

チェコ経済月報(8月11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.

10 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 1/2 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.

- Feb 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 1/3 of Czech exports and a 1/4 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 on 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.

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.

Feb 20 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 1/5 of the workforce. Foreign workers in Prague are mainly filling jobs requiring unskilled labour it said. 2/3 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.

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.

Feb 25 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 1/4 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 1/3 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.

Mar 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.

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.

Mar 7 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 in 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.

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.

Mar 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 ⅓ 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%.

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.

Mar 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.
- 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.
- Apr 4** 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.

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.

- Apr 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.

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.

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.

Apr 18 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.

- 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.

- Apr 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 ⅔ 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.

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%.

- May 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.

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, according to the CSO. 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.

May 15 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. Mr. Staněk had announced last week 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 1/3 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.

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.

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.

May 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 the 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 Druzba 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.

A meeting of the tripartite 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 vehemently 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.

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.

- May 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 uninterrupted 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 organizer Million 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.

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.

Jun 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 1/2 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.
- 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.
- June 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 Million 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.
- 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.
- Jun 28 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.

Jul 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.

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.

Jul 12 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 a of 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 CVM'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.

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.

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.

Jul 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 1/2 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.

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.

Jul 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' 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.

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.

Aug 8 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 the CSO. The number of tourists in Prague in the Q₂ reached 5.8mn, which in 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.

注：本報告は、チエコ政府公表資料、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; **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; **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; **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; **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; **TOP09**: TOP 09 Party; **TTIP**: Transatlantic Trade and Investment Partnership; **TU**: Trade union; **UN**: United Nations; **V4**: Visegrad Four; **VAT**: Value Added Tax; **Y-o-y**: year-on-year