

Business

(P/3) A new economic analysis by the ČMKOS labor organization argues that the CR is "running in place" and is falling behind developed countries instead of catching up with them. At the pace of convergence over the past 10 years, according to the analysis, it will take the CR 84 years to catch up to Germany, 147 years to catch up to Sweden and infinity to catch up to Norway. The current high level of Czech growth is not indicative, the study found, because the long-term trends and results are key. Chair Josef Středula of ČMKOS said that the CR is positioning itself as a "sub-supplier to a sub-supplier of a sub-supplier." The policy of low wages and a weak currency is leading to a restructuring of the economy toward a lower level of manufacturing. The CR needs a new economic policy, according to ČMKOS, and it needs to emphasize expertise, innovation and products with high added value.

(E15/4) EY found as part of its investor-confidence barometer that 82% of the Czech managers surveyed think that the domestic economy is improving. Of these, 25% say that the improvement is significant.

(P/8) Škoda Auto raised its car prices by up to Kč 15,000, citing inflation. It said the price increase was compensated for by an increase in the basic outfitting of its cars. Právo said that the inflation rate last year was 0.4% and that the rate this year is similar. This would mean a Kč 900 rise in the price of a Fabia, Právo said, not Kč 5,000.

(HN/20) Chief Economist Jan Vejmelek of Komerční banka said that core inflation (excluding such things as falling fuel and food prices) has been rising since the intervention against the crown began and is now at about 1.5%. The CR is among the one-third of EU countries with the highest inflation, he said, and this is reason to keep testing the CNB's Kč 27/euro cap on the crown.

(MFD/13) MFD said in a commentary that the arrangement Marek Dalík had with PM Mirek Topolánek pales in comparison to the billions that derive from the relationship between lawyer Radek Pokorný and Bohuslav Sobotka. Most of the arbitration decisions against the state that Pokorný handles are filed by companies that Sobotka privatized as finance minister, MFD said. (LN/11) Dan Ťok noted that the final owners of Škoda Transportation are hidden behind a Cyprus company, Central Europe Industries Ltd.

(P/6) Sobotka will leave tomorrow on a one-week visit to China, where he will meet with the Chinese president and the PM. (HN/12) When asked by students about Asian investment in the CR, Marek Dospiva of Penta said that China is a fresh breeze into the stale Czech pond. He said he expects that the Chinese will step up their game here. (MFD/7) Jaroslav Strnad reportedly turned down an offer to sell Tatra to CEFC.

(HN/3) The ERÚ energy-regulatory office ruled yesterday that certain renewable-energy subsidies will not be paid for next year.

This could mean Kč 42bn in lost funding for power plants. However, the ERÚ left open the possibility of changing its decision if the cabinet issues an indemnity or if progress is made in the EU notification process.



(HN/14) Marek Dospiva of Penta told students at VŠE university in Prague on Wed. that Germany is a potential growth market for Fortuna and that Penta bought two betting agencies in Romania two months ago. In terms of Dr. Max pharmacies, Poland offers the greatest potential. In terms of Deník newspapers, the main advantage are the synergies with its retail operations. It is also better, he said, when more investor groups own media assets, because there are then more opinions, and it helps to cultivate the environment. Asked about failures, he said that Penta lost €100m on U:fon and that its meat-processing plants might not work out.

(HN/18) GM Libuše Šmuclerová of Czech News Center (Blesk) said she would like to take over Seznam.cz but will also be happy with something smaller. Digital-media revenue now accounts for half of all revenue at Czech News Center and Economia (HN). Blesk will start charging for some content, such as expert material about the civil code. Mafra said that iDnes is covering losses from its print business and that MFD will merge its print and internet journalism staffs.

(P/3) The leadership of the CERGE-EI Institute, which is chaired by Jan Švejnar, is split with regard to receiving financing from Babiš and inviting him to attend an event tomorrow. Some trustees are concerned about being seen as being linked to Babiš.

(P/5) Právo said it was Prague City Assemblyman Michal Hašek of ANO who tried to shift Kč 1bn in real estate from city-owned Pražská teplárenská heating company into a new subsidiary, PT Real Estate. If it had been approved, Právo said, the city would have lost direct control over the assets. (HN/4) Meanwhile, TOP 09 is trying to form a new coalition at Prague city hall and has reached an agreement with ODS and the Coalition of Three (Greens, KDU-ČSL, STAN). Additional coalition partners will be sought so that the coalition has a majority.

(P/15) Philip Morris ČR reported 9M pretax profit of Kč 3.9bn, up y/y by 6.2%, on 21% lower revenue of Kč 8bn.... ČEZ informed the Bulgarian government that it plans to take the country to arbitration regarding its investment unless remedies and compensation are provided.... Olomouc Superior Court overturned the bankruptcy of Job Air Technic. (E15/9) NWR said that its debt will need to be refinanced but that it might not be possible. (E15/4) ČD Cargo will issue Kč 1bn in bonds. (HN/ 17) Livesport sports scores bought the remaining 40% of Enetpulse of Denmark. (P/10) Café Savoy was named Mattoni Restaurant of the Year.

Euro (fixing)	27.025	-0.005
Dollar	25.282	-0.058
Pound	38.609	+0.054
Gold \$/€ Lnd PM	1083/1010	+1.4/+0.9%
3-month Pribor	0.29	0.00
Dow Jones	17732.75	0.0%
DAX	11085.44	+1.1%
CETV/CME	171.50	+0.06%
ČEZ	463.80	-0.47%
Erste Bank	770.30	-0.18%
Komerční banka	5090.00	-0.39%
NWR	0.15	-16.67%
O2 CR	250.00	-0.79%
Philip Morris ČR	11880.00	+0.19%
Unipetrol	147.50	-0.34%
PX	992.18	+0.01%

Politics

(P/1) Sobotka said yesterday during a visit to Aero Vodochody that intelligence information indicates that terrorists use Prague and the CR for transit, because the CR is considered a safe country. Interior Minister Milan Chovanec said that the CR is no longer a safe route for jihadists, because the country has set high security standards. (P/2) Sobotka also said that by selling 15 L-159 aircraft to Iraq, the CR is supporting the fight against the Islamic State as well as resolving the long-term problem of having produced far more L-159s than the air force needed. He also had good words for Aero.

(P/2) An unnamed source said that EU Commissioner Federica Mogherini canceled a planned trip to Prague yesterday in part because of comments by certain Czech politicians (mainly Zeman) linking Islam and refugees to terrorism, without making a distinction. Another reason for the cancellation was Lubomír Zaorálek's foot injury. Zeman's spokesman said that the ones putting the people at risk are those who are in favor of uncontrolled acceptance of migrants.

(BI/4) Zeman said the idea of a mini-Schengen made up of Austria, Belgium, Germany and the Netherlands is naive and dangerous. Schengen is one of the biggest advances we have made, he said, and we would be signaling to the terrorists that we are retreating. Zeman also said that, unlike Martin Konvička of the Bloc against Islam, he would not shut Muslims up in concentration camps but would advise them not to infiltrate Europe. The simplest way to prevent terrorism, he said, is to deport the potential terrorists before they commit an act. Someone who does not fear the migration wave is somewhat like those who did not fear the rise of the Nazis in Germany, he said.

(HN/1) Sobotka said that everyone in ČSSD is very angry at Zeman for appearing at a rally with the Bloc against Islam and essentially legitimizing the spreading of xenophobia and hate in an extreme form. A democratic president should not do this, he said. When asked if this means that he will not support Zeman if he runs for reelection, Sobotka said this is a premature question.