at 34.6%, more than 15% lower than in Slovakia and nearly 40% behind that of Hungary.

While January's unemployment rates were still the lowest since 1997, the LO reports that the number of people without work has increased to 3.3%. Analysts expected this increase due to seasonal factors. However, the numbers are higher by 0.1pps than their projections indicated. Economists do not expect another major decrease in unemployment like that seen in 2018. Furthermore, the growth in vacancies is also projected to go down this year. Despite increases in the past 2 months, unemployment levels in 2019 are expected to continue being very low and to fall below 3.0% with the onset of spring. This trend is also expected to put further pressure on employers to increase wages.

The MLSA is considering more regulation of agency employment. It also wants the LO to have more powers to combat the exploitation of foreign workers, MLSA Minister Maláčová said. She said these measures were part of a larger set that will be included in an employment bill due to be published in the Q2 2019. She also reacted to a German investigative article, which reported on miserable conditions for migrant workers employed at a Czech company owned by Agrofert. Ms. Maláčová said the article could act as an incentive for an investigation by labour inspectors. Mr. Babiš has said the story was 'made up'.

9 The ME Minister Brabec says that this winter may partly compensate for the drought suffered by much of the CR in 2018. However, he said large amounts of snow were no guarantee drought would not occur in summer and warned that Czechs would have to prepare for a lack of water. Mr. Brabec said some municipalities needed to receive supplies of drinking water in February, which was unheard of. The days of "water prosperity" are over, he said. This week the government announced water management plans aimed at preventing drought becoming a recurring long-term problem.

10 According to Kantar, if elections had been held last month ANO would have come 1st on 32%. The Pirates would have come 2nd on 16.5%, ahead of ODS on 13.5%. All of the parties that are currently in the ChD would make it back in. However, 3 of them – including the ČSSD – would receive 5%, which is the threshold for election to the ChD.

12 The MD wants greater powers in defending the CR's infrastructure against cyber-attacks. MD Minister Metnar has prepared an amendment to the law on military intelligence which would allow military experts to trace and pre-empt cyber strikes effectively. A similar proposal was rejected by ChD earlier due to concerns regarding invasion of people's privacy. He argued that at a time when the functioning of the state depends on computer networks it is essential to protect hospitals, NPPs, banking systems and other key institutions effectively.

13 The CSO has reported a 5 month high in y-o-y inflation growth, which reached 2.5% in January. Housing costs as well as alcohol and tobacco prices experienced a particularly high surge. The highest increase is noticeable in electricity prices, which went up by 8.2%. Meanwhile food supplies experienced the biggest decrease in costs, with sugar prices down by almost a ⅓. However, foodstuffs are soon expected to increase as well. Analysts expect inflation rates to continue to rise up to 2.7% in the coming months. However, they expect the economy's lower growth predictions in 2019 will eventually slow down inflation as well.

Feb 13 The LO Inspection says it will crack down on foreign worker discrimination. Currently there are great disparities between Czech and migrant workers in areas such as salaries, working hours and holiday periods. The primary task is to ensure employers respect the EU employment law. With low unemployment rates in the CR, the number of foreign workers has been growing steadily in recent years reaching 5% of the population in June 2018. Many find work through so called employment agencies, which act as intermediaries and labour inspectors say they will also be one of the targets of the investigation. Data from previous years shows that especially among construction companies there is a large number of workers who lack work permits.

14 ČEZ says it is planning to invest CZK1.5bn into the Temelín NPP this year. ČEZ says its main aim is to modernise the NPP and strengthen its security.

15 GDP growth slowed to 3.0% in 2018 from 2017's 4.5% and in Q4 alone the economy expanded by 2.9% in y-o-y terms, against the annual hike of 5.0% in the Q4 2017, CSO said in its preliminary estimate. Domestic demand boosted the economic performance. The annual hike in Q4 was the 2nd fastest during the year, with Q1 reporting a rise of 4.1% and both Q2 and Q3 seeing a 2.4% economic expansion. The economy grew faster at the end of the year compared to the previous quarter. In q-o-q terms, the Q4 growth of 1.0% was the fastest over the past 6 quarters. Q4 economic performance was mainly driven by foreign demand, but demand for investments goods on the domestic market also contributed to the expansion. GDP growth for Q4 and the entire year 2018 was better than expected by analysts. They envisaged a Q4 rise of 2.4% and a full-year increase of 2.8%.

The KSČM, whose support PM Babiš's Cabinet relies upon, is pushing for the ouster of 3 ministers. It wants to see MFA Minister Petříček (ČSSD) replaced, along with MT Minister Ťok and MH Minister Vojtěch (both ANO). The KSČM has threatened to withdraw their tolerance of the Cabinet on several occasions if their demands were not met.

The NCISA has reiterated its warning that Huawei and ZTE products should not be used in Czech critical infrastructure. The agency sent its reply to Huawei, following the company's request for a cancellation or modification of its statement originally issued in December last year. Huawei said the warning was in violation of international law and has threatened the CR with an international lawsuit. The Cabinet asked critical infrastructure administrators to analyse the risks posed by using Chinese hardware and software in January.

17 Average rents in Prague rose by 3% last year to CZK340/m², a slower pace than in the previous year. The steepest average rise was in Prague 7 (11.4%) followed by Prague 1 (by 8.5%) and Prague 3 (by 8.1%). The highest average rents were in the city centre, at CZK433/m² in Prague 1 and CZK389/m² in Prague 2. The lowest were in Prague 9 (CZK299/ m²) and Prague 10 (CZK303/ m²). The number of available rental units in Prague fell by 15% y-o-y to 6,324 last year.

PM Babiš pledged to abolish the "super gross" tax wage as part of a wider tax reform effort that would reduce taxes on employees. Mr. Babiš said he also wants to revise social benefits policies to be more pro-family. He equated a decline in Czech birth rates with a high tax burden. He was re-elected chairman of the ANO party.

Most Czechs living in big cities are exposed to levels of harmful noise levels, according to a noise map published by the MH. People exposed to above 40 decibels of noise at night are prone to suffer sleep disorders and insomnia. Those exposed to above 55 decibels during the day, the equivalent to the noise of a busy street, are at greater risk of having high blood pressure. According to the map, 90% of Czechs sleep in an environment where the average level exceeds 40 decibels and 10% where the level is even higher than 60 decibels.

Total assets of the CR amounted to CZK5.2tn at the end of 2017, up 1.3% y-o-y, according to the MF. As an accounting entity, the CR posted a profit of about CZK181bn last year, up 43% in annual terms.

18 PM Babiš outlined his government's innovation strategy for coming decade. He said the main goal was for the country to move towards final products and creating greater added value, which would benefit employees, companies and the state. He said his ambition was to see the CR in the first European league of innovative countries. The opposition has criticized the PM for failing to support this trend in the past. In 2018 the CR dropped out of the list of 25 most innovative countries.

20 The average monthly salary in the Czech automotive industry rose by 8.7% last year to CZK40,865, or 31% above the national average. The number of employees in the sector increased by 3.8% to 133,000. Production of passenger cars in the CR increased by 1.7% last year to a record of 1.437mn cars. It has grown for 5 years in a row.

Farmers have applied for a total of CZK2.25bn in compensation for last year's severe drought. The state has thus far earmarked CZK2bn for this purpose. The government announced in February a new water management plan aimed at preventing drought from becoming a recurring long-term problem. ME Minister Brabec noted that municipalities needed external drinking water supplies in February, an unheard of situation signalling the days of "water prosperity" are over.

- Feb 20** The average mortgage rate in the CR rose to 3.0% in January from 2.9% the previous month. The average rate has been climbing since reaching a record low of 1.8% in December 2016. In January 2018 it stood at 2.3%. The number of new housing loan contracts signed in January was the lowest in 5 years.
- Foreign film crews spent more than 1,000 days shooting at Czech locations and studios last year, spending CZK5bn. Series accounted for about ⅓ of overall foreign productions. The CR in 2016 tweaked its incentives scheme to attract more foreign producers. It now offers a 20% rebate on qualifying Czech spend and up to a 10% rebate on qualifying international spend. Year 2018 was one of the strongest years in terms of the number of foreign projects filmed here and amount spent. In total, 40 foreign TV series and films were shot.
- The CR will require all beef imported from Poland to undergo special inspections following the discovery of some 700kg of meat containing traces of the Salmonella bacteria. Authorities are now working to determine whether any infected meat has been sold to consumers”.
- 21** The White House has officially confirmed the visit of Czech PM Babiš to Washington. President Trump will receive Mr. Babiš in the White House on March 7. The invitation came on the first day of a visit to Washington by MFA Minister Petříček, who is due to discuss bilateral and global issues with the US secretaries of state and defence, and President Trump’s national security advisor. Cybersecurity issues – not least concerning those the Trump Administration says are presented by using products of Huawei and allowing implementing 5G infrastructure – are high on the Czech agenda.
- Around ⅓ of the CR has very low or extremely low levels of underground waters, ME Minister Brabec said. The situation is particularly bad in central Moravia and Polabí in Central Bohemia. In many places, water towers have to be filled from water tanks. Mr. Brabec said this year’s abundance of snow had no effect on the current drought which has been affecting the CR for 5 consecutive years.
- 22** According to the CVVM, the ANO would win a general election with some 30%, while the ODS would catch up with the 2nd Pirates. The ČSSD has weakened since January and would only narrowly beat the KSČM with 10%. The KDU-ČSL, SPD and STAN would get around 5% each, which is the parliamentary threshold. The CVVM poll shows that ANO would gain 30.5% of the vote in February, which is 0.5pps less than in January. The opposition Pirates and the ODS would get 14.5% each, while the position of the ODS has strengthened by 1.5%. On the contrary, the ČSSD has lost and would get 11% like in the last polls of 2018.
- The OPC has fined the food chains Billa and Penny Market CZK164mn for abusing their dominant position on the market. Both chains reportedly requested a special fee from their suppliers for buying their products, which is banned by the law. The decision is legally binding and both food chains have accepted it.
- If US President Trump were to impose tariffs on European car makers, the Czech economy would suffer a loss of approximately CZK26bn and an estimated 25,000 people would lose their jobs, which is 0,5% of all employees. According to an assessment by the CzechTrade and MIT, tariffs could hit exports to the US to the tune of CZK20bn.
- The SVA has traced all of the deliveries of Polish beef which were part of a shipment infected with the Salmonella virus. The CR has introduced strict controls on all beef imports from Poland. Although Poland protested against the move, the EC said it was up to the Czech authorities to take reasonable measures aimed at protecting consumers.
- MH Minister Vojtěch has said he wants to order a blanket vaccination of doctors and nurses in high-risk departments, such as ER, against measles in view of the growing number of infected patients in Prague. In January and February alone doctors have registered 51 cases, as compared to 103 cases in all of 2018. The spread of measles is attributed to the fact that more parents are refusing to get their children vaccinated for fear of side effects. Doctors say this poses a serious problem for the whole society.
- 25** The NCISA’s head Navrátil may be replaced due to political pressure. He has been under fire since the NCISA issued a binding warning against ministries using Huawei’s products. Company threatened to sue after the NCISA did not rescind the warning. PM Babiš has criticised Mr. Navrátil for allegedly initially failing to explain his warning to the technology company. Huawei has also been publicly backed by President Zeman, who has long promoted close business cooperation with China.
- About 200,000 foreigners work in the Czech capital and constitute ⅓ of the workforce. Foreign workers in Prague are mainly filling jobs requiring unskilled labour it said. ⅓ are citizens of non-EU countries. At the end of June 2018, according to the study, most were citizens of Ukraine (49,306), Russia (23,338), Vietnam (12,765), US (6,556) and China (4,967).
- Prague has agreed to introduce free public transport, including trains, during smog alerts. The cost to the budget would be approximately CZK5mn/day. In recent years, Prague has considered implement a range of regulations to be enforced during periods when the city is hit by particularly bad air pollution, such as requiring factories to temporarily reduce output during periods of high smog barring trucks from entering the city.

- Feb 25** Overall confidence in the economy slightly increased in February after declining 3 consecutive months. Confidence rose by 0.2 points to 98.2 points last month. In annual terms, overall confidence in the economy is lower than in February 2018, and the confidence of both businesses and consumers has declined.
- Days after announcing they had traced all deliveries of Polish beef infected with the Salmonella virus, the SVA now say another metric ton of suspect beef from the same source was imported into the CR. Polish authorities informed about another shipment of potentially infected meat under the terms of a rapid alert system.
- Czech companies doing business with British firm have already been impacted by the UK's impending exit from the EU. A poll found 28% of Czech firms have noted a decrease in orders or revenue, which they blame on Brexit. About 40% said they had felt an indirect influence, for example, in the form of additional administrative costs or modifications to existing terms and conditions. However, only a ¼ of Czech firms surveyed said they worry that their British business partners will be unable to pay outstanding invoices.
- 26** Prague was the 7th richest region in the EU in 2017 in terms of per capita GDP, according to the Eurostat. Prague occupied the same position in the rankings a year previously. GDP per person in Prague 2 years ago stood at 187% of the average of the EU. UK capital London topped the rankings, achieving 626% of the EU average.
- In March and April the CR will hold talks with mobile telephony operators from the US, Italy, France, the UK and South Korea about the planned introduction of a 4th operator onto the Czech market, PM Babiš said. An auction of frequencies should take place by the end of December, with the winner expected to receive them from the state in January or February 2020.
- 27** The GSA which runs the EU's satellite navigation programmes will undergo an expansion at its headquarters in Prague, the EU authorities agreed. This will include hiring dozens of new staff and is likely to be a further boost to the Czech space industry. The exact amount for the GSA's increased budget, is yet to be agreed upon. Currently EU member states are responsible for a ⅓ of the world's satellite production and their combined space industry currently employs nearly 0.25mn people.
- The Senate has passed a bill proposed by the government that seeks to protect the rights of British citizens in the country in case of a no-deal Brexit. The legislation seeks to create an 'intermediate period' lasting until the end of 2020 during which British nationals will retain the same rights as EU citizens. According to the statistics of the MI there are currently around 8,000 British citizens living in the CR, 5,000 of whom are employed.
- NCISA has been building a web of specialised 'cyber attaches' together with the MFA in 3 strategic foreign missions. These specialists have so far been posted in Brussels, Washington and Tel-Aviv. Their activities include consultation and information sharing with members of foreign intelligence services.
- The growth of the Czech economy provides the opportunity to deepen structural reforms, the EC advised in its annual analysis of economic and social affairs in the CR. According to the EC'S study data, the relatively low rate of social inequality and growing quality of life is masking a growing regional divide in the CR. Based on its findings, the EC advises focus should be put on investments in education and local innovations, while growth potential in the more backward regions of the CR should be boosted by digital and transport infrastructure.
- Industrial regions, which feature large communities of foreign workers will be regularly policed by joint patrols made up of policemen from the CR, Slovakia and Poland, MI Minister Hamáček said. According to Mr. Hamáček tens of Slovak and Polish policemen will undertake work visits in cities such as Mladá Boleslav and Plzeň. Such cooperation has shown itself useful in the past, the MI Minister said and he is now discussing details of implementing such project again with his Polish and Slovak counterparts.
- 28** The amount of property investment in the CR went down by €2.62bn in 2018, a cut back of 30% compared to the previous year, a study by Colliers says. Transactions also decreased by 27%, as a consequence of the low amount of quality property investments currently on offer. This year's investment rate is expected to remain largely the same as in 2018.
- Earnings from the tourism sector amounted to 2.9% of the total GDP in 2017, the CSO reported. Total earnings from tourism rose by 7.4% in the past year to CZK292bn, which is the highest figure since calculations for the sector started in 2003. Nearly 35mn foreign tourists visited the CR last year, accounting for 56% of the overall turnover.
- 2** The differences between salaries in the CR are the smallest in Europe, according to the Eurostat and the annual report of the EC assessing the CR's economic and social affairs. According to the report, the income of the richest 20 % of the population was around 3.4 times higher than the income of the poorest 20% in 2017, while the EU ratio is 5.1. The CR also has the lowest share of people at risk of poverty or social exclusion. In 2017, it stood at 12.2 %, compared to an EU average of 22%.
- 3** Exports from the CR are likely to slow down in the Q2 2018, according to the AE. Among the main factors behind the negative development is the slowdown of German economy, uncertainty regarding Brexit and the threat of US President Donald Trump to impose a 25% tax on European cars. Exports from the CR increased by 2% y-o-y in December to CZK316.1bn.

Mar 3 Doctoral students in the CR are complaining that they don't receive sufficient financial support from the state, Czech Radio reported. Although the government recently raised the monthly payment to PhD students by almost 50%, up to CZK11,000/month, many of them still have to seek extra income. According to the data released by the MEYS, the drop-out rate among PhD students is around 50%. Nearly 10,000 students started their doctoral studies in the CR in the academic year 2014-2015, but only 4,749 of them graduated in 2017-2018. PM Babiš has held talks with the US President Trump. Mr. Babiš said that he had appealed to Mr. Trump not to introduce new tariffs on trade between the EU and the US, which could harm the CR. The topics on the agenda included American tolls on European cars, security cooperation and the situation in Syria, where the CR is the only country to have an embassy. President Trump praised the CR as a creative country, which was doing well economically as well as in other respects. The White House meeting was the highlight of the Czech PM's 3 day visit to the USA, which also included a meeting with CIA officials at Langley.

President Zeman signed into law a bill which would protect the rights of the several thousand British nationals living and working in the CR in the event that the Great Britain leaves the EU with no deal. The bill will ensure that British nationals will be guaranteed the same treatment as all EU citizens up until the end of 2020. The areas covered by the bill include for example acquiring Czech citizenship, permanent residence and pension insurance.

8 The average monthly wage in the CR grew by 6.9% in Q4 2018, according to the CSO. The average wage stood at CZK33,840. In real terms, discounting inflation, the rise was 4.7%. The median wage rose by 7.1% y-o-y to CZK29,247 in the Q4. The average monthly wage for the whole of 2018 rose by 8.1% to CZK31,885. The average gross monthly salary in Prague stood at CZK41,851 in Q4 2018, up 6.5% y-o-y. Prague salaries are the highest in the CR on average. The lowest are in the Karlovy Vary region, at CZK29,703. Nationwide, the average gross monthly salary stood at CZK33,840, up 6.9% y-o-y.

The unemployment rate fell to 3.2% in February, after 2 straight months of incremental growth, according to LO. A year ago, the unemployment rate stood at 3.7%. Some 241,417 people were out of work in February, the lowest number for the month since 1997. The number of advertised vacancies increased to 333,111. Citing seasonal factors, the LO said unemployment should continue to drop slightly in the coming months, with positions opening especially in the construction, gastronomy, agriculture, forestry and tourism sectors. The lowest unemployment rate remains in Prague, where 1.9% of people were out of work. The highest is in the Moravian-Silesian region, at 4.8%.

11 MF Minister Schillerová will be holding one-on-one talks with individual cabinet ministers this week to try to agree on cost-cutting measures that would save next year's state budget CZK25bn and keep the deficit below CZK40bn. She has said the cuts are necessary in view of the slowing economy and has suggested individual ministers put forward their own suggestions as to where money could best be saved and herself has suggested making redundant 10% of public sector employees. The opposition has criticized the government for squandering money and the KSČM, whose votes are essential to keeping the minority government in office, is calling for a CZK30bn deficit next year.

12 The CR is marking the 20th anniversary of its entry into NATO on March 12th, 1999. It joined the alliance together with Poland and Hungary in NATO's first expansion eastwards after the fall of communism in Central and Eastern Europe. PM Babiš highlighted the fact that NATO membership is in the CR's vested interest since it provides a guarantee of security. He said the CR would meet its commitment to spend 2% of the CR's GDP on defence by 2024. Speakers addressing the conference cited international terrorism, Russia's expansionist ambitions and cyber warfare as the main threats facing NATO today.

13 The ChD has approved an amendment to the Aliens Act that would make it easier to expel foreigners who have been repeatedly convicted of crimes in the CR. The MI Minister Hamáček, who drafted the amendment, said it would speed up the expulsion process to at most 6 months, in part because the SAC would have at most 90 days to appeal such an order. Currently, proceedings to revoke a foreign offender's residence permit can now last over 2 years, Mr. Hamáček said, noting the case of a drug dealer that took 6 years. Regarding the employment of foreign nationals, he said the Aliens Act amendment would also allow the government to introduce extraordinary work visas for a limited period of 1 year, thereby giving the government greatly flexibility to respond to market conditions. Among other things, the draft would let the Cabinet set quotas for economic migrants or introduce compulsory integration courses for foreign workers.

The CR is officially regarded as having eradicated ASF, transmitted by wild boars, EC said. SVA said this makes the CR the 1st country in the world so far to have eradicated the disease on its territory. However, the disease continues to spread in Europe, including in neighbouring Poland, so the risk of it being reintroduced is high.

14 Czech household debt reached CZK2.32tn in the Q4 2018. Y-o-y, the debt burden increased by CZK177bn, or 8.3%. To the contrary, high-risk debt, where clients failed to pay off at least 3 instalments in a row, dropped by CZK4.5bn to CZK34.6bn. One of the main factors behind the increasing overall debt burden is attributed to rising house prices.

The LČR said that around 1mn m3 of timber were damaged by the windstorm that swept through Europe. Damaged trees represent around 8% of the annual quota of felled trees with damages estimated at CZK0.5bn.

- Mar 14** A total of 1,350 people applied for asylum in the CR last year, according to the Eurostat. Ukrainians traditionally made the most asylum requests, followed by Cubans and Georgians. The overall number of people seeking asylum in the EU dropped by 11% y-o-y to 580,000. Most of the asylum seekers came from Syria, Afghanistan and Iraq.
- 15** People across the CR are commemorating the anniversary of the occupation of Czechoslovakia by Hitler's Germany on this day 80 years ago, which was followed by the establishment of the Protectorate of Bohemia and Moravia, which many see as the darkest 6 years in modern Czech history.
- The January figures for industrial production and the construction sector show a y-o-y decline, the CSO announced. A 6.9% decrease in car manufacturing is seen as primarily responsible for the 1% decline in overall industrial production. Construction went down by 13.2% in comparison to figures in January 2018. Energy companies and pharmaceutical firms experienced an increase in production. The CSO also reported an overall 1.9% increase in the number of orders issued to Czech companies.
- 17** Český Krumlov, which draws over a 1mn tourists from around the world every year, is to impose charges on buses entering the South Bohemian town in a bid to regulate short-term visitors and raise revenues. The scheme, the first of its kind in the CR, will begin in June. The local authorities say 16,000 coaches arrive in Český Krumlov every year, with figures reaching up to 100 a day in summer. The number of buses stopping off in the small UNESCO-listed town represented an enormous strain. Groups of Asian tourists sped through the town taking photos before soon departing for other destinations. Each coach entering the tourist hotspot will have to pay CZK1,250 with advance booking or CZK1,500 without.
- 18** The CR has the highest number of vacancies in the EU, according to Eurostat. In the Q4 2018 the ratio of vacancies to the overall number of jobs in the EU rose from 2.2 to 2.3%. In the CR it rose by 0.1% to 6%, the highest figure in the EU. 2nd in line was Belgium and Germany with 3.4%, followed by Austria with 3.1%.
- The CR will scrap the strict control measures it introduced on Polish meat imports after salmonella-infected beef and poultry was found in several deliveries from Poland on condition that Poland provides guarantees regarding its own control mechanism and the safety of its meat products, MA Minister Toman said.
- 19** The parties of coalition, ANO and the ČSSD, agreed to raise old age pensions by CZK900 a month as of January 2020. They also agreed to raise the children's allowance from CZK220,000 to CZK300,000. Altogether the hikes should increase state expenditures by CZK11bn next year.
- 20** President Zeman will meet Russian President Vladimir Putin again at the end of next month. The 2 leaders are expected to hold informal talks while both are in Beijing. Mr. Zeman will be in China between April 23 and 28 on what will be his 5th visit to the country as Czech head of state. The Czech president has cultivated warm relations with Moscow and Beijing since his election 6 years ago.
- The CR is ready to agree with the UK's request to extend the Brexit deadline of March 29 at the EU Council meeting in Brussels. PM Babiš said.
- 21** The Czech population grew by almost 40,000 last year to an estimated 10,649,800 people. According to the CSO, as in recent years, most of the increase stemmed from immigration. A record 58,148 people moved to the CR from abroad in 2018 while 19,519 left the country. Ukraine and neighbouring Slovakia were the biggest source countries, followed by Romania and Bulgaria.
- Around 9.6% of Czechs were threatened by poverty last year, according to the CSO. The number has grown by 0.6% on the previous year. The poverty line is set at CZK11,963 per individual and 25,122 per family with 2 children. The CR continues to rank among the EU countries with the lowest share of people under the poverty level. The average monthly wage in the CR currently stands at CZK33,840.
- 22** The amount of cases where people have contracted measles continues to rise in the CR. The overall number of cases has now risen to 366. More than a 1/3 of the diagnoses came from Prague, with the regions of Pardubice and Hradec Králové also registering a particularly large amount of new patients. Due to the Europe wide nature of the measles outbreak and frequent travel within the continent, hygienists expect the disease to continue spreading.
- 23** The number of Czechs who are happy with the economic situation and their own living standard has reached 49%, according to the CVVM. 36% of respondents said they were neither satisfied, nor dissatisfied, while 13% described their living standard as poor. The number of people who are happy with their living standard grew from 45% to 49% as compared to 2018.
- 24** Interest in rental housing has seen a significant rise in recent months, in response to the CNB tightening mortgage rules. The interest in rental housing has driven rents higher, by an average 3% in Prague (to CZK340/m²) but as much as 11% in the most lucrative areas. The monthly rent for a medium-sized 2-room flat in Prague is now between CZK15,000 to CZK19,000, depending on its proximity to the city centre.
- 25** PM Babiš's ANO would be elected by 32% of Czechs in March, according to the CVVM. This was 1.5% more than a month ago. The ODS kept the 2nd place with 14%, followed by the Pirates, whose gain fell by 2% to 12.5%. The ČSSD saw their result rise by 1.5% to 12.5%. The 5% threshold to enter the ChD would also be certainly crossed by the KSČM with 8.5%, down from 10% in February. The KDU-ČSL, TOP 09 and the SPD are enjoying the support of just around the 5% threshold. TOP 09 would be now elected by 4% and the STAN by 3.5%.

- Mar 26** The police have concluded an investigation into a case of alleged corruption involving the PM Babiš. Mr. Babiš and members of his family are facing prosecution on suspicion of wrongfully acquiring CZK50mn in EU funds in connection with Stork's Nest, a conference centre and hotel near Prague.
- 27** The CR has ended blanket checks on beef imported from Poland. The change means that companies accepting deliveries of beef from Poland are no longer required to carry out tests for salmonella. The MA said Poland had provided guarantees that it had done all it could to prevent meat from cattle unfit for human consumption from reaching the market. Earlier this year bad Polish meat ended up in 11 other countries, including the CR. Despite the end of mandatory testing the SVA will maintain an increased level of controls on meat imports.
- 27** The CR is no longer the most attractive country in the CEE region for German investors. According to a survey by the German-Czech Chamber of Industry and Commerce, Estonia now tops the list of 15 countries. The CR, now ranked 2nd, had held that spot for 3 consecutive years. Poland placed 3rd. The main contributors to the decline in attractiveness are a lack of qualified people and weak vocational education, investors said. Growing labour costs, lack of transparency in public procurement and corruption are also worrying.
- The MA as of April will have enhanced powers to regulate timber harvesting and afforestation if necessary to minimize damage by the ongoing bark beetle calamity. President Zeman signed into law an amendment to the Forestry Act.
- 28** The CNB kept key interest rates on hold as the risks of a global economic slowdown and fallout from Brexit outweigh accelerating inflation at home. Consumer-price growth in February accelerated to its fastest pace in 16 months, with core inflation running at a record high, fuelled by a jump in salaries of over 6% in real terms. But several central bankers have urged for caution over the effects of a Eurozone slowdown, with Germany the market for about a ⅓ of Czech exports alone.
- ANO would win elections with 30.5% of the vote, according to the Median. The ODS and the Pirates figured 2nd with 14% backing. The SPD would receive 8.5% of the vote, ahead of the KSČM and ČSSD on 8%. The STAN and the KDU-ČSL currently enjoy 5% backing, needed to enter ChD, while the opposition TOP 09 would not make it to the ChD as only 4% would vote for it.
- 29** MFA Minister Petříček has said he wants to talk to the MIT Minister Nováková about an incident on March 26, where a representative of Taiwan was forced to leave a diplomatic meeting, following a request to do so by the Chinese ambassador. MFA Minister has already discussed the matter with the ChD's Chairman of the Committee on Foreign Affairs Zaorálek, who fears that the MIT's decision could set a dangerous precedent. The MFA Minister apparently reassured Mr. Zaorálek that the CR will not let China excerpt pressure and that the agreed principles for reciprocal meetings remain valid.
- The CNB has launched a special website informing currency exchange clients on their rights. Clients will be able to see the website's address on the payslips they receive once they do a transaction at a currency exchange office. The move is a consequence of a new law amendment that will start to apply from April 1st. It aims to strengthen the position of clients by allowing them to cancel the any transaction below EUR 1000 up to 3 hours after it has taken place.
- Apr 1** Conditions in the Czech manufacturing sector deteriorated further in March, when the PMI dropped for a 4th consecutive month, to 47.3 points. It is the lowest value for the indicator since 2012, Czech PMI stood at 48.6 points in February.
- 2** Mortgage lending fell by 26.9% in the first 2 months of 2019 to CZK24.5bn, according to the CNB. Market analysts attribute the drop to front-loading in the H2 2018 in anticipation of stricter lending guidelines and higher interest rates. The average mortgage rate in the CR has been steadily climbing since reaching a record low of 1.8% in December 2016. It stood at 3.0% in January.
- Czechs are saving more as they are aware of a projected continued slowdown in economic growth and concerns over the effect of Brexit. The Czech economy is growing at a slower pace than other V4 countries, in large part due to a slowdown in Germany, its chief export market. Last year, Czech GDP slowed to 2.9% from 4.5% in 2017, according to the CSO. Nevertheless, Czech household consumption and investment will remain the main drivers of GDP growth, economists say. In part, the higher rate of household savings stems from rising average salaries.
- 3** The Czech commercial channel TV Prima plans to launch a 24-hour free-to-air news station in conjunction with CNN International Commercial, an arm of the U. S. cable news giant. The new station, called CNN Prima News, should begin broadcasting within 12 months. One CNN journalist will be on the channel's editorial board.
- Bark beetle infestations in the CR are likely to get worse, experts from the Czech Agricultural University said. In a report, the scientists said that such infestations have been isolated in the past but would appear in synchronized form on large territories in the future. The intervention would need to be targeted at areas where it could prove effective. In some places harvesting infected trees is not economically efficient. 7 of the CR's 14 regions are currently suffering infestations. The problem was at its highest level in 2 centuries last year.

- Apr 4** The head of the BIS Mr. Koudelka received a top award from America's CIA last month. Prague will be hosting an international conference on cyber-security at the beginning of May. The event will be attended by representatives from the EU and NATO but also by experts from Australia and Japan. A debate about security of information and communication technologies was triggered in the CR by a warning by the NCISA in connection with Huawei products at the end of last year.
- The Ryanair has launched operation on 16 new lines from Prague in its summer flight schedule. The latest announced lines include for instance Zadar, Copenhagen, Stockholm and Marrakesh.
- 5** The MF has proposed levying a higher consumer tax on tobacco, spirits and gambling. The tax on cigarettes and tobacco should go up by 10%, that on spirits by 13%. Certain forms of gambling should also see a tax increase from 23% to 25% or even 30%. The proposed hikes would increase state revenues by approximately CZK10bn a year. If approved the amendment to the law would come into effect as of January 2020.
- PM Babiš would not comment on Prague's position on the British request for a further Brexit delay, saying that he would wait to see developments at the EU summit next Wednesday. The PM said that for the CR, the most advantageous scenario would be if a new referendum were called in Britain and resulted in the country remaining in the EU. The PM previously said that the CR would support a solution enabling Britain to leave with a deal since this was in the interest of all parties involved.
- 7** Water reserves in the ground have not been fully replenished over winter. Despite above-average precipitation in December and January, most of the CR's rivers are down to 50% of normal levels and the CR is most likely facing another drought. Last year was the hottest year on the territory of today's CR since 1961. The average temperature was 9.6°C, which is 1.7°C higher than the long-term average. Damages caused by the drought amounted to around CZK11bn.
- Prices of older Czech apartments grew by an average 10.9 y-o-y in February, to around CZK39,000/m². The most expensive properties are in Prague, where the average price for an old flat stood at CZK92,000/ m². This is 5-times more than, for example, in the North Bohemian city of Ústí nad Labem.
- 8** MT Minister Ťok has confirmed that he will be leaving the cabinet in the coming weeks. There has been speculation in the media that aside from Transport Minister Dan Ťok, the reshuffle will also affect MIT Minister Nováková that has recently come under fire over an incident when a representative of Taiwan was forced to leave a diplomatic meeting at the MIT at the request of the Chinese ambassador.
- The unemployment rate in the CR dropped to 3% in March 2019 from 3.2% in the previous month. It is the lowest jobless rate since last November, with the number of unemployed persons decreasing by 14,000 from the previous month to 227,000. The drop is attributed to the renewal of seasonal work and meets market expectations.
- 9** The CMKOS calls for an increase of minimum wage to CZK15,000 from CZK13,350 with effect from January 1, 2020. This would mean an increase in the ratio between average and minimum wages to 41.2%, according to CMKOS, the target is 45%. The CI believes that the increase in minimum wage should be up to 5%. The reason is not only a slowdown in the economy, but also a rise in corporate costs due to the cancellation of the waiting period.
- Unemployment has decreased again due to seasonal work in the construction sector and agriculture. According to economists, the labour market remained very tight and that it would continue generating increased wages in 2019 as well. The decrease in the number of the unemployed was slowing down. This was due to companies' tendency to limit lay-offs at the end of seasonal work out of concerns about labour availability at its resumption and a weaker performance of the Czech economy.
- Czech breweries produced a record 21.3mn hl of beer last year, an increase of 4.7% on 2017. The main driver of that increase was a jump in exports, though domestic consumption was also up on the previous year. In 2018 the average Czech drank 141l of beer, which was 6l more than in the previous 12-month period.
- 10** About a ⅓ of medical students, especially men, hope to leave the CR for work after finishing their studies. A ⅓ of those who would like to work abroad say they would go for a decade or more. Higher pay is the main motivating factor. The last such survey, taken in 2017, showed 1 in 4 medical students were looking to leave the CR after graduation.
- MIT Minister Nováková will step down, PM Babiš announced. Rumours of a cabinet shuffle that would see the pair replaced by mid-May had been circulating for weeks. Ťok is being blamed for the state of the CR's permanently congested D1 highway. Nováková is under fire over an incident when a representative of Taiwan was forced to leave a diplomatic meeting at the request of China's ambassador.
- 11** President Zeman has signed into law new privacy protection rules following up the EU's GDPR and a series of some 40 related amendments. The ChD passed the rules again in mid-March, accepting the Senate's objections to sanctions that regions and municipalities would face for violations. These were deleted from the final version. MPs originally wanted to lower the maximum fine for small municipalities to CZK15,000. In general, the OPDP can impose a fine of up to CZK10mn for violating privacy protection rules.

- Apr 11** The number of visitors to Czech ski resorts increased by 3% this year compared to the last winter season. The revenues of Czech ski centres rose by around 5%. This year's winter season was 4 days shorter than the last one, lasting on average 109 days. The last 3 winter seasons were among of the most successful in recent history. Ahead of the next winter season, operators plan to invest up to CZK800mn.
- 12** PM Babiš has criticized what he describes as the current splintered state of Czech export promotion. Mr. Babiš said that state agencies such as CzechTrade and CzechInvest should merge in order to create a more effective umbrella group that would support export efforts.
- 14** According to the CTK, the CR will play a major role in the transport of Russian natural gas via the Nord Stream 2 pipeline. The great majority of the gas it will carry from the Baltic Sea in Russia to Germany will pass through Czech territory, it said. A MIT Deputy Minister Neděla said that the €3bn project would have a positive impact on the Czech gas industry. There is some political opposition to Nord 2, which is seen as boosting Russia's influence, with CoE's President Tusk describing it as a mistake that will not best serve European interests.
- According to the Kantar, ANO would have come 1st in elections at the turn of February and March with 33% support. The Pirates would have come 2nd on 19%, the ODS 3rd on 13.5%. The ČSSD would have 6.5%, and the KSČM 6.0%. SPD would have 5.5%, while KDU-ČSL 5%. Neither TOP09 nor the STAN would make the 5% threshold.
- 15** The CR is becoming less competitive in livestock production and increasingly dependent on imports of livestock and meat and dairy products from abroad despite the growing amount of state support channelled into this sphere, the SAO said. According to the report, Czech livestock producers received close to CZK21bn in state funds from 2015 to 2017, CZK10bn of which came from EU funds. Subsidies to this sphere have been steadily rising since 2012. Despite this the number of pig breeders and chicken farms has dropped and the CR has become more dependent on pork, beef and poultry imports.
- In 2018 the CR had the 13th fastest-growing economy in the EU, according to the head of the CSO, Marek Rojíček. With a growth of 2.9%, the Czech economy surpassed that of some of the founding EU members such as Germany and was significantly above the EU average. In 2018 Czech economic growth dropped to 2.9% from 4.5 the previous year. The economy was driven by investments and consumer spending but hampered by lower foreign demand. The fastest-growing economies were those of Ireland, Malta and Poland.
- Czech companies have started leaving tax havens such as Malta and Lichtenstein, according to Bisnode. In the Q1 2019 the number of Czech firms based in tax havens dropped by 259, which is a bigger drop than in the preceding 3 years put together. The number of Czech firms operating from tax havens is now just over 12,500. According to Bisnode analysts it is too early to say whether this is a trend or a one-off occurrence.
- 16** The ME Minister Brabec said the use of coal will gradually be phased out. He said the path to the future was a combination of nuclear power and renewable resources. Mr. Brabec said that while there could be some debate over what% of power would be generated from renewable resources by 2030, there was no doubting that the composition of our energy supply was changing and would change further. The MIT deputy minister Neděla said that a combination of nuclear and renewable was the only way the CR could meet EU targets for reducing CO2 emissions.
- 17** Police investigators have proposed pressing charges of EU subsidy fraud and damaging the interests of the EU against PM Babiš and several family members including his wife. The police investigation into the so-called Stork's Nest affair, in which the PM is suspected of having illegally tapped into a CZK50mn EU subsidy 10 years ago, has been concluded and the files have been handed over to the chief state attorney who will decide on whether to file charges. If the PM is stripped of his immunity, tried and found guilty he could face a jail sentence of between 5 and 10 years. The PM has consistently denied the allegations and said that the timing of the police proposal for charges to be filed showed that the whole affair was politically motivated. He said there was no reason to hold an emergency meeting of the ruling coalition over the development. Deputy PM and ČSSD's head Hamáček said his party would wait for the decision of the State Attorney's Office before reaching any conclusions.
- The average mortgage rate in the CR fell from 2.99% in February to 2.90% in March. It was the biggest 1-month decline seen in 4 years and led to a considerably higher number of new mortgage contracts being signed than in the previous months. Interest rates hit a lot of 1.77% in the CR in December 2016. Since that time they have been on a generally upward trend.
- 17** The PM has called on regional and local administrations to do more for effective water management and not wait for instructions from the government. PM Babiš said that the government approved measures against drought were complex and long-term, but that local administrations and individuals must take co-responsibility in fighting water-shortage, which had become an increasingly pressing problem in recent years.
- 18** The CR has slid further down the press freedom index. On a list on 180 countries, the CR now ranks 40th on the ladder, down from 34th the previous year. In 2014 the CR ranked 12th in the world. The US has also seen a marked slide and now ranks 48th, while press freedom is thriving in Norway, Finland, Sweden and The Netherlands.

Apr 18 PM Babiš has refused to make public the so-called national investment plan encompassing 17,000 projects worth CZK3.5bn, despite his previous promise to do so. Mr. Babiš said the plan was an internal material and was not intended for publication. The 11-year national investment plan summarizing the CR's infrastructure improvement needs was presented by the ANO party leader last November.

MJ Minister Kněžínek has announced his decision to step down amid growing speculation that he would also be part of a pending government reshuffle. Mr. Kněžínek said he had considered resigning for some time. Mr. Kněžínek will be replaced in the post by Mrs. Benešová.

The CR's current oil reserves would only last for 83 days of net import, which is 3 days less than last year. The CR has not been fulfilling the European Directive on oil and crude reserves for 3 years now.

23 MPs have overruled a Senate veto on taxing financial compensation awarded to churches in lieu of property that could not be returned in restitution. The Senate had argued the proposal was both unconstitutional and unjust – in effect, 16 Czech churches and a Jewish federation will be taxed on money paid in compensation for properties seized by the former regime. The KSČM have conditioned their tolerance of the ANO–ČSSD minority government in part on the controversial proposal passing.

The planned merger of state agencies CzechInvest and CzechTrade is nearly complete, MIT Minister Nováková said. The process should be finalised when the agencies move to a new joint location, she said. Nováková said the CzechInvest/CzechTrade merger had already saved some CZK70mn. Currently, there are about 50 CzechTrade offices, ½ of which are located in embassies abroad. The MFA has proposed a reorganisation giving it control over CzechTrade, CzechInvest, the Czech Development Agency, Czech Centers and CzechTourism.

24 Labour inspectors last year uncovered almost 4,600 people working illegally in the CR. This was considerably higher than the figure for 2017. Employers were fined a total of over CZK151mn for hiring undocumented workers last year. Some 80% of those caught working illegally in 2018 were from outside the EU. Of those from inside the EU, the majority were Czech citizens, with the others mainly coming from Slovakia, Romania and Bulgaria.

Car production in the CR fell by 3.8% y-o-y to 363,052 vehicles in the Q1 2019, the AIA said. The drop was led by Škoda Auto, whose production fell by 3% in annual terms. The Škoda said earlier that its sales in January-March fell mainly due to lower demand on the Chinese market. TPCA increased production by almost 5% to 58,772 units, while Hyundai's production fell by 12% to 73,000 cars.

Overall confidence in the Czech economy rose slightly in April to 97.1 points from 97 points the previous month, the lowest rating in 2 years, the CSO said. Entrepreneur confidence increased month to month by 0.3 points to 95.8 points while consumer confidence dropped by 0.8 points to 103.8 points. All 3 indicators are lower than they were a year ago. The April survey taken among consumers indicates consumers are more afraid of a drop in the overall economic situation and rising prices than about their own financial standing worsening.

25 President Zeman who is on an official visit to China aimed at further boosting trade and investment between the 2 countries attended the signing of a memorandum on investments between the CR and the Bank of China and the company CITIC. The agreement envisages investments into the Czech economy to the tune of CZK1bn over the next 2 years. Bank of China representatives also signed an agreement with the CCC regarding loans for Czech businesses to the tune of CZK2bn.

An international expert conference on the security of 5G networks due to be held in May 2-3 is not aimed against any given country or company, MFA Minister Petříček said. He said the aim of the meeting was to reach consensual, non-binding recommendations on how to proceed safely with the introduction of 5G networks. The recommendations should also contribute to discussions within the EU and NATO on a common approach to cyber threats. The conference will be attended by EU, NATO and OECD representatives.

A number of EU member states including the CR have suspended imports of Russian crude oil via the Druzhba pipeline, citing contamination, the Reuters news agency reported on Thursday. Reuters said Poland and Germany had stopped accepting deliveries and the CR had also halted purchases, although the Belarusian pipeline company said customers along the southern leg were still receiving oil. The quality problem arose last week when an unknown Russian producer contaminated the oil with high levels of organic chloride. The Russian energy ministry said Transneft was trying to fix the problem as soon as possible, giving no timeframe.

28 The road maintenance authorities continue in load testing potentially risky bridges on the CR's highways and 1st class roads, after a bridge in Dubí, north Bohemia was found to be a public hazard and was torn down. Currently agreements have been signed on testing 126 bridges with the results due to be made public in November. Many of the CR's bridges are undergoing minor or significant reconstruction.

The living standard of Czechs has grown significantly since the CR joined the EU 15 years ago, the Eurostat indicates. When the CR entered the EU in 2004, the living standard of Czechs was at 69% of the EU average, in 2017 it reached 83%, according to Eurostat. The data also show that consumer prices in the CR are closer to the EU average than wages. Malta, Estonia and Lithuania are reported to have made similar progress.

Apr 29 The majority of Czechs wish to remain in the EU and are satisfied with the CR's membership of the bloc, according to Behavio, STEM and Europeum. 56% of respondents said they were content with Czech membership; a similar study some years ago found that only around 1/3 were satisfied, while in 2018 the figure stood at 45%. Some 11% of the population would like the CR to quit the EU immediately, the poll indicates. Another 27% of those questioned said they would be in favour of leaving if the EU doesn't undergo reform.

30 President Zeman appointed 3 new ministers. Karel Havlíček became MIT Minister, Vladimír Kremlík took the MT and Marie Benešová took over at the MJ. All 3 are the nominees of ANO. Mr. Havlíček also became a deputy PM, as did the MF Minister Schillerová.

A group of senators from the Liberal Democratic Caucus – Senator 21 have completed a constitutional complaint against President Zeman for alleged gross violations of the Constitution. "The aim of the complaint is not to remove the current president from his post but to determine the boundaries of the execution of his mandate," they said. To lodge a complaint to the Constitutional Court, its initiators would need to secure the backing of at least another 21 Senators and 120 deputies of the ChD.

The growth in apartment prices in the CR is expected to come to a halt this year, according to the Association of Real Estate Market Development. Last year, prices of apartments across the CR increased on average from 6 to 10%. The highest growth rate was recorded in Prague. In the Q1 2019, the price of new flats increased by nearly a 1/2 y-o-y to CZK104,666/m². Since the mid-2015, prices of Prague apartments grew by nearly 90%.

The Czech government wants to impose a 7% tax on large digital companies, such as Facebook and Google. Under the plan, agreed by the Cabinet, the multinational companies would have to pay taxes in the place they make earnings. The cabinet is hoping the move could lead to increased revenues of around CZK5bn/year. The MF is due to draft a digital tax bill by the end of May.

May 1 Czech politicians have been highlighting the importance of Czech membership in the EU, as Czechs mark 15 years in the alliance. Deputy PM and ČSSD leader Hamáček said the EU had given the CR economic and political stability as well as security.

EU funds helped build or modernize 975km of railroads and 495km of roads in the past 15 years, according to data released by the MT. Subsidies from EU funds channelled into road and rail development reached €12.2bn. The majority of these projects were part of the trans-European network (TEN-T).

2 Mobile operators will be given time until 2024 to launch their 5G networks after a frequency auction takes place, PM Babiš said at an international conference in Prague, which is dedicated to exploring the security, technical and economic aspects of switching to 5G. Mr. Babiš said he expects the switch to the advanced wireless system to be even more revolutionary than the onset of mobile phones, stimulating economic growth, innovation and overall prosperity. However, he also stressed the extraordinary importance of ensuring the new network system's security. ECer for Security King urged the importance of EU member states approaching 5G network security in a co-operative way, establishing a set of security standards.

The Unipetrol oil refinery has been receiving oil from the CR's reserves since May 1, AMSR said. More than 100,000t of oil are set to be released from the reserves for this purpose. The activation of the national oil reserves came after the crude oil delivered via the Druzhba pipeline was contaminated with high levels of organic chloride and supplies via this route were halted.

3 The CNB has lowered its forecast for the development of public finances in 2019 and 2020. The CNB now expects a surplus of 0.3% of GDP in 2019, as opposed to February's more optimistic estimate of 1.2%. The new expectations for 2020 have gone down even more sharply from February's 1.3% to the current forecast of 0.2%. This year, public debt is expected to sink from 32.7% of GDP to 30.9%. Next year, a further decrease to 29.3% forecast. In a prognosis the CNB also lowered the CR's economic growth projection to 2.5% in 2019 and 2.8% in 2020. A further decrease in the Czech crown's exchange rate is also expected.

Russia is the most active country in trying to influence elections and democratic processes on the international scene, BIS said at a Prague seminar on European elections and hybrid warfare, according to which the Kremlin used both governmental and non-governmental resources for this end, using means such as sending emails to selected groups of people, opening social media accounts under fake identities and the hacking and subsequent publishing of illegally gained information with the intent of harming a specific group or candidate. It is Russia's aim to undermine European integrity, weaken democratic institutions in EU member states and the trust of the public in these institutions.

5 Nearly 1/3 of Czech employees can feel the negative impacts of the ongoing labour shortage, according to the LOCR. Increased workload and more frequent overtimes are among the most common downsides of low unemployment. As a result, over 40% of Czech employees are considering changing jobs. The unemployment rate in the CR dropped in March to 3%, which is the lowest jobless rate since last November, with the number of unemployed people decreasing to 227,000.

May 5 ANO would win the election to the ChD with 30% if it were held in April, according to the Kantar. The Pirates would be the runner-ups with 16%, followed by the ODS with 13.5%. The ChD would be entered by 8 parties, while the opposition TOP09 would stay outside it with only 4%. The gains of both ANO and the Pirates diminished by 3%. The SPD would be the fourth with 8.5% or 3% more than in March. The ČSSD scored the same result, 6.5% as in March, while the KSČM would be elected by 6% of Czechs. The STAN returned above the 5% threshold with 6%.

6 The volume of foreign capital in Czech companies is at its lowest level since 2011, according Bisnode. The volume of foreign capital stood at CZK895bn in April, down 15% in annual terms. Foreign entities currently hold almost 36% of the total share capital of Czech companies.

Shares of Czech banks were down after PM Babiš unveiled a plan to ask banks to pay 10 to 20% of their dividends into a new state development fund. Mr. Babiš said that his Cabinet is seeking new revenue streams against a backdrop of slowing economic growth. He would not say whether the payments should be voluntary or mandatory. He rejected the idea of a new bank tax proposed by ČSSD, after having earlier said it was an option. The ČSSD would see the tax progress from 0.05% to 0.3%, raising some CZK14bn.

The salaries of doctors and nurses in Czech hospitals are now equal to the EU average, the MH said. Over the past 5 years, doctors' salaries rose by 32% on average while nurses' salaries rose by 41%. In 2018, doctors in hospitals earned the equivalent of 243% of the average Czech salary and nurses 121%. This year their average salaries will reach CZK84,000 and CZK43,000, respectively.

7 The CR is planning to spend billions in the coming decades on fighting drought. Speaking after a meeting of the National Coalition to Combat Drought, PM Babiš said CZK24bn would be invested into connecting different water supply systems. The state will also spend CZK6bn on renewing mains pipelines. The ME Minister Brabec said further money could be drawn from EU funds and that a total of around CZK50bn would be invested. Mr. Babiš said the prognosis was not good and this year could be the 6th in succession in which the CR experiences drought. He said solving water shortages was the most pressing challenge facing his government.

Last year the MI granted asylum to one in 10 applicants. The chance of asylum being granted in the CR is 3 times lower than the EU average. The total number of people who received asylum or additional protection from the Czech authorities in 2018 was 155, equivalent to 15 per mn inhabitants. The MI said the Czech authorities received fewer applications from citizens of Syria, Afghanistan and Iraq – who are considered most in danger – than states such as Germany and Greece. The CR has a higher% of asylum seekers from countries like Ukraine, Georgia, Cuba and Armenia.

8 The EC has revised its outlook for the growth of the Czech economy this year downwards. It said that GDP was likely to expand by 2.6% in 2019, down from the 2.9% it forecast in February. The EC said it expected growth next year to reach 2.4%. Earlier this year it predicted a figure of 2.7% for 2020. Officials also said they believed Czech unemployment would this year remain at 2.2% and would climb next year to 2.3%.

9 The PM's possible conflict of interest regarding EU subsidies to the holding Agrofert is an absolute priority for the EC in view of EU budget protection, ECer Oettinger said. The EC has conducted an extensive audit at Czech ministries regarding the subsidies for Agrofert amounting to some CZK2bn. The TI warned of Mr. Babiš's possible conflict of interest last year, saying he continued to benefit from the holding despite placing it in trust funds. Mr. Oettinger said the results of the audit are being carefully analysed. Czech authorities are set to receive the results of the audit in mid-May.

10 Unemployment in the CR dropped to 2.7% in April, down from 3% in March, according to the LO. It is the lowest unemployment rate registered since 1997. According to the statistics 210,000 people are currently out of work. Technically-skilled manual workers are the most sought after. The record low figure is ascribed to the healthy state of the Czech economy and the beginning of seasonal work.

27% of Czechs plan to vote in the European elections later this month, according to the STEM. The actual number of voters tends to lower than that declared in polls. Of those who have said they will go to the polls, the majority are people with a university education and the inhabitants of big cities. Also more men plan to cast their vote than women. The last European elections, in 2014, had an 18% turnout.

13 Y-o-y consumer price growth slowed down to 2.8% in April, down from 3.0% in March, according to the CSO. The prices of rents, some food stuffs and petrol went up, while the price of alcohol, tobacco, sugar and eggs decreased. Analysts predicted that after inflation reached its peak in March it would stagnate and gradually decline.

The construction of a high speed rail network in the CR should begin in 2025, the newly-appointed MT Minister Kremlík said. The CR should adhere to French norms for speed trains for which it will pay SNCF Mobilités around CZK11mn. The fastest Czech train Pendolino travels at a maximum speed of 150km/h on conventional tracks.

May 14 The CR is lacking around 100,000 blood donors. While existing donors are getting older, fewer new ones are coming forward every year, the news site said. Experts say commercial blood donation has also been contributing to the problem. Transfusion centres say that the biggest shortage of blood occurs in the summer months, when the number of accidents increases at the same time as many donors are away.

15 Czech y-o-y economic growth reached 2.5% in the Q1 2019, losing 0.1% compared to economic growth registered in the previous quarter. Growth was mainly supported by foreign demand and domestic consumers. The driving sector was mainly the manufacturing industry, with construction and services also performing well. Despite the slowdown, analysts said they were impressed by the performance of the Czech economy, but they expect overall growth in 2019 to sink to 2.5% as opposed to 2.9% achieved in 2018.

Hearings in the infringement cases against the CR, Poland and Hungary started to take place at the ECJ. The EC is asking the court to confirm that the 3 countries failed to meet requirements regarding the temporary programme of dividing asylum applicants located in Italy and Greece according to assigned union quota following the 2015 migrant crisis.

17 The Cabinet expects economic growth to be driven mainly by rising household demand in 2020. According to the draft Convergence Programme submitted to the EC, GDP should grow 2.4% next year, down from nearly 3% growth in 2018. According to projections released earlier in May by the CNB, however, the economy should grow by 2.5% in 2019 and 2.8% in 2020. Analysts warn the risks are skewed in the direction of weaker growth, mainly due to slowing industrial production and external demand.

The Pirates plan to sue the EC for failing to decide on complaints over the alleged conflict of interests of PM Babiš regarding EU subsidies to the holding Agrofert.

19 Approximately 190,000 Czech pensioners are living under the poverty line, with pensions under 10,000 crowns a month, according to the ČSSZ. 60,000 thousand pensioners are having to make do with pensions under CZK8,000/ month. The poverty line last year was CZK11,963/month for individuals living alone. This year it is expected to be higher. The average old age pension last year was CZK13,377/month.

20 The MF proposal for next year's budget, which is to be debated by the government next week, sets next year's deficit at CZK40bn, PM Babiš announced. The draft budget forecasts state expenditures of CZK1.59tn and revenues at CZK1.55tn. The budget plan also envisages a hike in public sector wages and higher pensions. The first draft budget proposal is to be presented to the ChD on May 31.

MC Minister Staněk handed in his official resignation to PM Babiš on Monday. Staněk had announced that he intended to step down at the end of May, following his decision to dismiss the directors of the Prague National Gallery and Olomouc Art Museum. More than 7,000 people signed a petition calling for his ouster.

21 The Prague City Council decided to launch a geological survey for Metro line D, which should connect the city centre with the southern outskirts of the city. It is the first step in the construction of the city's long-planned fourth metro line. The first phase of the project will involve the construction of a section between the current Pankrác station on line C and a new station in the Písnice district. Subsequently, the 4th line of the Prague Metro should extend from Pankrác to the Náměstí Míru station in the city centre. Prague Mayor Hřib said that starting the geological survey for the metro line is one of the coalitions goals for the H1 2019.

Czech schools are lacking 1,800 teachers but that figure could rise to as many as 6,000 in September, according to the MEYS. Around 9% of classes are currently given by unqualified teachers or by qualified educators forced to work overtime, the report found after collating data from 99% of the CR's schools. Women continue to strongly dominate in the profession in the CR, with only around 1% of teachers being men. The average age of a teacher in this country is 47.2 years.

The latest OECD forecast predicts the Czech economy will grow 2.6% this year, down from 2.9% in 2018. The OECD expects Czech GDP growth of 2.5% next year. The main drivers for growth include household consumption, buoyed by rising average salaries, and a positive foreign trade balance. On the downside are chronic labour shortages and weaker demand for Czech exports. The OECD again called on the Czech government to invest more especially in transport infrastructure, to better link the country with important trading partners, and in education. Although Czech tertiary educated adults are highly skilled, tertiary attainment rates in the CR rank in the lowest 20% of OECD countries.

The 4th in a weekly series of protests against PM Babiš and his appointment of Marie Benešová as MJ Minister took place in Prague. Whereas previous demonstrations were focused on Old Town Square the latest took place on the larger Wenceslas Square. Organisers Moments for Democracy said around 50,000 people had taken part.

21 SVA has discovered tonnes more salmonella-contaminated chicken meat was imported from Poland over the past two months. The Polish chicken meat was first shipped to about a dozen distributors in Germany. Most likely, all of it has already been consumed, it said. Earlier this year bad Polish beef ended up in 11 countries, including the CR. In response, authorities here implemented blanket checks on imported Polish beef. The mandatory controls ended in late March, after Warsaw guaranteed no cattle meat unfit for human consumption would reach the market.

May 23 A new production factory for multiple Škoda car models, as well as other Volkswagen vehicles, will be created in either Turkey or Bulgaria. The TU have said they will demand an answer from the company leadership about whether the project will impact employment in the CR and how it will benefit the company's business plan.

Business conditions in the CR have gotten worse since the last meeting of the CCC in May 2018. CCC's president Dlouhý criticised TUs for raising their demands in areas such as increases in minimum wages. He also slammed the government for accepting those demands and said that left-wing political parties that were unsuccessful in the last parliamentary elections have too much influence on the CR's economic and social policies.

24 The countercyclical capital buffer rate for exposures located in the CR will increase to 2% as of July 1, 2020, the CNB announced. The rise was motivated by an increase in risks linked with the growth phase of the financial cycle of the Czech economy and partial strengthening of signals of vulnerability of the domestic banking sector, the CNB said. In the event of a sudden turn in the financial cycle, the bank is ready to lower the rate or even enable a full dissolution of the buffer CNB's governor Rusnok said.

Confidence in the Czech economy fell to its lowest level in almost 3 years this May, the CSO said. Compared to April, confidence dropped by 1.4 points to 95.7. The last time confidence was lower was in July 2016. Y-o-y, confidence in the economy has decreased between entrepreneurs and consumers alike. Analysts says the drop mainly stems from concerns about external developments, especially the resumption of trade wars between the US and China.

26 The ANO, as expected, won the EP's elections. ANO got 21.2% of the vote (6 seats), the ODS 14.5% (4 seats), the Pirates 13.95% (3 seats), the alliance between TOP09 and STAN 11.6% (3 seats), and the KDU-ČSL 7.2% (2 seats). The SPD got 9.1% (2 seats) and the KSČM 6.9% (1 seat). ČSSD failed to gain a mandate. According to the CSO, turnout was 28.7%, up from 18.2% 5 years ago. In the EU as a whole, turnout was above 50%, preliminary results show.

27 ČEZ reportedly plans to sell its assets in Romania and Turkey, in addition to a previously reported plans to divest from Bulgaria. ČEZ chief Beneš said that the group is also considering selling some assets in Poland. In total, the Prague-listed company hopes to get tens of billions of crowns from the sales. Shareholders in ČEZ, which is 70% owned by the state, would vote on the new strategy at the annual general meeting on June 26. Proceeds would be used to construct RES and new nuclear units as well as to modernize ČEZ's distribution network, he said.

The CR's total debt amounted to CZK2.34tn at the end of the Q1 2019, up by CZK161.5bn in annual terms, according to the CRIF database. The volume of non-performing debt fell by CZK4.1bn to CZK32.4bn. The number of people who had problems making consumer debt payments fell 17% y-o-y. The number of people who failed to pay their housing loans fell by 16%. The average amount of short-term debt "at risk" stood at almost CZK98,000 at the end of the Q1 2019. This concerns debts in which 3 consecutive monthly instalments were not paid or were declared due by the creditor.

Russian crude oil deliveries to the CR, via the Druzhba pipeline, were renewed at mid-day on May 27. The month-long fall out, which affected a number of countries, was caused due to contamination of the oil with high levels of organic chloride. The oil refinery in Litvinov which processes Russian crude oil was forced to request 2 loans from the ASMR. The price of petrol on the market was not affected.

The tripartite meeting failed to reach agreement on wage hikes in the public sector in 2020. The MF is proposing a 2% wage hike for public sector workers next year, with teachers alone getting a 10% increase. The proposal won support from employer representatives, but was opposed by TUs who are demanding an 8% increase for civil servants, a 15% hike for teachers and a 10% increase for non-teaching school staff.

28 The government has approved a MF proposal to impose a higher consumer tax on tobacco, spirits and gambling. The tax on cigarettes and tobacco should go up by 10%, that on spirits by 13%. Certain forms of gambling should also see a tax increase from 23 to 25 or even 30%. The proposed hikes would increase state revenues by approximately CZK10bn a year. If approved by Parliament and signed by President Zeman the amendment would come into force as of January 2020.

ANO would win a general election now, gaining 30.5% of the vote, followed by the opposition ODS and Pirates with 14.5 and 12%, while the SPD sees its support rise to 10%, according to Median. The SPD got more popular than the ČSSD. The poll confirmed that 3 centre-right opposition parties may not defend their seats in the ChD - the KDU-ČSL, the STAN and especially TOP 09.

30 The ANO would win a general election with 28% of the vote, but its support has dropped by 4% since April, according to the CVVM's conducted before the May 24-25 European elections. The ODS would finish 2nd with 17%, while support for them is 3% higher compared to the previous poll. The ODS is followed by the Pirates with 13.5% and KSČM with 11%. Out of the other current parties in parliament, the ČSSD would get 9.5% of the vote, which is 3% less than in April, the SPD 5% and the KDU-ČSL and the STAN would get 4.5% each, below the 5% threshold.

May 30 The anti-smoking bill, which came into effect in the CR 2 years ago, has had a positive effect on people's health, MH Minister Vojtěch said. Since June 2017, when smoking in pubs, restaurants and other facilities was strictly banned, there were fewer people hospitalised with heart attacks or asthma. Experts say the effect of the ban on cancer can be assessed in about 10 years' time. The number of smokers in the 15 to 19 age group dropped by 15% between 2017 and 2018. There has also been a drop in the number of young people aged 15 to 24 who start smoking.

31 PM Babiš has sent an official request to President Zeman asking him to dismiss MC Minister Staněk and to appoint ČSSD nominee Šmarda in his place. President Zeman, who earlier refused to accept Minister Staněk's resignation is bound by law to comply with the request, but he said that the Constitution did not set any time limit by when he was bound to do so. Constitutional experts agree that he should do so without further delay.

Jun 1 People in the CR who have debts from their childhood should be able to clear their debts under the same preferential regime as pensioners and the infirm, under an amendment to the law on insolvency. Under the proposed legislation such individuals would be able to clear their financial liabilities within 3 years, if they meet certain conditions. In the CR over 6,500 children are facing distraint orders and tens of thousands of adults are still straddled with debts acquired in childhood. Such debts can arise from failing to pay mobile phone bills or fare-dodging.

Babiš says a EC report alleging conflict of interest on his part is only preliminary and that a final report could reach the opposite conclusion. Mr. Babiš said that once a Czech translation of the document had been produced in one month's time it would be analysed closely by the MF and MRD, which would have two months to respond. The EC would send a final version of its audit at the same time, he said. The EC's preliminary report says he has command of 2 trust funds via which he controls the Agrofert group, placing him in conflict of interest. The PM also said that he would not stand down even if the state prosecutor's office filed criminal charges against him for abusing EU subsidies in connection with a hotel and conference centre. The police have recommended that step.

2 Český Krumlov introduces tariffs for buses entering tourist hotspot Český Krumlov, which draws over a million tourists every year, has begun imposing charges on buses entering town in a bid to regulate short-term visitors. It is the first scheme of its kind in the CR, though similar measures are in use in Salzburg and other places in nearby Austria. The local authorities say up to 20,000 coaches arrive in Český Krumlov every year. The tariff per vehicle is CZK625 with advance booking and there are 2 designated bus stops in the town.

4 The average monthly wage in the CR grew by 7.4% y-o-y in the Q1 2019, according to the CSO. The average wage at the end of March stood at CZK32,466. In real terms, discounting inflation, the rise was 4.6%. The median wage, a midway between the highest and lowest levels, in the Q1 2019 rose by 7.4% to CZK27,582. Average salaries in the CR have grown uninterruptedly since 2014.

The Cabinet has started preparing a new economic strategy, which would lead the CR into the year 2030, MIT Minister Havlíček said at the annual meeting of industry and export representatives in Prague. The long-term aim of the program is to support production with a higher added value as well as implementing changes that will help the CR to become a leader in artificial intelligence and innovation. The motto of the new policy line will be The CR: A Country for the Future.

5 Another in a series of protests against PM Babiš and his appointment of Marie Benešová as MJ minister took place in Prague. The organizermn Moments for Democracy said around 120,000 people had taken part in the rally, making it the biggest public protest since the anti-communist demonstrations in 1989. As well as demanding the removal of both PM Babiš and MJ Minister Benešová who was appointed just days after the police recommended that PM Babiš stand trial in a fraud case, the protests' organisers have called on Mr. Babiš to relinquish all his media assets so as not to continue to influence the free press. Another demonstration is due to take place on 23 June on Prague's Letná plain, the venue of the largest anti-regime demonstrations of November 1989.

This May some 88 companies went bankrupt, the highest number of bankruptcies in 2.5 years, according to the CRIF. The figure is up by 35 compared to April. Last month 551 people in business for themselves also declared bankruptcy, the highest number since May 2018. Despite the relatively high number of bankruptcies in May, their number continues to decline in the long term.

6 MA Minister Toman has dismissed suggestions that he could have a conflict of interest in connection with his family's business Agrotrade. Toman said he "absolutely cannot" influence subsidies in favour of his family. The MA minister said the EC's preliminary audit report on agriculture subsidies was full of mistakes and his ministry would not publish it.

The damage by late spring frost to the Czech fruit harvest is expected to exceed CK100mn. The worst-hit areas are in northern and western Bohemia where farmers have lost much of their harvest. In Moravia farmers report damages due to severe hailstorms. The annual value of the CR's fruit harvest is at around CZK1.3bn. In recent years farmers have repeatedly suffered losses due to spring frost or summer droughts.

Jun 7 The ChD approved changes to the law on electronic cash registers. The MPs voted in favour of exempting certain social services from the duty to report their earnings electronically. Despite protests from the opposition, the ruling coalition of ANO and ČSSD also pushed through extending the EET's online reporting requirements to other professions, including doctors, artisans and tradesmen. PM Babiš introduced the EET in 2016, when he was the MF minister, to counter the grey economy and tax fraud.

8 The management of the CR's oldest and biggest national park Šumava has approved a new division of the park into 4 conservation zones, an arrangement which will remain valid for the next 15 years. The new division sets down strict rules governing logging and human activities depending on the degree of protection afforded. The 4 proposed zones are no-go zones which would be left to develop as primeval forests, a zone where human intervention would be limited to emergency access, a zone with special protection where farming and commercial forestry activities would be allowed and a zone enabling the development of local communities. 27% of the nature reserve will now fall under the no-go zone which will be left to develop as a primeval forest.

The MF and the MLSA have reached agreement on the source of CZK2bn needed for the social sphere. The ministries will each provide CZK0.5bn from their own reserves and the rest should be covered by EU funds where the CR can draw CZK1.5bn over the next 3 years. The resolution of the drawn-out dispute over where the money should come from and whether it would be made available was greeted with relief by the social services which feared they might have to let go as many as 10,000 social workers if the money was not provided. The overall budget for social services this year is close to 16bn crowns. The annual expenditures are expected to grow as the population ages.

9 PM Babiš' ANO party would still win general elections in the CR, despite a slight drop in support, according to the Kantar agency. ANO would gain 27.5% of the vote, down by 2.5% on the previous month, the Pirates would come 2nd with 17.5% of the vote, the ODS 3rd, with 12.5%. The only other parties which would cross the 5% margin needed to win seats in the ChD are the SPD, the STAN, the KSČM and the ČSSD.

10 Unemployment in the CR fell to 2.6% in May from 2.7% the previous month. Some 200,675 people were out of work in May, the lowest number recorded since the same month in 1997. Meanwhile, the number of vacant positions grew to almost 347,000, the Office of Labour said. Analysts said that unemployment was close to the lowest level it could reach, with the number set to grow slightly in the summer because of new graduates.

11 Turnover of the CR's 100 largest companies last year for the first time exceeded CZK3tn. Meanwhile, their profits grew by 12.3% y-o-y to over CZK209bn. Škoda Auto again won the annual contest for the best-rated 100 companies in the CR, which made both the highest sales and profits, followed by EPH and the ČEZ.

12 The MLSA and the GFD are just some of the government offices with serious cybersecurity issues, according to an examination conducted by the NCISA. The NCISA identified problems not just in the offices' online security, but also in the actual protection of workplace computers and networks. Systems such as social benefits, and the electronic register system, which was introduced in 2016 to counter the grey economy and tax fraud, are therefore critically vulnerable.

The CR's population grew by 3,000 in the Q1 2019, the CSO announced. The rise was the consequence of net migration, which reached 16,700 people in the measured period, the highest number in the past 10 years. In contrast, registered births were the lowest in 4 years, with the number of deaths surpassing births by 3,600. The largest numbers of migrants come from Ukraine and Slovakia. Meanwhile, 10,000 Czechs left the CR. The population increase was registered in all regions of the country, with the highest noted in the Region of Central Bohemia. The statistic did not change compared to last year when it comes to the average lifespan, which lay at 79.8 years for women and 73.1 for men.

13 Prague has the lowest level of differences between the rich and poor, according to the consulting firm A. T. Kearney, which analysed the quality of life in 130 metropolises across the world. Prague came in first in the so-called Gini coefficient, a measure of statistical dispersion intended to represent the income or wealth distribution among residents. According to last year's Eurostat data, the CR is also the state with the most equal distribution of income in the EU.

The LČR saw a CZK70mn loss in profit in 2018, down from CZK3.08bn the previous year. The reason was a significant fall in the price of timber due to the bark-beetle calamity that has hit many areas of Bohemia and Moravia, which resulted in extensive logging. Logging in infested areas was given top priority while other plans were shelved, which meant that the company mainly did business with lower quality timber. LČR owns almost ½ of the forests in the CR.

14 Czech farmers will receive CZK32bn in subsidies in the 2019-2020 period with the bulk of the money coming from EU funds. They are being drawn by 31,000 farmers and agricultural companies, including those in the Agrofert conglomerate, which is at the centre of a dispute relating to the PM's suspected conflict of interests. These direct and compensation subsidies cannot be questioned in relation to the PM's possible conflict of interests. The EC had not questioned their distribution.

- Jun 16** The state collected over CZK1tn in taxes last year, which is CZK62bn more than in the previous year. According to the state's final account, presented by the government in the ChD, some CZK727bn ended up in the state budget and CZK295bn were earmarked for regions and municipalities. Nearly CZK20bn went to the SFTI. Collection of VAT and personal income tax recorded the steepest growth in 2018.
- 17** The CR's producer price inflation slowed in May after rising the previous month, according to the CSO. The producer price index rose 3.8% y-o-y in May, slower than 4.3% increase in April. The biggest increase was in 'electricity, gas, steam and air conditioning' prices, which rose by 8.6% annually in May. Prices of 'mining and quarrying', and 'food products, beverages and tobacco' rose by 7.5% and 4.0%, respectively. Among the main industrial groupings, energy prices grew the most, rising 8.1% in annual terms.
- 18** This year, up to 1/2 of the CR's spruce tree population could be infested by bark beetles if the current crisis scenarios end up happening, ME Minister Brabec said. The spruce is the CR's most common tree, making up more than 1/2 of all woodland in the CR. According to Mr. Brabec, 500,000 hectares of forest are now at risk. The bark beetle has become a serious problem for Czech woodland in recent years, because of the increasingly hotter, dryer climate. Spruce trees are most at risk from bark beetles and the fact that they tend to be planted in large woodland monocultures makes the problem worse, experts say.
- The EC issued its evaluation of member states' climate and energy plans, calling on them to be more ambitious. Regarding the CR, the EC recommends the country raise its share of renewable energy sources to 23% as opposed to the current MIT's plan of 20.8%. Furthermore, according to the CUME, the CR has the lowest target out of all EU members. MIT Minister Havlíček said that he sees no major problem in increasing the plan's target. The final plan of each member state needs to be handed in by the end of the year.
- 19** A nightly tourist tax on accommodation facilities looks set to be extended to Airbnb type services from next year after the ChD house approved a government amendment to that effect. The matter will now be considered by the Senate. Under the legislation, the tourist tax will remain at CZK21 a night next year, while the following year it could rise to as much as CZK50. Specific rates will be set by local authorities. MF Minister Schillerová said neighbouring states had charges equivalent to CZK50 a night. MP Čížinský of the KDU-ČSL had advocated for a figure of CZK150.
- 20** The growing season in the CR will increase by up to one month over the next 30 years due to the growing average temperature, scientists from Brno's Mendel University said. The early onset of spring will significantly increase the risks of summer droughts and increase damages to harvest caused by spring frosts. Czechs can also expect longer period of droughts, more extreme weather fluctuations and more frequent tropical days, the scientists said.
- 22** The MT Minister Kremlík says annual stamps allowing motorists to use the CR's motorways will not increase in price until the main D1 motorway is completed. Under current plans road works on the D1 should be completed by 2021. Motorway stamps currently cost CZK1,500.
- 23** An enormous demonstration against the Czech PM, Babiš, took place at Prague's Letná Plain. Organisers said around a 250,000 people were in attendance, which would make it the biggest event of its kind in the city since the fall of communism almost 3 decades ago. Many protestors carried Czech and European Union flags along with signs, some of which bore the names of cities and towns around the CR. The protest was the latest in a series that began in late April calling on Mr. Babiš to stand down and for the removal of his appointment as MJ Minister Benešová. She got the job just 1 day after police recommended that Mr. Babiš face criminal charges over the alleged abuse of EU subsidies. The series of protests has been organised by the civic group Milion Moments for Democracy. They have announced that their next major demonstration will take place on Letná Plain in November, the 30th anniversary of the start of the Velvet Revolution. ANO leader Babiš denies all the accusations against him, which he says are part of a political campaign.
- 24** The government has approved a draft state budget for 2020 envisaging a deficit of CZK40bn. The same level of deficit is also expected in the following 2 years under the plan produced by the MF Minister Schillerová. She said a priority of next year's budget would be increasing old aged pensions as well as teachers' salaries. The ČSSD abstained from the vote, saying the budget was insufficiently generous to those most in need. The draft budget is subject to change and Ms. Schillerová will hold consultations on it with other cabinet members through the summer. The KSČM, which supports the minority government on key votes, is demanding a maximum deficit of CZK30bn next year.
- 27** The Cabinet of PM Babiš has survived a no-confidence vote in the ChD, as expected, with the support of the KSČM and no defections from MPs in ANO or ČSSD parties. Opposition parties had tabled the motion after a preliminary EC audit found Mr. Babiš to be in conflict of interest in connection his business affairs. It was the 2nd time that the Babiš Cabinet, which was appointed a year ago, faced such a challenge in the ChD.
- The turnover of Czech carmakers and spare parts manufacturers increased by 0.8% last year, to a record CZK1.1bn, the AIA said. Final sales reached CZK617.5bn, up by 0.6% on 2017. The growth rate slowed significantly compared to the previous year, when it rose by seven%. According to the AIA, the automotive industry likely reached its peak last year, similar development is expected for 2019.

- Jun 28** Czech households' debts to banks and credit unions rose by CZK10.6bn to almost 1.684bn in May. In annual terms, debts rose by CZK106.6bn. Housing loans account for about ¾ of household debt. Debts of non-financial corporations rose by more than CZK3.1bn to CZK1,117bn in May, up CZK53.6bn in annual terms. The Czech economy grew 2.8% y-o-y in the Q1, revised data show. External demand and household consumption were the main GDP growth factors. The Czech economy is likely to decelerate from 3% last year towards 2.5% in 2019 amid weaker foreign demand, analysts say.
- 30** After 3 years of service, the Czech military's air advisory team has finished training Iraqi forces in the use of Czech made L-159 attack jets. The last training unit returned home. The Czech Air Force is set to continue supporting its Iraqi counterparts, but in a more limited function. The Iraqi Air Force ordered its first L-159 jets in 2014. They were used successfully in combat against the Islamic State.
- Jul 1** The CR's government debt rose by CZK4.7bn y-o-y in the Q1 2019. The debt now stands at CZK1.837tn, according to the CSO. Compared to Q4 2018, debt increased by CZK101.9bn, and the debt ratio increased by 1.43%. The debt ratio is now 33.99% of GDP, down 1.8% in annual terms. The CR has among the lowest debt to GDP ratio in the EU. Only Estonia, Luxembourg and Bulgaria surpass it. The PMI fell to a near 10-year low in June due to a faster-than-expected decrease in production and a fall in new business. Czech PMI, at 45.9 points in June, has now contracted for 6 months in a row. The decline was linked to weaker foreign and domestic client demand.
- 2** The Czech aviation authorities have revoked an earlier decision to withdraw flight permits to the CR for at least 3 Russian airline companies including the flagship carrier Aeroflot. The decision, which resulted in the cancellation of several flights from Moscow and Yekaterinburg to Prague and Karlovy Vary was reportedly made in retaliation for Russia's decision to severely limit the number of Czech flights over Siberia, affecting regular flights between Prague and Seoul. The MT said that all flight permits would remain valid until the end of this week by when the 2 sides hope to resolve the route dispute.
- 7** Two more Czech attractions have been added to the UNESCO World Heritage Site list. One is the uniquely preserved mining landscape Krušné hory – Erzgebirge for which the CR made a joint bid with Germany, the other is the national stud farm in Kladruby in Central Bohemia. Founded in 1579, the farm is known for its Kladruber horses, one of the oldest breeds in the world. The overall number of Czech sites has now reached 14.
- 8** The foreign trade surplus rose in May by CZK17.2bn in annual terms, to CZK24.4bn. Exports grew y-o-y by 8.1% to CZK332.5bn and imports by 2.5% to CZK308.2bn. The balance was positively influenced mainly by the motor vehicle sector, where exports increased by CZK11.5bn. At the same time, the deficit in refined petroleum products, chemicals, and oil and natural gas decreased.
- 9** Unemployment in the CR stagnated at 2.6% this June after decreasing slightly over four consecutive months, the LO announced. The number of jobseekers in June fell to 195,723, a drop of about 5,000 compared to May, while the number of vacancies rose to 342,510. The Czech unemployment rate is at its lowest level since May 1997. In Prague, it stands at 1.9%.
- 10** An estimated 3,800 foreigners worked illegally in the CR last year, almost twice as many as in 2017. According to a MLSA report on combating illegal employment, 4/5 of them were Ukrainians. Many were Slovaks, Romanians or Bulgarians. The overall numbers have risen because it is more costly for employers to lose out fulfilling orders than are the fines imposed for hiring illegal workers. Its inspectors have focused mainly on construction worksites, warehouses and logistics centres, where hundreds of people are employed. Škoda Auto delivered 620,900 cars to customers in H1 2009, down 4.9% y-o-y. The main factor was a drop of about a ¼ in sales in China. In H2 2019, Škoda Aiuto expects to make up the difference thanks to demand for its new Scala and Kamiq models. The Czech economy is expected to grow by 2.6% this year, following a 3% expansion in 2018, according to the EC. For the coming year, the EC foresees growth of 2.5%, again mainly fuelled by solid growth in household consumption, with investment growth expected to 'normalise'. Private consumption is likely to remain the main growth driver and should continue to benefit from swift growth in wages and pension incomes, and robust consumer confidence, the EC said. The trade balance is set to deteriorate over the forecast horizon and detract from GDP growth in 2019, before turning neutral in 2020.
- 11** Three Czech MEPs are among the newly elected chairs and vice-chairs of the EP's 22 committees and subcommittees for the next two and a half years. Mr. Niedermayer has been elected first vice-chair of the Committee on Economic and Monetary Affairs. Mr. Zahradil has become first vice-chair of the Committee on International Trade, and MS. Dlabajová will take the post of vice-chair of the Committee on Budgetary Control. Last week, two Czech MEPs, Ms. Charanzová and Mr. Kolaja were elected vice-presidents of the EP.

Jul 12 The MT, which is currently reviewing one of the 2 preliminary EU audits that point to a conflict of interest of PM Babiš, has partly admitted to one of the conclusions in the report. The specific case concerns the transfer of CZK2bn from the MT to the ME in 2016. The auditors claim this is one piece of evidence of the PM's conflict of interest because the changes were made in order to support the CR's chemical industry, which is dominated by Agrofert, a company founded by Mr. Babiš. At the time the cabinet argued that the MT's plans were not sufficient and a potential loss of the amount of granted subsidies could be limited. However, Deputy MT Minister Čoček said that this year's statistics prove that the concern was unfounded and the MT's plans were sufficient.

The CR is likely to push for the post of new digital economy commissioner. The reserve option is the position of commissioner for the internal market. PM Babiš has not yet commented on what position the CR will try to secure.

The ChD has voted for the implementation of a digital motorway toll system that should give drivers the opportunity to purchase vignettes online or via an application by January 2021. The new system is set to completely replace the paper coupons which are in use now. Furthermore, hybrid cars, as well as those using electric or hydrogen instead of regular fuel, are exempt from the charge. Another proposal, which planned to increase the cost of digital vignettes from CZK1,500 to CZK2,000, did not pass.

14 As a result of frequent summer droughts in recent years and increasing number of Czechs are requesting permission to dig or renew their own wells. Local authorities admit the number could be much higher because due to red tape the approval process takes months and many people have started digging wells without waiting for permission. During extended periods of drought some towns have limited water consumption to 100l/day.

Czech firms are expected to curb their investments this year, as a result of the workforce shortage, and the expected slowing of the German and Czech economies, according to the EC. The Czech export-oriented economy is expected to feel the impact of an economic slowdown in Europe, particularly in its main export destination, Germany. Despite this the EC predicts solid growth, driven mainly by household consumption. Companies are expected to invest mainly into digitalization and automated technologies.

16 There are now 12,400 Czech companies based in tax havens, the fewest since 2011, after a record 405 moved operations this year. Many tax havens have largely ceased to perform their core functions, namely securing their owners' anonymity and tax optimization, accord to the consultancy. A total of 157 Czech firms left the Netherlands this year and 147 left the United States. Dozens also moved their headquarters from Cyprus (36 companies), Luxembourg (32) and the British Virgin Islands (22). Bisnode estimates that only 2.47% of Czech firms are now controlled from tax havens. It says destinations such as Hong Kong and the United Arab Emirates are increasingly popular.

The police have started a criminal investigation into the financial management of the Stork's Nest Farm and Hotel Complex, which is part of the Agrofert conglomerate established by PM Babiš. The police suspect the firm of extensive tax evasion. Agrofert spokesman Karel Hazelka said the management of the conglomerate had received no information on the case, but ruled out any financial irregularities at the firm. Police earlier concluded an investigation into the Stork's Nest Farm in connection with suspected EU subsidy fraud and proposed that PM Babiš be charged. The state attorney's office dealing with the case has not yet reached any conclusion.

The ČEZ will explore the possibilities of lithium mining at Cínovec in the Ore Mountains. The company will give European Metals Holdings, which has a prospecting license to mine lithium in the area, a loan of €2mn and by the end of the year, decide whether to enter the company or have the loan returned. The CR has the biggest lithium reserves in Europe and many politicians have pushed for lithium mining in the CR to be in the hands of a state-run company.

17 The CVVM's study shows that around 3/5 of respondents believe they are being paid less than they deserve at their current job, while only a 1/3 believes it receives a sufficient salary. Furthermore, nearly 80% say they are not worried of losing their job. However, the majority of respondents said that they are happy with their current positions, despite being underpaid. Around 3/4 said that they have good relations at work.

17 The frequently occurring droughts in the CR are not only leading to government counter-measures, but also an increased need for experts on climate change related subjects. In response, a number of Czech universities are setting up courses focusing on the protection of natural resources. The University of Chemistry and Technology in Prague has set up a new study programme exploring water and the environment, while the high levels of bark beetle infestation have led Brno's Mendel University to open up a new course on the technologies and management involved in wood processing.

- Jul 18** China has asked the Prague's Mayor Hřib and the city's leadership not to interfere in Czech-Chinese relations, China's state-run press agency Xinhua reported. The spokesman of Chinese MFA Ministry did not specify his objections further, but it seems he was reacting to an earlier statement by Mr. Hřib on the sister-city agreement, which the former Prague leadership signed with Beijing. The current Prague City Council wants to revise the agreement and scrap the part which says Prague recognizes a single China. MFA Minister Petříček said in response to the news that he would invite the Chinese ambassador to Prague to discuss the matter. Politics should not interfere in cultural cooperation, the MFA Minister wrote.
- 19** The government will decide on who to nominate for a seat on the EC by the end of August, PM Babiš said. He said the government was waiting for confirmation as to whether the new EC President Ursula von der Leyen would, as earlier stated, request 2 nominations from each member state. Mr. Babiš said he would like the CR to have a stronger portfolio in the EC, for instance the internal market portfolio or digitalization. The MRD will ask the EC to extend its deadline for replying to a draft report on PM Babiš's alleged conflicts of interest when drawing EU funds.
- 21** PM Babiš has backed the idea of creating a National Security Advisor position, put forward by the intelligence services. They argue the work of all security forces, including the police, should be coordinated at the cabinet level. A National Security Advisor should ensure, for example, closer cooperation between the Police and the BIS to detect and thwart criminal and security threats. BIS director and the heads of the military and civilian intelligence branches have all publicly back the idea.
- 23** The Czech intelligence services look set to acquire increased powers to handle records in information systems after the Senate's Security Committee unanimously approved the change. The Senate is due to vote on the government security bill next week. The legislation foresees the intelligence agencies being given greater scope to secure concealed identities in information systems and to acquire and process digital photographs and identifiers of individuals held in a number of information systems. The agencies would also be allowed to create their own facial recognition system in order to better make use of information from the secret services of other states.
- 24** Three of the largest groups in the senate are expected to vote in favour of a constitutional complaint against President Zeman. The leaders of the respective groups – the STAN, the ODS and the KDU-ČSL made the announcement. The impulse for the draft complaint is the alleged influencing of the judiciary by President Zeman and his staff. The president's recent unwillingness to accept the resignation of MC Minister Staněk has also been added into the complaint. In mid-June President Zeman dismissed the accusation, saying that it was a sign of constitutional illiteracy. The Senate passed a resolution accusing the Cabinet of acting in contempt of the Senate. Specifically the vote was in reference to the unwillingness of certain ministries to supply senators with two preliminary audits sent by the EC earlier this year. These referred to a possible conflict of interest involving PM Babiš with regard to Agrofert. 3 of the 4 ministries had been unwilling to send representatives to the Senate's commission. The CR will not lose access to the CZK37bn of EU performance reserves allocated for the 2014 –2020 programme period, MRD announced. The CR fulfilled most of the targets set by the EC and will be able to draw from the so-called performance reserve, which makes up roughly 6% of the total funding allocated to the CR.
- 25** Groundwater levels remain at the lowest average points since the 1960s, according to the CHMI, despite the heavy rain of recent days. Soil drought afflicts nearly 2/3 of Czech territory with no relief in sight. Meteorologists say sustained rain and isolated thunderstorms will only raise humidity levels in the upper soil strata, and only in certain areas.
- 26** International terrorism, growing cyber threats and right-wing extremism are the main challenges the Czech counterintelligence service BIS will have to face in the immediate future, its head said. The service was also having to counter the growing activities of foreign agents in the country. In recent years the service has reported on a growing number of Russian and Chinese agents in the CR.
- 28** The Czech Constitution dictates that the president is obliged to satisfy the PM's request to recall a member of his government, the CC's President Rychetský said. The judge went on to say that while the specific date for the action is not stipulated in law, the president should act without delay. In such a situation, he says, the presidential function is not that of an institution cooperating with the PM, but rather one that executes his decision.
- 29** More than ½ of Czechs are dissatisfied with the work of the courts and state attorneys, according to the STEM. 53% of respondents said they were not happy with the present state of the judiciary and 32% of respondents said it needed radical reform. Older people, and in particular small and mid-sized entrepreneurs, expressed dissatisfaction particularly with the slow pace of Czech courts, while younger people were inclined to be more tolerant in their judgement.

Jul 29 PM Babiš' ANO party still maintains a strong lead over its political rivals, but support for the party has been gradually sliding, according to the Median. ANO would get 28.5% of the vote, down by 2% since May, followed by the Pirates with 14%, and the ODS with 12.5%. The only other parties which would cross the 5% threshold needed to win seats in the ChD are the SPD, the ČSSD, the KSČM, the STAN and the KDU-ČSL.

President Zeman has dismissed MC Minister Staněk from his post, effective as of July 31. President thanked Mr. Staněk for his good work and for having unveiled corruption in the field of culture. The dismissal comes 2 months after PM Babiš officially requested it and the delay has caused a drawn-out crisis in the governing coalition, with the ČSSD, who are in charge of the culture portfolio, threatening to walk out of the coalition government over the president's reluctance to act. The party has already named Mr. Šmarda as its nominee for the post, but President Zeman has not so far agreed to make the appointment, saying he would decide on Staněk's successor in mid-August.

PM Babiš met with the incoming president of the EC Ursula von der Leyen to discuss the CR's nominee as well as a likely portfolio. The PM told journalists that he had proposed a second term for the CR's present representative Ms. Jourová, the current commissioner for justice, consumer protection and equality. He said he hoped that her experience could help get the CR a stronger portfolio in the EC, for instance the internal market portfolio or digitalization.

30 The PM Babiš has signalled a change of attitude toward EU plan to achieve net-zero carbon emissions by the year 2050. Mr. Babiš said that bringing about carbon neutrality in the CR would require billions of crowns in investment. He said his government had ideas about how to acquire supplementary funds to achieve the EU target. At an EU summit last month the Czech leader described carbon neutrality as nonsense and asked why a decision should be made 31 years in advance on what would happen in 2050. Mr. Babiš said the CR needed the freedom to base its energy production mix on nuclear power. He said he wanted to start a broader debate so that China, India, Russia and the US respected the Paris Agreement.

The Czech government has approved CZK2.5bn for the non-state owners of forestry affected by a major bark beetle infestation in recent years, the MA said. The money is intended to compensate for the lower price of wood caused by the bark beetle crisis and will be available this and next year. The MA Minister Toman said the price of coniferous wood had fallen sharply in the last two years. For this reason forestry owners do not currently possess funding for renewal and cultivation. The funding is not intended to fund the felling of damaged trees, he said.

31 Deputy MC Minister Schreier is to be named as interim MC Minister. His appointment was announced by outgoing MC Minister department head Antonín Staněk and PM Babiš. Mr. Babiš said Mr. Schreier will hold the reins at the MC until President Zeman decides on whether to appoint the ČSSD's nominee Šmarda. The party have threatened to quit the government if Mr. Zeman rejects their candidate. Legal expert Mr. Kysela said that the absence of a minister was in contravention of the constitution and the Competence Act. Though deputy ministers have taken over at government departments in the past it is still wrong, he said.

The ČSSD cannot support the proposed draft state-budget for 2020, party leader Mr. Hamáček said. According to Mr. Hamáček, the 5 ČSSD-led ministries, including the MFA and the MLSA, would fall short of CZK20bn. Mr. Hamáček says the proposed state budget would not allow the government to fulfil its promises, as stated in its policy program. While the ČSSD don't want to increase the proposed CZK40bn deficit, they argue that the state budget income is undervalued. PM Babiš said the budget negotiations, led by MF Minister Schillerová, would continue until the end of September

Some 40% of Czech citizens are happy with the way democracy is working in the CR, according to the STEM.16% of those polled said they were seriously discontent with the state of democracy, while 44% thought democracy wasn't functioning well. According to STEM, the numbers have been improving in recent years. The worst result was recorded between the years 2011 to 2013, under the government of Petr Nečas, with only 26% being content with the state of democracy at the time.

Aug 1 75% of Czech territory is now suffering from extreme drought due to high temperatures and high evaporation levels from the soil and water surfaces. According to the CHMI the isolated storms and rain-showers over the past few days brought only partial relief in places and did not improve the overall situation. Water management facilities have been taking drought regulation measures on the CR's dams, streams and rivers.

4 The EC has criticised the CR over its lengthy EIA of construction projects and its agricultural management. ME Minister Brabec said the government had reservations about some parts of the report, but in general, he described it as a largely objective description of the state of affairs. He also welcomed the report as an effort to introduce better environmental legislation into practice

6 Industrial output in the CR weakened by 3.8% in June following 4 months of growth. Lower auto production has been given as one of the main reasons for the downturn. The manufacture of metal structures and fabricated metal products also declined. By contrast, the production of rubber and plastic products, computers and other electronics and pharmaceuticals increased in the CR in June.

Aug 7 The Cabinet removed the president from a list of politicians and senior officials who must make public meetings with lobbyists. The head of state was taken off the list at the last moment before the Cabinet approved the bill on reporting lobbying. The MJ said that the move had been made after the president's chancellor called for it at a meeting with cabinet members. Announcing the approval of the legislation last week, the MJ Minister Benešová said that it had passed with "minor modifications".

The EC has accused Czech mobile phone operators O2 and T-Mobile as well as the Czech telecom infrastructure provider CETIN of breaching EU antitrust rules. According to the EC report, the network sharing agreement between the CR's 2 major operators restrict competition and harms innovation. The network sharing cooperation between O2/CETIN and T-Mobile CZ started in 2011 and has been increasing in scope. Currently it covers all mobile technologies and the entire territory of the CR, with the exception of Prague and Brno, amounting to around 85% of the population, the report says.

8 Unemployment in the CR increased to 2.7% in July up from 2.6% in the previous month, the LO announced. The number of jobless last month was 205,120, an increase of about 9,400 people compared to June. Nevertheless, it is still the lowest figure for the month of July since 1996, when the number of jobseekers stood at 158,252. The number of vacancies increased in July to 346,563.

The American Airlines will launch direct flights between Prague and Chicago as of next year. The 5-days-a-week service will be operated by Boeing 787-8 Dreamliner aircraft and will be launched on May 8, 2020. Passengers can also fly direct to New York, Philadelphia and Newark.

The Q2 2019 has seen an increase in the number of foreign visitors to the Czech capital, according to the CSO. The number of tourists in Prague in the Q2 reached 5.8mn, which is an increase by 4.9% on the previous year. German tourists are the most frequent visitors from abroad, followed by tourists from the US, Great Britain, Russia, China and Italy. The number of Czechs who visited the capital city was slightly over 300,000.

9 Private rail company RegioJet has announced it will begin operating trains between Prague, Budapest, and Vienna as of June 2020, via the Czech city of Brno. In doing so, the rail operator will directly compete with the Czech and Austrian national carriers. RegioJet said train ticket prices would be comparable to those of "bus prices" and therefore cheaper than what Czech Railways charges now.

10 Czech society has changed dramatically since 1989, and not only politically. Czechs are living longer and having fewer children, but while the population is aging it is not declining, thanks to an influx of immigrants. These are among some of the more striking findings of the CSO. At the time of the Velvet Revolution, the life expectancy for a Czech man was 68, 8 years lower than today at 76. In the last year of Communism, a Czech woman could expect to live to 75.5, compared to 82 now. Seniors now account for nearly 20% of the population, up from 13% in 1989. Meanwhile, children under the age of 15 make up 16% of the population, down from 22% three decades ago. The CR experienced a baby boom around 2008, when the so-called Husák's children generation of the 1970s, began having children of their own. Even so, the annual birth rate reached a maximum of 120,000. In recent years, it has been around 114,000. At the time of the Velvet Revolution, there were 3.4 foreigners for every 1,000 Czechs compared to 53 today. 30 years ago, one in 294 residents were born abroad, compared to one in 19 today.

The 2021 national census should be carried out in March so as not to clash with state holidays or school breaks, the CSO has said. Under a draft law prepared by the CSO, only households that do not complete an online questionnaire will be surveyed in person. Some questions included in the 2011 national census have been dropped. For example, as to whether the household has hot water, a private bathroom and toilet, and an internet connection. Questions regarding occupants' religion or level of formal education will also be dropped as such information is registered in other forms. The online census will last 14 days, after which surveyed will visit households in person over a 24-day period. Participation is compulsory.

Prague City Council has been mapping wells through the capital towards creating a drinking water supply network that can be in emergencies. Experts have surveyed and tested some 12,500 wells, of which specialists have chosen 45 that could serve in cases of emergency, such as drought or contamination of the greater supply. Prague aims to have the system in place within 2 years.

11 Up 40,000m³ of wood infested by bark beetles in the Krkonoše National Park may need to be felled this year, about 20% more than in 2018. The bark beetle infestation affecting spruce forests throughout the CR in 2018 was said to have been the worst in the past 200 years. Due to the infestation, the CR's largely coniferous forests face extensive felling of trees, which could negatively impact many animal species, including hawks and white-tailed eagles.

12 The Prague transport authority has begun testing out hybrid buses produced by the company Iveco. Trial usage of vehicles made by Solaris and Volvo began at the end of last month. A representative of the transport authority said the hybrid buses had so far shown savings of about one-quarter in usage of diesel. Prague gets between 100 and 120 new buses a year. From 2020 a significant portion of them should be hybrid vehicles. This is in part because the city has committed to halving its carbon emissions by 2030.

Aug 12 The MEYS has failed to standardise and implement key parts of a strategy for teaching information technology in primary and secondary schools, the SAO says in its latest report. The MEYS has yet to create a standard for teaching basic IT knowledge to students, as required in the Digital Education Strategy adopted in November 2014 for the period up to 2020. At the same time, the SAO says Czech schools have been allocated too little money for computer equipment and must rely too heavily on EU funds, which are not a stable source in the long term. The MEYS rejected the SAO's findings as misleading, because the SAO draw on data from 2011 to 2018 and doesn't take into account steps implemented this year and planned through 2020.

13 An attack on the computers of the MFA was most likely carried out by another state, according to the NCISA. The NCISA informed the Senate's Committee for Defence and Security of its findings and committee members called on the government to ensure that the NCISA devoted all the necessary attention and resources to the issue. Deník N reported that a cyber-attack on the MFA carried out in June was most probably the work of Russia's military intelligence service, the GRU.

The CR's grain harvest should be 8% higher this year than in 2018. When it comes to cereals, both yield per hectare and total area sowing area have increased on last year. By contrast the oilseed rape harvest is expected to fall by 15.3% this year. Earlier estimates for both crops had been higher.

14 The RIA is set to invest almost CZK10bn in renovations of railways stations around the CR in the next 5 years. This year alone it is carrying out more than 50 major projects to spruce up stations. The RIA had selected 350 locations for renovation work between now and 2024. He said the organisation would spend around CZK900mn this year alone on improving railway station buildings. The CR has one of Europe's densest rail networks.

A group of former high-ranking state officials say a recent cyber-attack on the MFA underscores the need to bolster state security measures, which will require adopting new legislation. Unlike other NATO allies, the CR has not done enough to build a cyber defence system, the group said in a statement. They warn that vital cyber-infrastructure, including in financial, energy, transport, healthcare sectors, is insufficiently protected. Among the signatories to the statement are General Petr Pavel, who served as Chairman of the NATO Military Committee, former deputy MD Minister Koštoval, and former ambassador to Russia and the USA Kolář.

The CR is facing a chronic lack of skilled craftsmen, according to the ASME, which notes a steady drop of trainees in a number of fields in recent years. The ASME said the biggest drop has been recorded in the masonry and painting. While in 2005 more than 700 masons were being trained in the CR, last year there were only 250. The corresponding number of carpenters is similar. Schools are looking to attract more young people to such professions by introduction of a new school subject, called technical practice. Dozens of elementary schools plan to add it to their curriculum as of September.

16 The state will spend CZK87bn on road construction projects next year, CZK5bn more than originally planned, MT Minister Kremlík said. He said he would not request further money from the state budget, but would seek other sources and economize elsewhere. The MT wants to start construction of the remaining sections of the motorway network within the next 5 years. 191km of new motorways are currently under construction. MF Minister Schillerová has agreed to increase the budget of the STFI by CZK5bn. The fund will thus manage 70bn crowns from the state budget, and another CZK17bn from EU funds.

18 Conditions for the usage of drones in the CR are to be tightened up under new rules being imposed across the EU. Operators will be barred from flying drones over large gatherings or accidents so as not to hamper the work of rescue services. Drone pilots will have to register their machines and will receive identification codes similar to car registration numbers.

Around 20% of new apartments in Prague are bought by foreigners, according to developers. The level of purchases by non-Czech nationals is around the same as last year, they said. Slovaks are the most frequent foreign buyers of Prague properties, followed by people from Western Europe and post-Soviet states. Foreigners display the greatest interest in small flats, frequently in upscale projects, the developers said.

19 The ALA has warned that Czech small towns and village are facing depopulation and called on the government to take steps to resolve the situation. The main reasons people are moving away from smaller urban areas are a reduction of services and insufficient civic amenities. The ALA said that young people were moving to regional cities, leaving only older people in some areas. The problems faced by specific municipalities are recorded on a special interactive map that the association has been working on for three years.

TUL's scientists have developed a military uniform that changes camouflage depending on the environment. The camouflage fatigues are made from a material that contains thermochromic pigments and change colour depending on the environment. If the temperature exceeds C°37, the material changes from a mix of green and brown – the classic 'forest' colouring – to a mix of brown and beige – the classic 'desert' colouring. The scientists spent 2 years developing the material so that it could withstand long-term exposure to sunlight and still return to the 'forest' colouring.

Aug 21 According to new research, another long-term spell of drought would result in CZK80bn contraction of the Czech economy. Aside from financial effects, drought would also have an impact on population health and the environment. Research suggested spending CZK25bn annually on preventative measures. Researchers presented 2 scenarios of how the economy could be impacted by further droughts. One scenario envisions a 25% decrease in the productivity of industries, such as textile or paper production, which are dependent on water supplies. In this case the economy would face a production capability decline between 0.9% to 1.6% of GDP. The 2nd scenario, counts on a 50% decrease that would cut production down by 2.8% to 4.8% of GDP.

22 The ME is to receive an additional CZK250mn from the state budget next year to fight drought, bringing the ministry's 2020 budget to CZK16bn. The additional funds are to be used for long-term landscape changes, the construction of artificial water basins, wetland restoration and support for water saving projects.

23 The number of government programs for the employment of foreigners in Czech companies will be halved as of September 1, the CCC said. The present 6 programs will be reduced to 3 and the conditions for including workers and employers in the program will be unified. The MIT will only handle employers' applications for highly qualified employees or researchers, while the CCC will assist companies with all other employee applications. In the transformed Qualified Employee Program, the CCC will accept applications from companies for workers from Ukraine, Montenegro, Serbia, the Philippines, India, Kazakhstan, Moldova and Mongolia. The government sets individual annual quotas for each country. From September the quota for workers from Ukraine will also be gradually increased to 40,000 per year. So far it has been 19,600 people.

26 Overall confidence in the Czech economy rose slightly to 95.6 in August from 95.1 in July. Among Entrepreneurs, confidence increased by 0.8 points to 93.6 points, the lowest level in 5 years for the month of July. Consumer confidence fell to 105.1 points in August from 106.4 the previous month, thus returning to levels recorded in May and June. In annual terms, both consumer and business confidence is lower than in August 2018

27 Lubomír Zaorálek has been named Czech MC Minister. His appointment brings to an end a political crisis surrounding the post that arose when President Zeman rejected the ČSSD previous nominee for the post. According to the Median, the ANO would have won elections earlier this month with 29.5%. That is an increase in the party's backing compared to a survey by the same organisation in July. The Pirates on 14.5% and the ODS on 13.5% also did better. Some 8.5% would back SPD, 8% would vote the KSČM and 6.5% would support the ČSSD.

The government is planning to ban trucks from Czech roads on Sundays from midnight until 10 pm. Such restrictions are in place in other European countries. Trucks that are already on the road at midnight will be permitted to complete journeys within the CR. PM Babiš announced the change after talks with the MI Minister Hamáček, the MT Minister Kremlík and the head of the police Švejdar. At present trucks are allowed to use the road system until 1 pm on Sundays. Road transport has been the focus of attention due to major problems with the main D1 motorway.

Mistakes related to drawing EU funds since Czech accession in May 2004 total CZK38.4bn and almost 300 legal complaints have been filed over the errors, MF Minister Schillerová said. Financial corrections worth CZK36.4bn were made in cohesion policy, which aims to reduce differences in the development of various regions, and worth CZK2bn in the CAP.

28 The PM Babiš says his UK counterpart Boris Johnson has assured him that there is nothing to worry about regarding the status of Czech citizens and firms in Great Britain with regard to Brexit. Mr. Babiš said that he had invited Mr. Johnson to Prague for a meeting that could also be attended by the other V4 heads of government. The Czech PM said the British leader told him his country and the CR were allies, he knew the country and had relationships with people there. Mr. Johnson insists the UK will leave the EU by the end of October, regardless of whether or not a Brexit deal is in place.

The Nexen Tire opened its new factory, the first in Europe, near the Czech city of Žatec. The CZK22bn factory, which will eventually employ 1,300 workers, is the third largest investment project in the country that was mediated by CzechInvest. The company plans to export 3mn tires by the end of the year and will have a total production capacity of 11mn when construction fully complete. Deputy MIT Minister Očko highlighted the fact that the facility also includes a research centre aimed at testing new technologies.

The LČR has reported a 90% fall in gross profits during the first half of 2019. The decrease in profits is largely due to the ongoing bark beetle infestation. The company increased felling of bark beetle infested trees by 112% compared to the same period last year. However, the resulting excessive amount of wood on the market has in turn brought down the price of the commodity. This phenomenon has been negatively affecting the company's profits already for some time. Last year the result was that LČR's net profits plummeted down to CZK70mn compared to the CZK3.08bn it made in 2017.

Aug 28 The WHO has stripped the CR, Great Britain, Greece and Albania of their "measles free status" after a marked increase in cases in all of the said states. The WHO announced the move in an annual report on the incidence of contagious diseases in Europe. 35 out of 53 European countries have retained their measles-free status. The Czech health authorities registered 579 cases of measles in the first 7 months of this year, compared to 203 in the previous year. As in many other countries suffering renewed outbreaks, the spread of measles in the CR is attributed to the growing reluctance of some parents to get their children vaccinated against the disease.

Sep 1 Prices in the CR have almost tripled since the foundation of the state in 1993, according to a new analysis produced by Raiffeisenbank. The Czech crown has strengthened by roughly ¼ in the same period.

2 State prosecutor Šaroch has halted an investigation into PM Babiš and members of his family over the alleged abuse of EU subsidies in connection with the Stork's Nest. It must still be approved by the leadership of the Prague municipal state attorney's office.

3 The average gross monthly wage in the CR increased by 7.2% to CZK34,105 in the Q2 2019, according to the CSO. In real terms, taking into account inflation, wages increased by 4.3%. However, 2/3 of employees earn less than the average wage. The median wage in the CR was CZK29,127, up 6.9% compared to the same period of the previous year. Some 80% of employees earned wages between CZK14,955 and CZK55,259.

5 The MF has sent the government a proposal to introduce a 7% digital tax for large Internet companies such as Facebook and Google as of mid-2020. According to the MF, the tax could bring approximately CZK5bn to state coffers annually. The proposed tax would concern internet companies with a global turnover of over €750mn, and an annual turnover of at least CZK50mn for taxable services in the CR. Some digital economy platforms, such as Airbnb and Uber, would also be taxable. The MF's proposal is based on a draft prepared by the EC, which however failed to win approval in the EP.

According to the STEM, Czechs' trust in the EU and the EP has seen a slow but steady growth since 2016 when it was at its lowest since the country's admission to the EU in 2004. According to the results of a June poll, trust in the EU in June was at 41%, up by 2% compared to the same month last year, and that in the EP was up by 4%, reaching 34%. Trust in EU institutions was at its highest at the start of the Czech EU presidency in 2009, when the EU was trusted by 60% and the EP by 51% of Czechs. However it slid to a record low in 2016 declining to 29 and 24%, respectively, a phenomenon that was attributed, at least in part, to the migrant crisis. Analysts say Czechs have been gradually feeling a stronger identity with Europe in the past few years. According to the latest poll some 71% of Czechs feel they are "Europeans".

6 The CR's y-o-y industrial production figures grew by 0.1% in July. Unadjusted, the increase was 5.6%. The main drivers of growth were the automobile industry, electrical equipment production and manufacture of basic pharmaceutical products. The country's external trade balance in goods ended with a surplus of CZK0.1bn in July, compared to a deficit of CZK8.2bn in the same month last year. Exports grew year-on-year by 8.4% to CZK289.5bn and imports by 5.1% to CZK289.5bn.

Škoda Auto has manufactured the first production components for VW electric cars. The high-voltage batteries will be used for plug in hybrids based on Volkswagen Group's MQB platform. The battery packs will be used for instance in the Škoda Superb iV. Production of this model is due to be launched at the Kvasiny plant in September. The company invested over €25mn in the production lines for high-voltage batteries. The initial output of 150,000 units per year should be further increased in the following years.

8 MH Minister Vojtěch is preparing a draft bill which would restrict advertising of tobacco and alcohol in the electronic media. Alcohol and tobacco are among the top causes of preventable deaths in the country. Minister Vojtěch noted that some children have their first experience with alcohol at the age of 12. The government has also pushed through the lower house a bill to raise the tax on alcohol and tobacco which should come into effect next year.

An opinion survey suggests that for the first time since the fall of communism in 1989, the KSČM could fall below the 5% threshold needed to win seats in the ChD. According to the Kantar, the KSČM would gain just 4.5% of the vote. The poll suggests that the ruling ANO party would win the elections with 30% support, followed by the Pirates with 17% and the ODS with 14.5%.

9 Unemployment held steady at 2.7% in August, according to the LO. In Prague, the unemployment rate remained at 2%. Fewer than 205,000 people in the country were seeking work last month, the lowest number for the month of August since 1996. The overall number of jobseekers is expected to rise slightly in September, mainly due the entry into the labour market of a large number of school-leavers.

MC Minister Zaorálek objected to the recent cancellation of concerts by Czech ensembles in China during a meeting with the country's ambassador in Prague. Beijing has 'indefinitely postponed' or cancelled scheduled tours by the Prague Philharmonic Orchestra and other groups, likely due to an ongoing feud with Prague Mayor Hřib, a vocal supporter of Taiwan and Tibet. Minister Zaorálek reportedly told the Chinese ambassador that the cancellations have damaged bilateral relations. Since taking office a year ago, Hřib has pushed for the removal of a clause in a Prague-Beijing cooperation agreement requiring the Czech capital to respect the communist country's "one-China policy".

Sep 10 EC president-elect Ursula von der Leyen has offered the CR's Věra Jourová the values and transparency portfolio on the next Commission. Ms. Jourová will also be a deputy president of the EC.

Škoda Auto's first electric car, the Citigio, is set to become the cheapest vehicle of its kind on the Czech market. The Czech-based automaker presented the Citigo at a car show in Frankfurt on Tuesday. It will go on sale at the start of 2020 at a cost of CZK429,000 in the CR. The first 500 buyers of the Citigo will receive free electricity from a public network of CEZ charging stations for a period of one year.

12 Artificial intelligence is of immense importance to the CR since it is the future of the Czech industry, PM Babiš said. Mr. Babiš said that the process of robotization, which was already underway, would in time help resolve the ongoing labour shortage which is holding back many Czech companies.

13 The Prague State Attorney's Office has halted a 4-year-long investigation into suspected fraud by the PM Babiš and members of his family.

The ruling coalition has reached agreement on a hike in salaries for public sector employees in 2020. All public sector employees will receive an additional CZK1,500 a month in tariffs; the lowest tariff table, which applies to the lowest-paid professions, such as social services employees, will be abolished. Negotiations are still underway on a 10% hike for teachers.

14 The ChD has approved a bill extending the law on electronic cash registers, in other words a duty to report sales electronically, to a category of firms that are not yet subject to it, among others to craftsmen, doctors, lawyers, hairdressers and taxi drivers. The amendment will allow small businesses with sales of up to CZK600,000 to record sales in off-line mode using paper receipts. At the same time some services and goods, such as, catering, cleaning services or home care will move to the lowest 10% VAT rate.

Air traffic between the CR and Russia will continue to operate without restrictions, and will even intensify next year, the Czech aviation authorities reported after successfully resolving an air traffic dispute with Russia. The dispute pertaining to Russia's decision to severely limit the number of Czech flights over Siberia resulted in the cancellation of several flights in June of this year as the two countries revoked flight permits for each other's air carriers in a tit for tat move. Both sides subsequently temporarily released operations until September to resolve the dispute. Russia has long been one of the busiest destinations for traffic from the CR.

A poll targeting young people born after the fall of communism in 1989, suggests that they are not happy with the political situation and housing accessibility, while placing great emphasis on the environment and EU membership. Respondents in the under 30 age group stressed the importance of being able to travel freely and expressed concern with regard to climate change. 55% of them consider housing accessibility to be problematic. Only 10% are happy with the political situation. Compared to the older generation, they are also more tolerant of immigrants.

15 The state budget is even less prepared to deal with a period of recession than it was ten years ago, according to the SAO. The report is critical of growing mandatory expenditures and a strong dependence on tax revenues, noting that even a slight recession would bring an increase in the state deficit. The SAO says that last year mandatory expenditures rose to CZK1069bn, amounting to 75% of the state budget.

16 The Cabinet approved the draft budget for 2020 with a projected CZK40bn crown deficit. The government session was preceded by a meeting of the tripartite at which trade unions and employers expressed support for the draft proposal, which counts on higher pensions, higher salaries for teachers, more money for social services and families with children and increased spending in the fields of research and investments.

17 Czech society is divided into 6 social classes that differ in terms of resources and status. The report found that around a 1/3 of Czechs belong in 2 types of upper middle class, while three types of lower middle class account for almost 1/2 the population. The remaining 18% belong to an impoverished class, the survey indicates. The 2 kinds of upper middle class include the wealthy (22%) and cosmopolitans (12%), who have less money but strong social contacts and skills. The lower middle classes are the traditional proletariat (14%), the endangered (22%), who have seen a downturn in their wealth, and a class who own property and have connections in their localities (12%).

TUs have recommended that negotiators push for pay rises of 6 to 7% next year. The ČMKOS also said that it would push for reduced working hours without pay decreases and for longer holidays. The CCC said employers were planning an average pay increase of 6% in 2020 in any case, regardless of pressure from workers.

18 The CR ranks 24th out of 149 states in terms of quality of life, according to Deloitte. The CR climbed 2 places compared to last year, even though it received fewer points than in 2018. The CR made most progress in economic indicators. It finished ahead of the USA in the survey, in which Norway ranked first, followed by Denmark and Switzerland.

The decision to halt an investigation into suspected fraud by PM Babiš and members of his family is legally binding. However, it may still be reversed by the country's Supreme State Attorney, Pavel Zeman, who has three months to make a decision.

- Sep 18** Škoda Auto launched serial production of its first plug-in hybrid, Škoda Superb iV. The company invested some €12mn to prepare the Kvasiny plant for the specific requirements of manufacturing its first electrified production model. The market launch of the Škoda Superb iV, which combines a 1.4-litre turbocharged petrol engine and an electric motor, is set for the beginning of 2020.
- 19** The Cabinet and the CR's 4 largest commercial banks signed a memorandum of cooperation to create a National Development Fund aimed at investing in projects in infrastructure, education and healthcare. PM Babiš had proposed creating such a fund back to counter appeals by his government partner, the Social Democrats, to introduce a bank sector tax.
- 23** The MLSA Minister Maláčová is planning to re-introduce state-subsidized crèches as of 2021. The minister has stressed the need to address the lack of facilities for children under the age of 3. Parents who need to place their child in a day-care facility either find so-called children's' groups, which are fairly expensive, or try to enrol them in kindergartens.
- 24** Confidence in Czech economy fell to 94.6 index points in September, the lowest in five years, according to data released by the CSO. The business confidence indicator decreased by 0.7 to 92.9 compared to the previous month, as expectations deteriorated among retailers, and consumer confidence fell by 1.8 to 103.3 index points. Business confidence in CR averaged at 93.20 index points from 1993 until 2019, reaching an all-time high of 106.60 index points in February of 2007 and a record low of 69.10 index points in March of 1999.
- 25** Over 90% of cyber-attacks targeting the CR come from other countries, the NCISA informed. According to the report on the state of cybersecurity in the CR for the year 2018, most of threat actors are linked to Russia and China. The report also says that the NCISA continues to investigate a large-scale attack on strategic Czech government institutions from 2018 and discusses the likelihood of a Chinese link in the attack.
- 27** The ČEZ will develop small modular nuclear reactors in cooperation with the American company NuScale. The two companies signed a memorandum of understanding. ČEZ and NuScale will share their technical knowledge on the matter and look into the possibilities of using such energy sources in the CR and across wider Europe. The Czech government has a majority share in ČEZ and PM Babiš stated earlier this year that small scale nuclear power sources are the optimum solution for the country when it comes to constructing new nuclear power plants. NuScale is an industry leader when it comes to the development of these energy sources and is set to launch its first commercial reactor in the US state of Idaho in 2027.
- 29** The MLSA will ask the OECD for an analysis of the CR's pension system and a set of ensuing recommendations on reform which would make it sustainable long-term. The study should be the basis of a government reform which could be concluded in 2021, the MLSA said. Reforming the CR's pension system was one of the government's stated policy priorities, but no plan for reform has so far been unveiled.
- 30** Czech households' debt to banks and credit unions rose by CZK9.24bn to almost CZK1.713 trillion in August when compared with July data, according to the CNB. In y-o-y terms the rise was higher than CZK101.9bn. Household debt has been rising continuously since February 2016, with mortgages making up roughly ¾ of the entire debt.
- Oct 2** The ANO party rose slightly in the polls in September and would receive 31% of the vote according to Median. At 13.5% the Pirates retain their position as the second strongest party, despite receiving 0.5% less than in August. They are closely trailed by the ODS at 12.5%, whose preferences have gone down by 1% compared to August. The SPD would receive 7.5% of the vote followed by the ČSSD who are polling at 7%. The bottom 3 parties that are polling above the minimum level needed to enter the ChD are the KSČM at 6.5%, TOP 09 and the STAN who would both receive 5.5%.
- 3** The population of the CR grew by nearly 40,000 in 2018 to 10,649,800 people, according to the CSO. It is the biggest increase since the end of WWII. As in recent years, the numbers were driven by immigration, mainly from Ukraine and Slovakia. The biggest population rise was recorded in the over-65 age group, which increased by 46,400 to over 2mn, while the working-age population continues to decline. The number of marriages in 2018 increased to 54,470, a 10-year-high, while the number of divorces dropped to 24,313, which the lowest figure since 2000.
- Sales of new passenger cars in the CR in the Q1-Q3 2019 dropped by 8% y-o-y to 191,110, according to CIA. The month of September saw a rise by 8.5% to 15,770 sold cars. The biggest seller in the period was Škoda with over 64,656 cars, followed by Volkswagen and Hyundai.
- 4** Prague has been placed 19th in the world ranking of smart cities, put together by the IMD business school in Switzerland and the Singapore University of Technology and Design. The first edition of the IMD Smart City Index assesses a city's efforts and success in embracing smart technologies to improve the lives of its citizens. Singapore is in the top spot out of the 102 cities included in the survey, followed by Zurich and Oslo.

Oct 5 The struggling Czech Post office will get a CZK3.3bn payment from the state next year for so-called universal services from previous years, subject to approval of the EC. Last year, Czech Post recorded a CZK1bn loss. It may have to eliminate 7,000 positions as part of a restructuring in order to return to profitability by 2021. The EC has twice approved billions in Czech state support, finding it compatible with EU internal market regulations and as such allowed. Czech Post had a monopoly on the delivery of letters and other direct mail weighing less than 50 grams until the start of 2013. Now these services may also be offered by competitors, which focus mainly on corporate clients.

7 Prague City Hall has announced it will terminate the sister-city agreement between Prague and Beijing, because the Chinese authorities are unwilling to drop an article of the document in which Prague recognizes the policy of One China. The agreement was signed by the city's former mayor Krnáčová, and the Pirate Party, which heads the Prague ruling coalition, has been critical of it from the outset. The dispute has caused a rift in Czech-Chinese relations with China recently cancelling a number of planned tours by Prague cultural ensembles. PM Babiš and MFA Minister Petříček say that while the government respects the "One China" policy it cannot dictate anything to the democratically elected Prague leadership.

The designated Czech vice-president of the EC Jourová has been approved by MEPs for the European values and transparency portfolio in the new EC.

8 Czech forest owners face losses to the tune of CZK40bn this year from an escalating spread of bark beetle, the Czech Forest think-tank said. About 30mn m3 of timber will be affected this year, a figure that has surpassed earlier estimates and is nearly double the 18mn last year. The CR is one of the worst-affected countries in Central Europe, where spruce forests are a key source of income for the timber industry.

9 China's ambassador to the CR has called on the Prague authorities to change their approach after they decided to terminate a sister city agreement with Beijing. Otherwise, Ambassador Zhang Jianmin said on Facebook, Prague's own interests will suffer. Prague City Hall took the decision to abrogate the twin towns agreement after China refused to remove an article from the document stating that Prague recognises the One China policy. China has in the recent past blocked music ensembles linked to Prague from touring the China.

The MFA Minister Petříček has criticized the Chinese Embassy's reaction to Prague City Hall's revocation of the Prague-Beijing sister city agreement. He said that threats have no place in diplomacy. The Chinese Ambassador to Prague Zhang Jianmin called on City Hall to change its approach to the revocation of the Prague-Beijing agreement, or countermeasures will be enacted. Mr. Petříček also said that nothing has changed in the attitudes of the Czech government towards China and that he repeatedly told the Chinese ambassador that the government cannot influence the decisions made by Prague City Hall.

10 Beijing has terminated its sister agreement with Prague and will suspend all official contacts with the Czech capital, according to a statement from Beijing authorities supplied by the Chinese Embassy in the CR. The embassy goes on to say that representatives of the Prague coalition had been intentionally interfering in China's internal affairs and deliberately violated the sister agreement with Beijing. Earlier this week Prague authorities voted to terminate the city's agreement with Beijing, after which the Chinese Ambassador to the CR Zhang Jianmin posted on Facebook that Prague's own interests will suffer, triggering a reaction from the MFA Minister Petříček, who said that threats have no place in diplomacy.

Consumer prices in September fell by 0.6%, the biggest month-on-month decline since September 2006, according to the CSO. The drop stemmed mainly from a price decrease in 'recreation and culture' and in 'food and non-alcoholic beverages'. The y-o-y growth of consumer prices decelerated to 2.7% in September, which was 0.2% down on August. The slowdown in the y-o-y price growth occurred mainly in 'food and non-alcoholic beverages'. The biggest influence on the growth of the y-o-y price level in September came again from prices in 'housing, water, electricity, gas and other fuels', where prices of actual rentals for housing went up by 3.8%.

11 Mayors from 56 municipalities in the regions of Přerov, Olomouc and Nový Jičín have called on the government to suspend decision-making concerning the Danube-Oder-Elbe waterway project. Senator Jitka Seitlová said that a feasibility study on the project is to be presented to the government in the autumn. The project worth over CZK580mn plans to further develop the network of European waterways and open routes for the CR to three seas. The mayors want the preparation process to be halted until there is proof that it will benefit the region as well as the whole country.

Teachers' TUs have threatened to go on a one-day strike, if the government fails to meet their pay demands. The TUs are asking for 10% increase – on condition that this pertain to their basic pay alone. They are against MEYS Minister Plaga's proposal to increase the base wage of all teachers by CZK2,700. The average monthly gross salary of a teacher was around CZK36,200 in the Q1 2019 compared to the national average of CZK32,466 in the same period.

- Oct 13** According to the Kantar, ANO party would gain 30%, Pirates and ODS would gain 15.5% and 14.5% of the vote, respectively. The KSČM polled at 6.5%, SPD at 6%, STAN at 5.5%. Polling at the 5% threshold were the KDU-ČSL and ČSSD. The recently former Tricolour party of former ODS MP Václav Klaus Jr. , the son of a former President, polled at 3%.
- 14** The Moody's has downgraded its outlook for the Czech banking sector from positive to stable. The change is mainly due to the slowdown in the CR's economic growth. Moody's said that after years of rapid loan growth, it expects a slight deterioration in the quality of its loan portfolio in the CR. It continues to see the CR's credit rating as one of the best in Central and Eastern Europe, but it expects Czech GDP growth to decelerate from last year's 2.9% to 2.7% this year, with a further 0.2% decrease in 2020.
- The EU has so far promised to provide CZK100bn in funding through its Integrated Regional Operational Program between the years 2021 to 2027, a decrease of around 1/5 compared to the previous term, the MRD Minister Dostálová said. Meanwhile, the rate of national co-financing will increase from the current 15% to 30%. However, the negotiations are still ongoing. In terms of overall funding the CR is expected to receive CZK520bn crowns, which is a CZK100billion increase to the current funding budget. The EC is asking for ¾ of the funding to be put into the union wide Intelligent Europe and Green Europe programmes, the minister said.
- 15** PM Babiš says the CR must make massive investments in weapons and recruit more soldiers in view of the situation in the world today. Mr. Babiš said he regretted the fact that Czechoslovakia's arms industry was decimated after 1989.
- The CR has halted arms exports to Turkey in response to Ankara's incursion into northern Syria, MI Hamáček announced, following a government meeting. MIT Minister Havlíček, whose ministry had published the country's arms export figures earlier that day, said that armaments exports to Turkey only make up around CZK140mn annually. The news comes after meeting of the EU's foreign ministers in Luxembourg, where member states pledged to suspend weapons exports to Turkey, but did not go as far as to implement a formal EU-wide arms embargo.
- The CC has rejected legislation under which money returned to faith groups under restitution would be subject to taxation.
- The Cabinet agreed to a record low CZK1.24bn budget for the CR's Presidency of the Council of the EU in 2022, without the votes of the ČSSD. PM Babiš says that the CR can manage the council with much fewer officials and resources than other member states. However, multiple ČSSD's ministers called the budget insufficient. MFA Minister Petříček said that the effectiveness of the Czech presidency was being put at stake, highlighting that the approved amount is some CZK500mn behind the budgets of similar sized countries. When the CR last held the presidency in 2009, the government approved a budget of CZK3.75bn. The current PM pledged to at least halve this number earlier in 2019.
- 16** Average mortgage rates in the CR fell to 2.47% last month from 2.61% in August. It was the 8th month in succession that mortgage rates fell. Mortgage rates hit a low of 1.77% in December 2016 and since then have mainly been on an upward trajectory.
- In the interests of "energy security", the CR must build new nuclear units even if it contravenes EU law, PM Babiš said. Addressing MPs on the Committee on European Affairs, he said both the CR's nuclear power plants of Dukovany and Temelín should be expanded. Mr Babiš did not specify which EU laws might be violated in the process. Previously, such efforts were scuppered due to provisions regarding state aid.
- 17** The production of passenger cars in the CR rose by 0.7% y-o-y in Q3 2019 to over 1mn units, the AIA announced. Production in September reached 125,351 cars, which is a 6% increase on the same period last year. The growth was pulled mainly by Škoda Auto and TPCA. Škoda Auto raised output by 2.5% to over 670,000 vehicles while TPCA made nearly 162,000 cars, which represents a growth of 2.7%.
- 18** Czech officer Šárka Havráňková has been elected vice-president of Interpol's European division.
- 20** Czech PM Babiš is in Japan to attend the enthronement ceremony of Emperor Naruhito together with some 50 foreign dignitaries the world over. In the course of his 4 day stay in Tokyo, Mr. Babiš is scheduled to hold talks with the Japanese PM Shinzo Abe and other foreign leaders. Ahead of his departure the Czech PM described Czech-Japanese relations as "excellent" saying Japan was one of the leading investors in the CR.
- 21** The amount of registered groundwater increased in September compared to measurements conducted last year, reaching normal levels in a ¼ of the CR. The CHMI say that more water has been entering underground waterways due to an increase in rainfall and lower temperatures which has made soil more capable of absorbing water. The CR has faced severe droughts in recent years and, although the situation is better than it was in 2018, CHMI still measured below normal levels of groundwater around the Labe and Vltava rivers.

Oct 21 Prague Airport plans to boost its capacity up to 23mn annual travellers by 2035. This year the airport is expected to handle 17.7mn passengers and is already encountering capacity problems. The prerequisites for increasing the quantity of passengers that the airport can handle are the centralisation of security checks, as well as the construction of a parallel runway and 2 new terminal sections, which are to be completed by the year 2036.

Working in tandem with the NCCOC, the BIS uncovered and broke an intelligence network run by Russia's FSB in the CR, BIS director Koudelka told the ChD at a security conference. According to him, the network was financed through Russian funds and its aim was to attack targets in the CR as well as neighbouring states through a variety of servers, which were part of a wider network used by the FSB. He also warned parliamentarians about the threat of right-wing extremism in the country, saying that an anti-Muslim attack could lead to the radicalisation of the local Muslim community and increase the danger of Islamic terrorist attacks in the CR, which the BIS sees as the most short-term security threat to the country. Currently, there are no indications of a direct terrorist threat to the CR, according to the BIS chief.

The Russian Embassy in Prague has denied that the information provided BIS, is in any part true.

The CR will not have sufficient sources of electricity unless the issue of constructing new power plants, including nuclear blocks, is resolved soon, MIT Minister Havlíček said. Mr. Havlíček based his conclusions on a newly released study, made by the ČEPS, according to which the country would become increasingly dependent on electricity imports from abroad by 2030, raising the commodity's price, if no further construction takes place. His statements echoed those made by PM Babiš.

PM Babiš is under fire from the opposition for the way his cabinet is handling preparations for the CR's next EU presidency in 2022. The ODS claim the PM is underestimating the opportunities the EU presidency affords and has failed to consult his cabinet's plans and priorities with the opposition. They are also critical of the fact that the Cabinet slashed the budget for the CR's EU presidency from the proposed 2.6bn to 1.2bn crowns. The country's last EU presidency, 10 years ago, cost 3.7bn. PM Babiš countered that the institutions involved in preparations have hidden reserves and said he would make known his plans in due time. The PM said the presidency's priorities would most likely be energy and the single market.

22 PM Babiš is set to miss a ChD session, in which the 2020 state budget will get its first reading. He is on a visit to Japan for the enthronement of the country's new emperor, at which he is deputising for President Zeman.

23 The CR needs to build new electric power plants if it wants to maintain its self-sufficiency in the field of energy, according to leading experts in the field.

24 The ChD has approved the 2020 state budget draft. The proposed budget envisages a CZK40bn deficit.

The Senate commission set up to assess the EC's audits concerning PM Babiš's suspected conflict of interest says its initial findings suggest that this may be the case and has invited the PM for questioning. The commission does not have the status of an investigative body, but was set up to monitor developments in the case and guarantee objectivity.

25 President Zeman says he will for a 4th time reject the government's proposal to promote BIS's head Koudelka to the rank of general. This spring, the Czech president objected to charges made in the BIS annual report that Russian and Chinese spies are spreading disinformation and engaging in economic espionage in this country. President Zeman said the BIS director should focus "real economic crime" in the CR rather than engaging in a "fictitious hunt for Russian and Chinese spies".

Average monthly rents in Prague have increased nearly 50% in 5 years to CZK307/m2, with an average annual growth rate of 7.3. According to Deloitte, which compared advertised prices and actual transaction prices as recorded by the cadastral office since mid-2014, the greatest y-o-y increase came in 2017, when average rents rose by 12.5%. The most expensive Prague districts in which to rent are those of Josefov, Malá Strana, Staré Město and Nové Město. The cheapest are Šeberov, Benice and Kolovraty.

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

29 The CR has placed 41st on the WB's Ease of Doing Business ranking for 2019. New Zealand topped the list, followed by Singapore and Hong Kong. The CR excelled in conditions for foreign trade but did poorly as concerns excessive bureaucracy in starting a business and in gaining a construction permit where it placed 134th and 157th respectively.

The ANO party would win general elections by a large margin, according to the Median. The Pirates would come 2nd with 12.5% of the vote and the ODS would place 3rd with 11.5%. The SPD would gain 8%, while the ČSSD and KSČM would get 7.5 and 7% respectively. The TOP 09 would gain 6% support.

30 The Czech Olympic Committee says the CR's participation in the Tokyo Olympics next year will be the most expensive ever. The Committee, which is currently discussing its budget for 2020, said the Czech party in Tokyo would number around 200. While almost CZK50mn had been earmarked three years ago to cover involvement in the 2020 Olympics, up to 20% more would now be required due to the increased cost of accommodation.

- Nov 1** Support for ANO party has risen 3.5% to 33.5% since September, according to the CVVM. ČSSD polled at 10% and the KSČM polled at 8.5%. Meanwhile, SPD dropped by 4% to 4.5% – 0.5% below the threshold. The Pirates is now polling at 14%, up 1% and ODS at 13.5%, up 1.5%. The KDU-ČSL polled at the 5%, TOP 09 at 4%, and the STAN at 2.5%, a drop of 2%. Tricolour party polled at 3%.
- 3** China has lately been trying to address and recruit Czech intelligence agents, BIS said. It also said the Chinese secret services were particularly interested in information related to the industry. They were trying to establish contact with scientists, academics, but also with politicians.
- 5** Petr Pavel says he may run for president in future under certain circumstances. The retired army general said, he would stand if a candidate entered the race that would push the country even closer toward Russia and make the CR more like Hungary. The one-time chairman of the NATO Military Committee made similar statements in other freshly published media interviews. General Pavel said that he would run in certain circumstances as a “civic responsibility”. He added that he was not ashamed of his membership of the KSČM prior to 1989; this fact is seen as potentially disqualifying him with a section of the electorate.
- STEM suggests that ANO party enjoy 33.1% voter support. The Pirates would have received 12.2% backing, ahead of the ODS on 10.5%. The KDU-ČSL would scrape past the 5% threshold, though TOP 09 and the STAN, would not. By contrast the new Tricolour party, with 4.2%, would be close to winning seats.
- 6** České Budějovice’s Budweiser Budvar and the Žatec hops are to be protected brands in China according to a new agreement between the EC and Beijing, which covers a total of one hundred foodstuffs with protected geographical indications.
- Czech Industrial production experienced a 4.9% y-o-y growth in September, compared to a 3.8% fall in August, the CSO announced. The growth was mainly thanks to an increase in car exports. However, after working days adjustments, industrial production actually went down by 0.6% in y-o-y terms. Analysts say that domestic industry is actually stagnating as a result of the possible recession in Germany. Nevertheless, some believe that the calming of geopolitical trade tensions could help Germany bounce back and give CR the opportunity to slip through its neighbour’s time of troubles unharmed.
- According iHned. cz, in terms of return on capital, domestic banks in the CR are among the best in Europe. Last year, net profits amounted to CZK82.1bn, an 8.9% increase when compared to 2017. The excellent results are partly down to the growth in the volume of loans provided and the subsequent increase in interest income. The latter is also supported by an increase in the CNB’s interest rate, which rose to 2% this May. This is in contrast to the situation in the EA where, the ECB lowered its key interest rate to -0.5% in September.
- 7** The EC’s forecast sees the CR’s GDP growth falling to 2.5%. The report expects growth next year to reach 2.2%. Czechs are more satisfied with their lives than the average EU citizen, suggests the Eurostat. With an overall average of 8.1, inhabitants of Finland were the most satisfied with their lives in the EU, closely followed by Austrians, Danes and Poles. The CR finished in the 10th place with 7.5 points, just ahead of Germany, Spain and France. The average life satisfaction of EU residents increased from seven point in 2013 to 7.3 in 2018.
- 8** The ChD has approved a bill that will enable Czech citizens to communicate with state institutions electronically as of 2020. According to the proposed law on digital services people will also no longer have to provide the same information to different institutions, and civil servants will be expected to seek it out themselves from electronic registers. Paper forms will be preserved, mainly for the sake of senior citizens. The bill still needs to be approved by the Senate and signed into law by the president. The process is expected to be smooth.
- 45% of Czech households say they have no trouble meeting their needs on their present income, according to the CVVM. That is the highest number in 17 years when polling on the subject first started. 24% of households consider themselves poor, which is 2% more than last year. 66% of households do not consider themselves either rich or poor, but claim that they can meet their basic needs. However only ½ of households have enough left at the end of the month to put money aside and a third say they cannot afford to support their elderly parents or go on foreign holidays.
- The EU has given final approval to a proposal that will allow member states that have a problem with carousel tax fraud to apply a generalized reversal of VAT liability. It will take almost a year to get the respective legislation in place so that the MF can introduce a generalized reversal of VAT liability in the CR. The EU member states who choose to do so will be able to use the generalized reverse charge mechanism only for domestic supplies of goods and services above a threshold of €17, 500 per transaction and only up until June 30, 2022, when the outcome of the exemption will be reviewed.
- 9** Most GPs in the CR have run out of flu vaccines, despite this being the best time of year to get inoculated. Suppliers say more vaccines should be available from November 15. Last winter around a million people caught influenza in the CR. Almost 200 died from complications linked to the illness.

Nov 10 Impoverished Czechs receiving benefits referred to as the living minimum and the existential minimum could receive an additional 13% next year, the MLSA Minister Maláčová said. She has proposed such an increase in view of the fact both minimums have been at the same level for 8 years while inflation has increased by 13% during that time. ANO says they are not against such an increase. However, they have made agreement conditional on a revision in other benefits.

Neither the ČSSD nor SPD would have made the 5% threshold to reach the ChD if elections had been held last month, suggests the Kantar CZ agency. Both parties would have got 4.5% and exited the ChD, the survey indicates. ANO would have received the backing of 31.5%, ahead of the Pirates on 17% and the ODS on 12.5%.

11 The group A Million Moments for Democracy plans to deliver an ultimatum to PM Babiš in a mass protest march on Saturday: resolve his conflicts of interest and dismiss the justice minister – or resign. Protesters want Babiš to exit the holding company Agrofert, which he put in trust funds in but allegedly remains the beneficial owner of, and the numerous media outlets he owns. If he does not do so, ‘Million Moments’ will stage another wave of weekly protests. At the group’s last demonstration in June, more than 280,000 people turned out to call for Babiš to step down. It was the biggest protest since the Velvet Revolution 30 years ago.

12 The Czech minimum wage, currently at CZK13,350, is the lowest in CEE, and in terms of buying power, such employees are even worse off. TUs are lobbying for the minimum wage to rise to CZK15,000 next year while employers’ associations propose a rise of just CZK700. About 150,000 people are in minimum wage jobs. Czechs’ comparative purchasing power should rise from 66% of the average of EA countries now to 71%, according to the MF.

13 Prague’s Václav Havel Airport will expand Terminal 2 in order to accommodate the growing number of passengers. The planned expansion, which was approved by the MF, should cost CZK16bn and be concluded by 2028. Plans to build another parallel runway would be dealt with in accordance with the availability of state finances for the project. The airport is planning future investments to the tune of CZK55bn.

The Czech-Chinese Centre at Charles University is to be closed down Zima. The university has been embroiled in a scandal over secret Chinese payments to four of its faculty members, amid concerns that Beijing is using the centre to boost its influence in the Czech academic sphere. The university fired the head of the university’s Centre for Security Policy, and 2 other members of the Social Sciences faculty last week after it emerged that they had set up a private fund through which the Chinese embassy paid for conferences co-organised by the university centre. Rector Zima said he would not stand by and watch the centre damage the university’s reputation.

15 Some 25 km of new highways are set to open in the CR by the end of the year, the MT said. Altogether, the CR is set to increase its network of highways by 34 km in 2019. A 14-km stretch of the D1 highway, connecting Prague and Brno, is set to open in December between Přerov and Lipník nad Bečvou. The D3 motorway in South Bohemia will also be extended.

Over 70% of Czechs are happy with their quality of life after the Velvet Revolution, according to the STEM. That figure is 9% higher than in 2009. According to the survey, people appreciate the possibilities that opened up after the fall of the Communist regime, such as quality education and better services and shopping choices, as well as the right to vote in free elections and express their own opinion freely. On the other hand, more than 3/5 of respondents criticised the moral state of Czech society, financial disparities, and bad interpersonal relationships. Most people addressed in the survey also welcome the foundation of an independent Czech state and the CR’s entry to the EU and NATO.

16 Protesters gathered on Prague’s Letná plain to demonstrate against PM Babiš and MJ Minister Benešová, calling on both to resign. According to the organisers there were as many as 300,000 people in attendance. The 2-hour demonstration was the latest in a series of protests that have been going on since April this year. Organisers Million Moments for Democracy set out new demands on the PM, while also calling on opposition parties to find a way to increase their strength and vowing to organise new demonstrations if the PM interferes in the CR’s justice system, media, receives a pardon from the president, or if his alleged conflict of interests results in a withdrawal of EU subsidies. Protestors suspect the PM has been seeking to influence a criminal investigation into suspicions he committed EU subsidy fraud. However, the PM denies this and earlier this year, the criminal proceedings against him regarding an alleged case of subsidy fraud related to the Stork’s Nest farm were halted by the state attorney investigating the case.

The ME said it was against the possibility of expanding the Polish brown-coal mine located in Turów near the Czech-Polish border. The decision to rule against the move was made in cooperation with the Liberec Region and the Czech Geological Survey. If the project does go ahead, the CR would require financial compensation in case of damages or funds for the formation of a sealing wall that would prevent the escape of groundwater.

Nov 17 Czech politicians and the wider public marked the 30 year anniversary since the brutal crackdown by police on protesters passing through Národní třída in Prague sparked the beginning of the end of communism through the Velvet Revolution. In Prague, the largest celebrations took place in the centre around Národní street and Wenceslas Square, but special programs also took place in other cities and in many of the country's leading arts institutions such as the National Museum and the National Gallery.

18 Representatives of the government, businesses and employee unions failed to agree on what the minimum wage should be in 2020. The MLSA Minister Maláčová said she has therefore asked PM Babiš to convene representatives of the coalition government to agree on the level as soon as possible. TUs have demanded the minimum wage increase by CZK1,650 next year for full-time workers to CZK15,000 a month. Employers have agreed to an increase of CZK700 at most.

The Cabinet has approved a 7% digital tax on large internet businesses such as Facebook, Google, Amazon and Apple. According to the MF's estimates, the new tax would bring in CZK5bn of revenue a year. The MF proposes introducing a so-called DST model of digital tax as proposed earlier by the EC. Subject to the new tax would be internet companies with a global turnover of over €750mn and annual turnover in the CR of over CZK100mn. Some digital economy platforms such as Airbnb and Uber that allow users to provide services and goods to each other for a transaction fee would also be subject to the tax.

19 Czech farmers say that sales of 8 major agricultural commodities should rise by almost CZK2bn this year to reach over CZK90bn. More cereals and potatoes have been harvested this year but the rape crop was down.

20 The Australian mining company EMH has reached a conditional agreement with the ČEZ regarding a strategic partnership as well as large investment into a lithium mining project around Cínovec in the North West of the country. If the agreement passes a due diligence check and is approved by shareholders it will mean that ČEZ will pay €34.06mn to receive a 51% share in Geodet, a subsidiary of EMH, which possesses the rights to mine in the area. The CR is estimated to possess 3% of the world's lithium reserves and the deposit around Cínovec is the largest in Europe.

The Czech army will take over leadership of the EU's military training mission in Mali, PM Babiš and MD Minister Metnar announced at an armed forces high-command meeting. Czechs will lead the mission for 6 months. Their main task will be to help in the establishment and training of Mali's army, which is currently fighting Islamic radicals in the country. The CR currently has around 120 soldiers in Mali.

21 According to a study presented by the Czech NGO Arnica, fish caught in the Vltava River in Prague contain less mercury than home-bred and imported fish sold on the market. Just 2 out of 14 samples of fish caught in the Vltava River in Prague slightly exceeded the mercury limit set by strict US safety norms. As regards randomly chosen samples of fish sold on the market, 5 of 28 samples tested exceeded the limit. According to EU safety norms, which are less stringent, all but 1 sample of fish sold on the market passed the test.

22 Prague City Hall councillors have indicated they will not allow the police to activate automatic facial recognition cameras in the city. Prague police asked the municipality to approve the pilot project at six selected locations within measures to increase security in the capital. Prague mayor Hřib slammed the idea, tweeting that City Hall would not support the "Chinese-style Big Brother project" and Councillor Pospíšil said such a move would be an invasion into people's privacy for which there was currently no justification. MI Minister Hamáček and the police said they had merely floated the idea to test the waters.

Václav Havel was the best president the country has had since the fall of communism in 1989, according to the STEM. Havel was rated top by 55% of respondents, followed by Klaus and then the incumbent president, Zeman. In fact 1 in 4 people who voted for Zeman in the last presidential elections said Václav Havel was the best president in the country's modern history. He was highly rated in how he had used his powers and his interest in citizens' concerns.

Prague ranks 13th among the world's top 113 cities in terms of economic and social inclusivity compiled by D&L Partners.

23 ANO would have received 30% support if elections had been held earlier this month, according to the CVVM. The party were on 3.5% more in a previous survey by the agency. The latest poll put the ODS on 14%, just ahead of the Pirates on 13.5%. The KDU-ČSL and SPD were just 0.5 point above the 5% threshold to make the ChD. The STAN and TOP09 would have exited Parliament, with 4% and 3.5%, the poll indicates.

The CR is planning to donate CZK50mn in international humanitarian aid by the end of this year. The MFA proposal should be discussed by the cabinet. 1/5 of the funding is slated for an International Committee of the Red Cross medical aid programme in Eastern Ukraine. 2/5 is intended for the UNHCR's work with migration in Zambia and the remainder should go to the UNDRR, which focuses on disaster reduction.

24 The introduction of a new system under which if an MP becomes a minister they can be replaced by another member of their party now depends on the Senate. The introduction of the sliding mandate, as it is called, has the backing of the ChD. The Senate has expressed opposition to this constitutional change but may back it in exchange for other changes. These include extending the term of CC judges to 12 years and making it easier to file a petition against the president at the country's highest court.

- Nov 25** Confidence in the economy is at the lowest level since summer 2014, according to the CSO. The composite confidence indicator stood at 93.3 points in November, down 0.3percentage points from the previous month, while the business confidence index stood at 91.5 points, down 0.1 pp. The business confidence index reached an all-time high of 106.60 points in February 2007 and a record low of 69.10 points in March 1999.
- 26** Working groups of the so-called Coal Commission expect to draft plans to end coal mining in the CR sometime after 2030 onwards in order to reduce Co2 emissions. The scenarios should be ready in January. The CR is the 5th biggest polluter in Europe and the 20th in the world in terms of CO2 emissions, and the key reason is the share of coal-fired power plants in the CR's energy mix. PM Babiš has said new nuclear power units must be built, even if in breach of European law, to offset the loss of electricity generated by coal. The spreading of disinformation by pro-Russian activists was the most serious threat to the constitutionality of the CR last year, the BIS says in an annual report. In recent years such players have been agitating in an increasingly intensive and systematic way against the political structure in the CR and the CR's membership of the EU and NATO, the report states. The report says those circulating pro-Moscow disinformation tend to be from various nationalist and populist movements and include parties and individuals. Some of them were previously active in the domestic anti-immigrant movement. BIS also said that China was intensifying its espionage activities in the CR, with all of it main intelligence services in operation here in 2018. China has targeted its activities at the academic community, the security forces and the state administration and has sought to recruit Czechs as agents.
- 27** The leaders of parties in the coalition government have agreed to raise the Czech minimum wage by CZK1,250 to a total of CZK14,600 starting from January. The deal is yet to be approved by the Cabinet. TUs have been pushing for the raise to be as high as CZK1,640, while employers say they are willing to agree to a maximum increase of CZK700. The last minimum wage increase occurred in January this year. PM Babiš says that financial resources are high enough for the coalition to go ahead with the raise. The EP approved the new EC with an overwhelming majority. The vote means not only that the team in charge of the European executive branch has been established for the next 5 years, but it is also the first time that one of its vice-presidents, Věra Jourová, will be Czech.
- 28** Despite a relatively humid and rainy November, some areas in the CR are still suffering from drought, according to the website InterSucho, which is mapping the current state of drought in the country. South Bohemia and part of the Pilsen region are the worst affected, with the registered lack of moisture reaching into the deeper layers of soil in places. According to a long-term weather forecast, precipitation in the next few days should be below-average for this time of year.
- 29** Czech economic growth in the Q3 has slowed to 2.5% y-o-y, according to the CSO. Compared to Q2, GDP rose by 0.4%. Analysts say this confirms the predicted slow-down in economic growth, although compared to the situation in Germany, the CR's main export destination, the Czech figures are still viewed as positive. Economic growth in 2018 reached 2.9% and the prediction for this year is 2.5%. The CR will not be able to finance the shift to a low-emissions economy and would need hundreds of billions of crowns from the EU, in addition to cohesion funds, in order to fulfil the goals set for 2050, ME Minister Brabec said. PM Babiš emphasized that the CR must retain the right to decide on the CR's energy mix. By 2050, nuclear energy should form ½ of the CR's energy mix, coal and natural gas should form about 20%.
- 30** The CR will increase its contribution to the NATO budget by about 10% as of next year, citing defence ministry sources. The CR is currently contributing CZK580mn and should pay around CZK620mn as of 2020.
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- Dec 1** A new tolling system has come in force in the CR as of midnight 1 December 2019. The system requires hauliers to register and have their vehicles fitted with a new on-board unit by that date. Around 313,000 vehicles have registered so far, another 145,000 are still expected to do so. The price of flats in the CR is overinflated by 15 to 20%, according to the CNB. However, the CNB board has not changed its recommendations for mortgage lending. The forecast is that the growth in real estate prices will slow in the coming months. According to Deloitte, the price of an apartment in the CR rose to CZK60,700/m2 this year. An apartment with an area of 70m2 meters is selling for CZK4.2mn on average. In the large cities, especially Prague and Brno, prices are significantly higher.
- 1** PM Babiš insists that he has fully adhered to the CR's conflict of interest law, by placing the multi-billion crown conglomerate he owns into trust funds. The PM made the statement in reaction to an EC audit into the matter which has now arrived in Prague. Its content remains confidential and the PM said he had no means of affecting that. TI and opposition politicians have called for the audit to be made public.
- 3** Students at Czech schools have improved in their reading, mathematics and science abilities, according to the MEYS, who unveiled the latest Programme for International School Assessment rankings. Out of the 79 countries and economic regions that took part in the rankings, the CR placed 25th in reading comprehension, 22nd in mathematics and 21st in science. Altogether Czech students improved their scores in all categories compared to the last measurement which took place in 2015, also exceeding EU average scores.

Dec 4 The EC, which finds PM Babiš to be in a conflict of interest over EU subsidies paid to the Agrofert holding he founded and placed in a trust fund 2 years ago, asks the CR to pay back close to CZK284mn of funding provided by the EU to Agrofert. According to Deník N and the investigative site Neovlivní, Czechia will have to pay back 100% of the funding which Agrofert received after February 9, 2017 – the day that new legislation on conflict of interest, sometimes known as “Lex Babiš”, was put into use. The grand total encompasses mistakes committed in the pay-outs of specific subsidies and is therefore around CZK451mn. Some politicians have said that the Czech state should try to claim this money from Agrofert.

The average gross monthly salary in the CR increased by 6.9% in the Q3 2019 to CZK33,697, according to the CSO. In real terms, taking into account inflation, wages increased by 4%. However, 2/3 of employees earn less than the average wage. The median wage, a midway between the highest and the lowest levels, was CZK29,549, up by 6.7% compared to the same period last year.

Supreme State Attorney Zeman has rejected a decision by the Prague state attorney, a subordinate, to halt the criminal investigation into whether PM Babiš illegally acquired €2mn in EU subsidies for his Stork's Nest complex a decade ago.

5 The ChD approved the 2020 state budget, with a projected CZK40bn deficit. The budget forecasts state expenditures of CZK1.618bn and revenues of CZK1.578bn. It will have to be signed into law by the president.

The ANO is still way ahead of political rivals in public support ratings, despite the scandals surrounding its leader, PM Babiš. A November survey indicates that the party would win general elections collecting 30.5% of the vote. The Pirates and the Civic ODS would come second, both with 12.5% of the vote, while the ČSSD, the KSČM and the SPD would each get 7.5%. TOP 09, the KDU-ČSL and the STAN would only just cross the 5% threshold.

6 MPs have approved the government draft amendment to the Food and Consumer Protection acts to impose steep fines on retailers selling “dual quality” food and other products. If signed into law, retailers who sell inferior quality products that appear to be the same as superior ones sold elsewhere in the EU could be fined up to 50 million crowns.

The CR looks set to officially declare August 21 a state holiday, in memory of victims of the Warsaw Pact troop invasion of Czechoslovakia in 1968 and subsequent Soviet-led occupation. According to the bill, the night of August 20-21, 1968, was among of the most tragic times in modern Czechoslovak history.

8 The number of doctors from countries outside the EU working in the CR keeps increasing. There were nearly 1,650 doctors from the 3rd countries working in CR in 2018, compared to 200 a decade ago. Most of the doctors come from Ukraine, Russia or Belarus. In order to work in the CR, they have to pass an aptitude test. The number of those who pass the exam has dropped in recent years, with the success rate currently ranging between 20 and 30%.

9 Unemployment in the CR remained at 2.6% in November, the same as the previous month, the LO announced. The number of jobless increased by 771 to 197,289, which is the lowest figure for the month since 1996, while the number of vacancies increased to 339,000. Last November, unemployment stood at 2.8%. The lowest rate of unemployment, 1.8%, is in the Pardubice region, which is followed by Prague with 1.9%.

Despite an anticipated slowdown in Czech economic growth, a record 59% of companies plan to pay employees a so-called 13th salary bonus this year, according to the CCC.

10 The CC ruled to uphold a complaint by eight Taiwanese citizens who are currently being held in custody after receiving so-called subsidiary protection in the CR for 1 year. The 8 individuals are suspected by China to have run a gang responsible for eliciting tens of millions of crowns from several Chinese women in Prague and China is asking that they be extradited. However, according to the CC's judges their detention is devoid of purpose because extradition is not yet possible. The suspects deny their guilt and have stated that they fear the use of torture, or execution in China, in part due to the hostile relationship between China and Taiwan for the past 70 years.

10 More than 1/3 of the CR is currently suffering from drought, ME Minister Brabec said. Despite 2019 seeing more rain than in previous years, it is not enough to counteract 6 years of drought which the CR has gone through. Unless 2020 sees above average rainfall, it is very unlikely that the accumulated groundwater deficit will be eliminated, the ME Minister said. Some CZK12bn have been allocated from state budgets between 2014 to 2020 to combat the effects of drought, CZK2bn of which remain in the reserve.

The consumer finance group Home Credit hired a PR agency to improve the media image of the Communist Party of China and thus influence Czech society in its favour, news site Aktuálně reported.

A survey conducted for the MLSA shows that 85% of Czechs would support the establishment of some sort of social housing law. Most respondents stated that they would prefer the establishment of social homes, or special streets and neighbourhoods intended for the purpose. Currently the CR is still waiting for a social housing law to be passed through parliament, despite the draft receiving government approval in 2017.

Dec 11 The initiative “A Million Moments for Democracy”, which is calling for PM Babiš to step down over alleged corruption and conflicts of interest regarding EU funds and subsidies, held another mass rally on Tuesday. Police estimate around 50,000 people turned out for the demonstration on Prague’s Wenceslas Square while ‘Million Moments’ put the figure at 80,000 demonstrators. The initiative has held a series of protests against Babiš since late April, when Czech police proposed that he be charged with EU subsidy fraud. Their largest demonstration, in mid-November, drew some 300,000 people.

The new European Space Agency will be based in Prague from 2021 onwards, the MT announced. The agency will be created by extending the existing European GNSS Agency (GSA), which is already based in the Czech capital. It is currently mainly responsible for operating the Galileo satellite navigation system and employs 100 people. Apart from developing satellite telecommunications it will monitor the nearby surroundings of the Earth. The EUSPA will also manage of Copernicus which, along with Galileo, have become global references in satellite positioning and earth observation, and the governmental satellite communications initiative Govsatcom.

12 The population of the CR grew by more than 30,000 over the Q1-Q3 2019 to 10.69mn million, the CSO announced. As in recent years, the numbers were driven by immigration, mainly from Ukraine and Slovakia.

Minimum respectable salary in the CR, which would cover the basic needs, as well as entertainment and small-time savings, is CZK31,463, according to experts. In Prague, the sum is CZK36,850, due to higher costs of living. The average gross monthly salary in the CR reached CZK33,697 in the Q3 2019. However, 50% of Czechs earn less than CZK29,549, including people with a university education, such as teachers, social workers or professional musicians.

13 EU leaders, including PM Babiš, reached an agreement on climate change during a summit in Brussels. The heads of state backed plans for the 28-nation bloc to become carbon neutral by 2050, with the exception of coal-reliant Poland. The target is part of a plan to make Europe the first climate-neutral continent. The CR, which also raised objections to the 2050 carbon neutrality goal, only agreed to the deal after assurances were made that member states could use nuclear energy to reduce emissions.

Following Boris Johnson’s sweeping victory in Britain’s parliamentary elections, MFA Minister Petříček said he anticipated complicated negotiations about post-Brexit relations. Mr Petříček said that although he was personally disappointed by Britain’s planned departure from the EU, it was important for the CR to focus on future cooperation with Great Britain. He also said he understood the need for British voters to move on.

PM Babiš has described the outcome of elections in Great Britain as the victory of a charismatic leader, saying that Boris Johnson’s election victory on a powerful Brexit agenda was a signal for opposition Labour Party leader Jeremy Corbyn to resign. Britain’s departure from the European bloc is now definitive, which is a “pity for Europe,” Babiš said, noting that Great Britain had been a good partner and ally in the 28-member block.

14 Prague’s Václav Havel Airport reached 17mn passengers for 2019, the highest number it has ever handled in 1 year. The figure is 6% up on the number of passengers using the airport in 2018. The average number handled a day this year has been around 49,000. The airport’s operators said it was close to its maximum capacity. Some CZK16bn is to be invested in expanding its second terminal between now and 2028 and capacity is expected to reach up to 23mn annually by 2035.

The Home Credit said it hired the agency C&B Reputation Management earlier this year in order to help improve Czech-Chinese relations. However, the firm denied it had asked the agency to promote the interests of any foreign state.

15 The UK’s departure from the EU will weaken the group of EU states that use nuclear power to generate electricity, according to the ČEZ. ČEZ trades on the UK wholesale energy markets and it is not clear how the post-Brexit situation will look. ½ of the EU’s 28 states used nuclear energy and the departure of the UK would tip the balance toward countries that do not. In addition, Germany is planning to cease using nuclear power. The UK, which is preparing to build more nuclear power stations, was a strong ally of the CR in the EU, the ČEZ said.

A new timetable came into effect on the CR’s railways on Sunday. The biggest changes have been felt in regional transport while private companies have begun offering services on some district lines. Intervals have also been shortened on some highly used routes while the ticket system has been changed in some regions. Traditional carrier ČD has lost some lines ordered by the state or regions to private rail companies but still maintains a 90% share of the market and runs an average of almost 7,000 trains a day. Also on Sunday services resumed at Brno’s Main Station after a break of a year for repair work.

16 PM Babiš says the CR’s National Investment Plan involves over 20,000 projects. Mr. Babiš said the total amount to be invested between now and 2050 would be around CZK8bn. The top priorities are transport, which will account for around ¾ of the entire amount spent, healthcare, energy, climate control and cyber security.

The Cabinet has agreed to dismiss NCISA CEO Navrátil. A successor will be chosen by a new seven-member committee comprised in part of intelligence agency chiefs.

- Dec 17** The Inspection Committee of the ChD has asked the MRD and the MA to supply it with translations of EC's audits relating to PM Babiš's alleged conflict of interest. The as yet unpublished documents reportedly accuse Mr. Babiš of remaining in control of the company Agrofert despite having placed it in trust funds. However, the PM says he has complied with both Czech and European law.
- 18** The average mortgage rate in the CR fell slightly to 2.35% in November, according to an index run by financial advisors Fincentrum. It is the 10th month in a row that home lending rates have fallen in the country. Mortgages in the CR hit their lowest price, 1.77%, in December 2016 and have on the whole grown since then. The CNB will keep the current set interest rate at 2%. Analysts see unpredictable developments abroad and the expected decrease in inflation as the main reason behind the decision.
- 19** The price of used cars on the Czech market has gone up by over 20% over the past 4 years, with vehicles now selling at CZK139,000 on average. The average age of used cars has dropped from 9.9 years in 2018 to 9.7 years. Meanwhile, the mileage of used cars has dropped to 150,000km. There are currently around 90,000 used vehicles available on the Czech market.
- 22** The unfinished process of long-term convergence between the CR and advanced EA states continues to be an obstacle in the adoption of the euro, according to an analysis published by the CNB. A further risk factor stems from the difference in Czech and EA financial cycles and the issue of maintaining the long-term sustainability of Czech public finances due to population aging and the growth of mandatory budget expenditures. However, when it comes to the Maastricht convergence criteria for adopting the EA currency are basically fulfilled.
- 23** Czechs' biggest concerns relate to migration, their health and the state of the environment, according to the CVVM. While fears relating to migration have been dropping –from 31% in 2016 to 21% in 2019 – fears relating to the environment are growing. While in 2016 a mere 2% of respondents voiced this concern, this year it was 19%. 19% of respondents are also concerned about their health. Other concerns include fear of a terrorist attack, family problems and problems at work.
- 27** Trust in the Czech economy experienced a slight increase in December after a 3-month downward trend. According to the CSO overall trust in the economy grew from 93.3 points in November to 93.8 points in December. The increase was driven mainly by higher trust among consumers, which reached 104.8 points, but trust among entrepreneurs also saw an increase of 0.1 reaching 91.6 points. November's figure was the lowest rating since 2014.
- 28** MF Minister Schillerová has said she expects a CZK30bn deficit in 2019. The deficit was originally projected at CZK40bn. Despite the narrowed deficit, opposition parties remain critical, arguing that there is no justification for a deficit budget at a time of solid economic growth. They moreover criticize the fact that large sums are spent on the social sphere rather than on investments. The 2018 budget ended on a surplus of CZK2.9bn, despite the projected CZK50bn deficit.
- The cabinet is due to debate a proposed amendment to the law on cyber security in the coming days. The amendment is now being studied by PM Babiš, and should be addressed by members of the State Security Council. The bill would give Military Intelligence broader powers, among others the right to continuously monitor public communications networks. The country has seen 2 big cyberattacks in the past few weeks, targeting a hospital in Benešov and the OKD coal mining company. Previous attempts to amend the law have failed due to privacy concerns.
- 29** The average Czech household spent CZK149,162 per person last year, according to the CSO. Consumer spending, which includes spending on food, housing, holidays, health, transport or education, increased by 3.4% y-o-y. The biggest share of the family budget is spent on housing, the 2nd biggest amount is spent on food. The cost of food and accommodation increased by more than 7% last year. The only expenditures that showed a y-o-y decline were postal and telecommunication services due to lower mobile and internet tariffs.
- 30** Czechs will have to pay more for spirits and tobacco products in 2020. The excise tax on tobacco and cigarettes will go up by 10% in 2020, while that on spirits by 13%. Certain forms of gambling will also see a tax increase from 23 to 25%. While the MF expects the price of a packet of cigarettes to rise by around CZK5 next year, tobacco companies say consumers are likely to pay an extra CZK12 or 13.
- Pensioners in the CR will see an increase in their monthly old-age pensions by 6.7% on average, which amounts to around CZK900, as of January 2020. The hike is higher by about CZK200 than the increase that the pension law would normally allow, based on salary growth and inflation. It is the 2nd hike in succession as the government strives to bring pensions faster to a higher level. The ČSSD of the ruling coalition, who hold the MLSA portfolio, say they want pensions to reach 50% of the average wage by the end of the government's term in 2021.
- 31** The Czech motorway network was extended by 33km this year, according to the MT. This is a significant improvement on 2018 which only saw 4km of new roads constructed. New highway projects slated for 2020 envisage 21km of new highways being opened. The cabinet has come under severe criticism for the slow pace of infrastructure construction.

注: 本報告は、チェコ政府公表資料、新聞等報道資料をとりまとめたもの。

* **ACER**: Agency for the Coordination of European Energy Regulators; **ACM**: Association of Car Makers; **AE**: Association of Exporters; **AIA**: Automotive Industry Association; **ALA**: Association of Local Administrations; **ANO**: Ano 2011 Movement; **ASCR**: Academy of Sciences of the CR; **ASF**: African swine fever; **ASME**: Association of Small and Medium-Sized Enterprises and Crafts; **BIS**: Security Information Service; **Bn**: billion; **CAE**: Czech Association of Exporters; **CAP**: Common Agriculture Policy; **CBA**: Czech Banking Association; **CC**: Constitutional Court; **CE**: Central Europe; **CEB**: Czech Export Bank; **CEPS**: Czech Electricity Transmission System Operator; **ChD**: Chamber of Deputies of the Parliament of the CR; **CI**: Confederation of Industry; **CIA**: Car Importers' Association; **CMC**: Czech Medical Chamber; **CMKOS**: Czech Confederation of Trade Unions; **CNB**: Czech National Bank; **CNG**: Compressed natural gas; **CoE**: Council of Europe; **CR**: Czech Republic; **CSA**: Czech Airlines; **CSO**: Czech Statistical Office; **CSSA**: Czech Social Security Administration; **ČSSD**: Czech Social Democratic Party; **CTK**: Czech News Agency; **CTO**: Czech Telecommunications Office; **CVVM**: Public Opinion Research Centre ; **CZK**: Czech crown; **EC**: European Commission; **ECJ**: European Court of Justice; **EP**: European Parliament; **EE**: Eastern Europe; **EET**: Electronic cash registers system; **EIA**: Environment Impact Assessments; **EIB**: European Investment Bank; **EP**: European Parliament; **ERDF**: European Fund for Regional Development; **ERM II**: Exchange Rate Mechanism II; **ERO**: Energy Regulator Office; **ESA**: European Space Agency; **ESIF**: European Structural and Investment Fund; **ESM**: European Stability Mechanism; **EU**: European Union; **EY**: Ernst & Young; **FA**: Financial Administration; **FDI**: Foreign direct investment; **GDP**: Gross Domestic Product; **GDPR**: General Data Protection Regulation; **GRECO**: Council of Europe Group of States Against Corruption; **GSA**: European Global Navigation Satellite Systems Agency; **GVA**: Gross Value Added; **H**: Half of year; **HRL**: Human Rights and Legislation; **ILO**: International Labour Organization; **Kantar**: polling agency; **KDU-ČSL**: Christian Democrats; **KSČM**: KSČM of Bohemia and Moravia; **LČR**: Forest of the Czech Republic; **LNG**: Liquefied natural gas; **LO**: Labour Office; **M-o-m**: month-on-month; **MA**: Ministry of Agriculture; **MC**: Ministry of Culture; **ME**: Ministry of Environment; **MF**: Ministry of Finance; **MH**: Ministry of Health; **MI**: Ministry of the Interior; **MJ**: Ministry of Justice; **MIT**: Ministry of Industry and Trade; **Mn**: million; **MLSA**: 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; **NCISA**: National Cyber and Information Security Agency; **NCCOC**: National Centre for Combating Organised Crime; **NGO**: non-government organisation; **NHI**: National Heritage Institute; **NPP**: Nuclear Power Plant; **OGCR**: Office of the Government; **ODS**: Civic Democratic Party; **OPDP**: Office for the Personal Data Protection; **OSA**: Copyright Protection Association for Music Rights; **Pirates**: Czech Pirate Party; **Pps**: percentage point; **PJ**: petajoule; **PM**: Prime Minister; **Q-o-q**: quarter-on-quarter; **Q***: Quarter *; **RES**: renewable sources; **RIA**: Railway Infrastructure Administration; **SAC**: Supreme Administrative Court; **SAO**: Supreme Audit Office; **SFTI**: State Fund for Transport Infrastructure; **SPD**: Freedom and Direct Democracy; **SRMA**: State Material Reserves Administration; **STAN**: Mayors and Independents; **STEM**: Public Opinion Research company; **STFI**: State Fund for Transport Infrastructure ; **SÚJB**: State Nuclear Safety Authority; **SÚRAO**: Radioactive Waste Repository Authority; **SVA**: State Veterinary Authority; **SZIF**: State Agricultural Intervention Fund; **t**: tonnes; **TI**: Transparency International; **Tn**: trillion; **TOPog**: TOP 09 Party; **TTIP**: Transatlantic Trade and Investment Partnership ; **TU**: Trade union; **TUL**: Technical University of Liberec; **UN**: United Nations; **V4**: Visegrad Four; **VAT**: Value Added Tax; **WHO**: World Health Organ; **Y-o-y**: year-on-year