



# Contents

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EU Events:	Greece has a new prime minister and waits for new elections	page 3
Commission's Column:	Plan for strengthening the European Economic and Monetary Union	page 6
Microscope:	EU Program+: We are ready for EU grants	page 8
Main Topic:	Automotive Industry: The Future Trends	page 9
EU Series:	OP Research, Development and Education	page 17

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Dear readers,

August is the traditional holiday month not only for mere mortals but also for the representatives of European institutions. You won't notice this in the contents of the Monthly, however, and this time we've selected 16 pages of the latest information, events and topics relating to the European integration process.

We start with Greece where there's something happening yet again. Prime Minister, or should we say ex-Prime Minister Tsipras has to be the most acclaimed European politician in all print, internet and broadcast media. But not, to be sure, for his political moves which European media have reported this summer. Right now commentators and analysts, include our own team, are pondering why Alexis Tsipras resigned and called early elections. We view it realistically: it's a result of Tsipras's pragmatism. The mid-year tug-of-war with creditors was a debacle and he will have to continue with painful reform and austerity policies. A consequent decline in his popularity is bound to occur, as well as the possible fall of his government. Alexis Tsipras has avoided this scenario and wants to confirm his position as leader of the Greek government in early elections now while he is still genuinely the most popular Greek politician.

Significant progress was made in August in negotiations over free trade between the European Union and one of the largest world economies. This time we don't have in mind the projects of America (TTIP) or Canada (CETA), but rather the Land of the Rising Sun. This agreement should eliminate customs and some barriers between the EU and Japan, facilitate access to public procurement and open the path to mutual investment.

This time to the northwest corner where an interesting investment of European importance looms. The city of Most in the Usti region reached the final for the location of a Galileo system logistics centre. It will be the only one in Europe to store spare parts for Galileo infrastructure, including satellite parts, terrestrial antennae and other IT components. Basic assembly will also take place in this centre. The decision about whether the Most area will become one of the European space research centres should be made in October. Let's keep our fingers crossed – it would significantly lift the still structurally weak North Bohemian region. .

The Commission column this time focuses on a topic that we will hear about often in the following months and years. In response to the debt crisis in the Eurozone, the five chairmen (Jean-Claude Juncker, Donald Tusk, Jeroen Dijsselbloem, Mario Draghi and Martin Schulz) have presented a plan for strengthening the European economy and currency union. Should the plan be implemented, the Union will enter the next phase of the journey toward closer integration. You can read the details on page 5.

We devote the main theme this time to the car industry, a key branch of the domestic as well as the European economy.

We wish you the least painful return as possible from your holidays to everyday life again.

Jan Jedlička

# EU Events



Greece has a new female prime minister and awaits early parliamentary elections. - Germany issues a five-euro coin with a blue plastic cover. – An agreement on European Union-Japan free trade may be ready by the end of the year. – European Union agrees on free trade with Vietnam. – Offshore electricity is growing, 600 plants connected in half a year.

## POLITICS

### Greece has a new female prime minister and awaits early parliamentary elections

Alex Tsipras, who became the head of the Greek government seven months ago, tendered his **resignation** on 20 August. The head of the strongest opposition party, New Democracy, Evangelos Meimarakis, was charged by the Greek president on the same night with forming a new government. He was unable to fulfil his newly entrusted mandate, however, and so the Greek president, Prokopis Pavlopoulos, commissioned the former chairperson of the Supreme Court, **Vasiliki Thanou**, with the formation of a technocratic government on 27 August. She thus became the very first woman to lead a Greek government. She will head a **temporary government** until a new cabinet is formed following elections which should take place on 20 September

On 20 August Greece also received the first **EUR 13 billion** of the new rescue programme approved by both Greek MPs and some Eurozone state parliaments, including Germany's. The money was sent to the country via the European Stabilisation Mechanism (ESM) which will provide the country with a total EUR 86 billion over the next three years.

This harbinger of spring in the form of EUR 13 billion helped the country **repay EUR 3.4 billion** to the European Central Bank (ECB) on the same day and a three-month bridging loan of EUR 7.16 billion to which EU states agreed in July. The threat of Greek financial collapse thus receded by a wide margin.



Thanks to the elections, **Alexis Tsipras could strengthen his position** and also expunge rebellious MPs from among electoral candidates.

<http://www.primeminister.gov.gr/english/2015/08/21/prime-minister-alexis-tsipras-state-address/>

## ECONOMY AND EURO

### Germany issues a five-euro coin with a blue plastic cover

Germany will next year issue a five-euro coin. Until now this value has been borne only by a blue paper banknote. This very colour will now be carried by the new coin as well thanks to a **special polymer** that can be moulded just like metal.

Unlike metal, however, it is a plastic that can be easily dyed and which can include hitherto unprecedented **security elements that hamper counterfeiting** even on coins.

According to the State Mint in Baden-Württemberg, the plastic rings could over time also appear on existing euro coins and hence improve their security. Although the new coin **will be officially valid** and it will be possible to make normal purchases with it at least in Germany, it will not for the meantime replace the five-euro paper banknote. According to the mint, the forthcoming series of the original tender will likely **end up in the hands of collectors**.

<http://www.primeminister.gov.gr/english/2015/08/21/prime-minister-alexis-tsipras-state-address/>

## FOREIGN TRADE

### Agreement on EU-Japan free trade may be ready by the end of the year

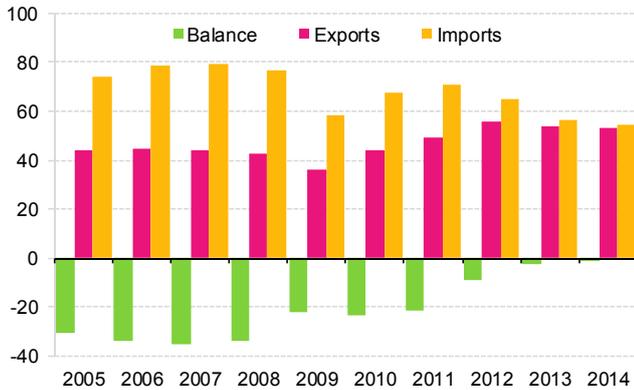
Following a free trade agreement between the EU and Vietnam, whose main points were agreed on 4 August 2015, a similar agreement with another Asian nation, Japan, could also see the light of day by the end of the year. **Italian Prime Minister Matteo Renzi**, who met **Japanese Prime Minister Shinzo Abe** at the start of the week in Tokyo, believes there will be understandings on key passages over the next few months.

The EU has been negotiating the trade agreement with Japan since 2013, which would **eliminate tariffs and some non-tariff barriers**, ensure better access to public contracts and open the way to investors.

Chairman of the European Council, Donald Tusk, complained about the delays in negotiations at the EU-Japan summit in May. The chairman of the European



## Trade balance EU-Japan (bln. eur)



Source: Eurostat

Commission, Jean-Claude Juncker, emphasised at the time that the agreement **must be finalised by the start of 2016** at the latest. Among the greatest obstacles that have so far prevented the talks from being brought to a successful conclusion are, for example, the **issue of public procurement** and the fears of the European car industry. These fears stem from the fact that after the agreement enters into force the European market will be flooded by Asian cars, while Japan in the meantime will continue with its protection policies.

In the event that the free trade agreement is signed, the EU expects more than **400,000 new jobs from it and GDP growth of 0.8%**. Both the EU and Japan believe that the agreement will help galvanise mutual trade, which has been declining in recent years. While 10 years ago Japan was one of the five most important trading partners of the EU, today it occupies seventh position.

<http://ec.europa.eu/trade/policy/countries-and-regions/countries/japan/>

## European Union agrees on free trade with Vietnam

A free trade agreement between the EU and Vietnam is here. An agreement over its key points was announced on **4 August** by the European Commissioner for Trade, Cecilia Malmström. Negotiations on the mutual elimination of tariffs and some non-tariff barriers took two and a half years.

The EU expects mainly an **improvement in the trade balance** as a result of the concluded agreement with Vietnam. In 2014, the Vietnamese exported goods to the EU valued at EUR 22 billion, while goods travelling in the opposite direction were worth EUR 6 billion. The EU exports mainly electrical machinery, aircraft, cars and pharmaceutical products to Asian countries. The main

imports coming into the EU from Vietnam include electronics, footwear and textiles, food and furniture.

Thanks to the concluded agreement **Vietnamese tariffs on imports of European goods will fall 65%** and the remaining tariffs will be eliminated within 10 years. The EU will remove tariffs within seven years.

<http://trade.ec.europa.eu/doclib/press/index.cfm?id=1359>

## ENERGY AND TRANSPORT

### Offshore electricity is growing, 600 plants connected in half a year

The most turbines this year were connected to the network in Germany in whose coastal waters investors **built 406 plants**. The British, who lead the world rankings of operational offshore wind parks for the meantime, **added 140 turbines** this year. **Nearly 40 turbines** were installed by the **Netherlands**.

Three thousand wind turbines are now connected to the network in Europe with a total output of more than 10 gigawatts. The Germans are placing a lot of bets on the development of offshore wind parks. According to government plans, turbines with an output of 6.5 gigawatts should be supplying electricity to the network by 2020. Ten years later this output should increase to 15 gigawatts.

**Technological development** is enticing investors. This year turbines were installed with an average output of 4.2 gigawatts which should have 20% greater production capacity than last year's plants. Innovations are in addition extending the amount of time wind turbines can produce electricity during the year.

**The most successful manufacturer** of turbines this year is **Siemens**. In the first half-year its products comprised 57% of total offshore installed capacity. The remainder is



# EU Events



A Galileo logistics centre may be located in the Usti region. After obtaining the headquarters for the Global Navigation Systems Agency (GSA) in 2012, the Czech Republic has now reached the European final for the location of the Galileo system logistics centre - The Commission will provide member states with EUR 2.4 billion for help with migrants.

made up by Spanish-French Adwen, Denmark's MHI Vestas and Germany's Senvion. According to International Energy Agency estimates, in the next few years the development of offshore wind parks will be dominated by Europe with China in second place.

<http://www.ewea.org/news/detail/2015/07/30/offshore-wind-industry-sets-record-year-for-installations-in-first-half-of-2015/>

## RESEARCH AND DEVELOPMENT

### A Galileo logistics centre may be located in the Usti region

After obtaining the headquarters for the European Global Navigation Satellite Systems Agency (GSA) in 2012, the Czech Republic has now reached the European final for the **location of the Galileo system logistics centre**. It will be the only one in Europe to store spare parts for Galileo infrastructure, including satellite parts, terrestrial antennae and other IT components under specific conditions. Everything could happen in the Most-Velebudice area offered by the Usti region. **Only the offer from Belgium entered the second round with that of Most.** There is, however, a **fundamental problem**. The Usti region and the Ministry of Transport have for the meantime not agreed on who will pay for the construction of the centre. The European Commission will cover operating costs for a period of 20 years only.

Transport Minister Dan Ťok supports the efforts of the Usti region on the expectation that there will be no claim on the state budget. Conversely, the Usti regional council would agree only if the costs were paid by the state. **Brussels will definitively decide in October** on the location of the logistics centre, and operations in the selected location should begin in 2017. The benefits of the cosmic storage centre will include, inter alia, **the creation of new jobs**, and the centre will in addition act as a magnet for technological companies that will want to be as near to it as possible.

<http://www.euractiv.cz/evropa-dnes0/clanek/v-usti-muze-byt-logistika-galilea-cesi-se-hadaji-o-penize-012839#sthash.mhst0P57.dpuf>

## JUSTICE AND INTERNAL AFFAIRS

### The Commission will provide member states with EUR 2.4 billion for help with migrants

The European Commission will provide member states with approximately **EUR 2.4 billion** for assistance with

migrants via 23 newly approved multi-year national programmes as part of the Asylum, Migration and Integration Fund (AMIF) and the Internal Security Fund (ISF). The funds will be primarily provided to states like Greece, Italy and others who are having to deal with the biggest migratory flows.

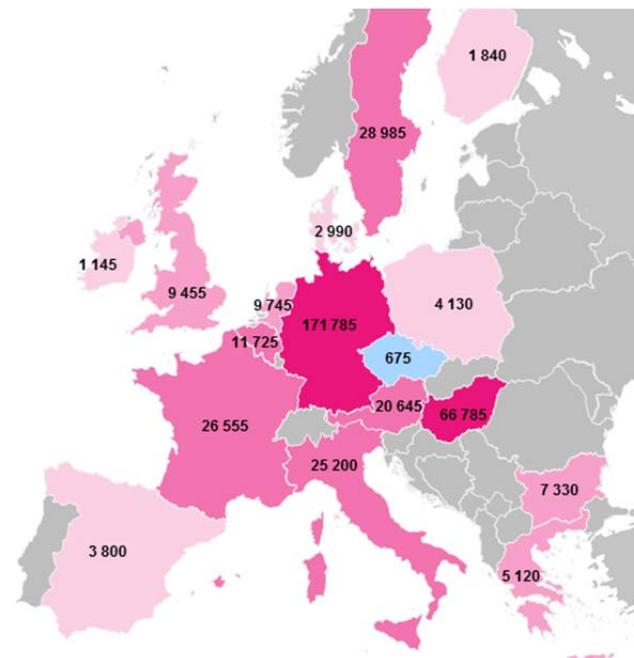
In the first six months of the year **most migrants applied for asylum in Germany** (nearly 172,000). According to the latest estimates, however, the total number of applications for 2015 will reach 750,000.

The second country most affected by asylum applications is Hungary (nearly 67,000 application in 1H/2015). In the first five months of the year 675 migrants applied for asylum in the Czech Republic (the total for 2014 was 1,150).

Representatives of **Visegrad Group (V4)** states will meet in regard to the migration crisis on Friday, 4 September, to find a common stance.

An extraordinary meeting of EU interior and justice ministers will then take place in Brussels on 14 September to discuss the sharp increase in the number of refugees heading to Europe.

### Number of asylum applications in 1H/2015\* in selected countries EU (countries, with more than 1.000 applications and Czech Republic)



Source: Eurostat

[http://ec.europa.eu/priorities/migration/index\\_en.htm](http://ec.europa.eu/priorities/migration/index_en.htm)



Representatives of the European Commission in the Czech Republic add to the Monthly EU News with contributions in the "Commission Column". The September issue the contribution is devoted to the report of the five chairmen of the main EU institutions. It presents a plan for the development of economic and monetary union (EMU) over the next decade.

## THE PLAN FOR STRENGTHENING THE EUROPEAN ECONOMIC AND MONETARY UNION

The five chairmen – Jean-Claude Juncker of the European Commission, Donald Tusk of the European Council, Jeroen Dijsselbloem of the Eurogroup, Mario Draghi of the European Central Bank, and Martin Schulz of the European Parliament – presented their vision for strengthening the EMU over the period 2015 to 2025.

The chairmen recommended that the approach to economic and monetary union be implemented in three phases:

In the first phase of "deepening" (from 1. 6. 2015 to 30. 6. 2017) existing instruments and agreements for strengthening elements of economic, financial and fiscal union should be used.

In the second phase of "completion" (from 2017 to 2025) measures of a more far-reaching nature should be introduced so that the process of convergence becomes more binding. The proposed measures relate to shared sovereignty between Eurozone member states for whom an amendment to EU agreements will be necessary.

The final phase (by 2025 at the latest) will define the directions in which the EU should go further.

For preparation of the transition from the first phase to the second, the European Commission will prepare a white book in spring 2017 which will evaluate steps taken to date and outline specific measures including legal arrangements for completing the EMU in the second phase. This corresponds to the model of the white book of Jacques Delors from 1985, which prepared the ground for the Single European Act – the legal basis for the unified market project. According to the report of the five chairmen, three thematically interconnected paths should be taken in relation to the economic and monetary union. The first is directed towards an economic union, the second towards a financial union and the third leads to a fiscal union.

In each Eurozone state an independent entity would monitor the performance of the economy, especially the consistency between wages and productivity and would make recommendations to social partners for the setting of wages. The strengthening of procedures for macroeconomic imbalances and a more effective the European semester is also expected.

A financial union has to go hand-in-hand with the economic union. Both are complementary and mutually reinforcing and therefore progress in these two fields must be the main

priority in phase one. The completion of a banking union is most important for the achievement of a financial union.

Following the introduction of unified bank supervision (4 November 2014) and the establishment of a unified mechanism for resolving banking crises (a common fund for resolving crises will begin operating on 1 January 2016), the five chairmen propose as a further step the introduction of a European Deposit Insurance Scheme in the first phase also to ensure the same trust in banking deposit security regardless of which member state the bank operates in. A capital markets union should also contribute to the creation of a financial union and which should guarantee access for businesses to extensive sources of non-bank finance and deepen the integration of bond and equity markets. It counts partly on the establishment of a single supervisory body for European capital markets, and partly on the harmonization of accounting standards, insolvency law and the enforceability of cross-border debt. For ensuring a fiscal union, which is in the third line, the five chairmen propose creating in the first phase a consultative European fiscal council.

In the second phase a common macroeconomic stabilization function should be created, for example, in the form of common unemployment insurance or investment transfers in the spirit of the European Fund for Strategic Investments so that it's possible to better manage shocks that cannot be resolved at the individual country level.

The report does not forget the important theme that cuts across all lines for the implementation of the economic and currency union, and that is strengthening democratic responsibility and legitimacy as well as strengthening institutions. The chairmen would like to achieve this in particular by means of greater interconnections between national parliaments, the establishment of unified external EMU representation (e.g. in the International Monetary Fund), the strengthening of the role of the Eurogroup and the inclusion of the European Stability Mechanism in agreements. Progress toward a fiscal union will also require strengthened collective decision-making over budgetary issues for which a body for financial administration should be set up within the Eurozone. The measures proposed in the "five chairmen's report" are focused primarily on Eurozone countries, although the process of deepening the EMU remains open to all EU members. You can find more detailed information at: [http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report\\_cs.pdf](http://ec.europa.eu/priorities/economic-monetary-union/docs/5-presidents-report_cs.pdf)

Our Information Service section outlines upcoming sessions of EU decision-making bodies accompanied by other significant events. Often agendas for negotiations by these important bodies are not ready until a few days before the actual meetings can be found at:  
<http://europa.eu/newsroom/calendar/>  
<http://www.eu2015lu.eu>



# InfoServis

## Meeting of the key EU institutions

<b>14 – 15 September 2015</b>	<b>Brussels, Belgium</b>	<b>5 - 8 October 2015</b>	<b>Strasbourg, France</b>
- European Parliament Committee Meetings		- European Parliament Plenary Session	
<b>21 – 23 September 2015</b>	<b>Brussels, Belgium</b>	<b>5 October 2015</b>	<b>Brussels, Belgium</b>
- European Parliament Committee Meetings		- Eurogroup	
<b>24 September 2015</b>	<b>Luxembourg</b>	<b>6 October 2015</b>	<b>Luxembourg</b>
- Informal meeting of Ministers of Health		- Economic and Financial Affairs Council	
<b>1 October 2015</b>	<b>Luxembourg</b>	<b>8 October 2015</b>	<b>Luxembourg</b>
- Competitiveness Council		- Justice and Home Affairs Council	
<b>5 October 2015</b>	<b>Luxembourg</b>	<b>8 October 2015</b>	<b>Brussels, Belgium</b>
- Employment, Social Policy, Health and Consumer Affairs Council		- Transport, Telecommunications and Energy Council	

Source: [www.europa.eu](http://www.europa.eu), <http://www.es2015.lv/en/>, access as of 31<sup>st</sup> August 2015



## EUROquiz

### QUIZ QUESTION FOR THIS MONTH

Probably everyone has already encountered cars that don't run only on petrol or diesel but use Liquefied Petroleum Gas (LPG) or natural gas (compressed natural gas (CNG) or liquefied natural gas (LNG)). Electric cars, however, are coming increasingly to the fore.

Currently most of the market takes cars that run on petrol or diesel, but with decreasing reserves of fossil fuels alternative fuels will take the lead either in the form, for example, of various hybrids or the aforementioned electric cars.

What will be the dominant propellant for cars in 2035?

- diesel/petrol
- CNG/LNG
- electricity
- other

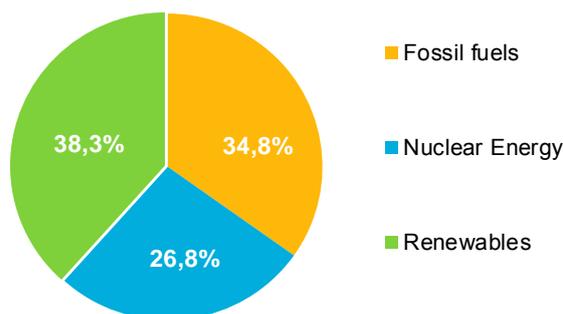
You can find a small clue to the answer in our Main Topic on page 8.

You can send us your answer to this question using the form which you will find at: [bit.do/euroquiz5](http://bit.do/euroquiz5)

### ANSWER TO LAST MONTH'S QUESTION

In the last Monthly we asked you what you think the energy mix in the European Union will look like in 15 years. And the result? Readers of the Monthly on average thought that the importance of fossil fuels in European energy will decrease by about 10 percentage points to 34.8%. Respondents do not expect a renaissance in nuclear energy. The current proportion of 29% will change very little (to 27%). Renewables, on the other hand, are the future. The current 25% share should increase to 38% in the EU by 2030. Renewable energy should thus become the most important

**How do you think the energetic mix will be composed in 2030? (Now it is 45/29/24)**



Source: EUROquiz EU Office Česká spořitelna

# Microscope



Are you planning new investment in your business? Are you innovating, modernizing or expanding your production processes and technology? Do you expect to use project co-financing from grant calls as part of the 2014-2020 programme? EU Program+ provides a comprehensive grant consultancy linked to attractive financial parameters for grant projects.

## EU PROGRAM+: WE ARE READY FOR EU GRANTS

The Czech Republic can support the economy with nearly EUR 24 billion (i.e. more than CZK 650 billion) in the new programme period via European structural and investment funds which the European Commission approved last year in the strategic document Partnership Agreement for the Programme Period 2014-2020.

The key areas of support earmarked for the business sphere include mainly innovation, science and research, energy savings, environmental protection and information technology.

Specific grant calls are continuously published on the internet pages of the Ministry for Local Development ([www.dotaceeu.cz](http://www.dotaceeu.cz)). Parties interested in grants may submit applications from 1 June 2015 via the unified monitoring system MS2014+.

### Operational programmes for 2014 - 2020

Programme	Allocation (mln EUR)
OP Enterprise and Innovation for Competitiveness	4 331.1
OP Research, Development and Education	2 779.6
OP Employment	2 145.7
OP Transport	4 695.8
OP Environment	2 636.6
Integrated Regional OP	4 629.2
OP Prague – Growth Pole of CR	201.6
OP Technical Assistance	223.7
OP Fisheries	31.1
Rural Development Programme	2 170.3

Source: Ministry of Regional Development

### Help for small and medium enterprises to apply for grants

The Česká spořitelna Financial Group has been successfully helping small and medium enterprises obtain grants from EU structural funds and with the financing of subsidized projects for several years already.

Erste Corporate Banking in cooperation with Erste Grantika Advisory (a subsidiary company of Česká spořitelna) has prepared a complete solution for enterprises that are preparing to apply for grants from the operational

programmes in the programme period 2014-2020 in the form of a new product called EU Program+.

EU Program+, which is designed for businesses with an annual turnover above CZK 60 million (and which implement investment projects co-financed from operational programme sources), includes consultancy for all phases of the grant cycle (= grant application, selection process, grant management) and financing of subsidized projects.

### Example of financing undertaken as part of EU Program+

- Project totaling CZK 16 mil.
  - Investment in technology CZK 8 mil.
  - Investment in new production buildings CZK 8 mil.
- Grant from OP PIK (2014-2020)

Business fulfilling the criteria of a small enterprise – grant up to 45 %

TECHNOLOGY	mln CZK
Own sources	-
EU Programme + Investment loan and TOP Innovation	8
Grant (for small enterprises up to 45 %)	3.6
PRODUCTION BUILDINGS	mln CZK
Own sources	4
Investment loan from EIB	4
Grant	-

The main advantages of this programme are the attractive financing parameters, a free introductory analysis of grant opportunities, a discount on the administrative fee for processing a grant application, savings in time thanks to client service from one business place, and last but not least Erste Grantika Advisory professional liability insurance up to EUR 5 million.

In addition to EU Program+, Erste Corporate Banking together with Erste Grantika Advisory also offers individual solutions for projects with grant applications. The unequivocal benefit of all services offered by the Česká spořitelna Financial Group is the high level of expertise, reliability and 100% professionalism.

More information: [www.erstecorporatebanking.cz](http://www.erstecorporatebanking.cz) | [www.grantika.cz](http://www.grantika.cz) | [www.edotace.cz](http://www.edotace.cz)

Iva Dlouhá, Erste Corporate Banking

The automotive industry has recently been undergoing a number of major changes. And this is true not only as far as the new technical features of the cars themselves are concerned, but in the production process and the business model as well. The main trends include continuing pressure on car makers to reduce costs and increase the efficiency of production in their own factories



# Main Theme

## AUTOMOTIVE INDUSTRY: FUTURE TRENDS

### INTRODUCTION

The automotive industry has recently been undergoing a number of major changes that have significant potential to transform the entire sector. And this is true not only as far as the new technical features of the cars themselves are concerned, but in the production process and the business model as well. The main trends include continuing pressure on car makers to reduce costs and increase the efficiency of production in their own factories and at suppliers' end. So the path to success in the future will lead through a diversified portfolio of products, global markets and investments in development and innovation.

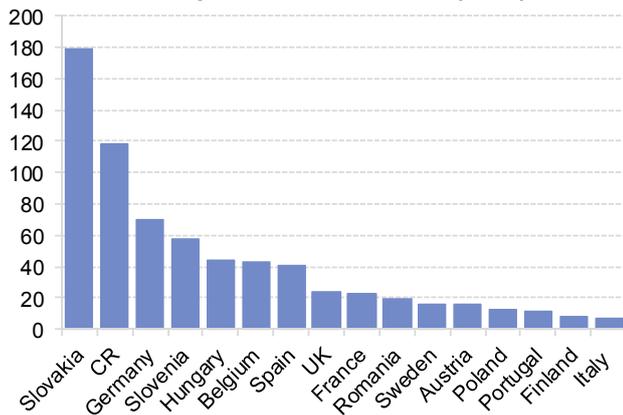
Another factor that undoubtedly has an influence and in the future will continue to influence the automotive industry is the continuing tightening of environmental regulations (for CO2 emissions) and safety standards

(requirements for airbags, ESP systems (electronic control of vehicle stability for skid balancing), e-call features, reduction of consumption, etc. New means of powering vehicles are a chapter of their own, in which electric vehicles a primary role (although in the Czech Republic, for example, electric vehicles still make up only 0.1% of all vehicles sold). However, compressed natural gas and hydrogen fuels are also being developed. The most interesting user innovations taking place involve connecting vehicles with mobile phones and autonomous control systems.

Some car makers are already testing self-driving cars in live operation, but it remains to be seen when they will be introduced onto the market, because of, for example, who would be liable for potential traffic accidents.

### IMPORTANCE OF AUTOMOTIVE INDUSTRY FOR THE CZECH REPUBLIC

**Produced cars per 1 000 inhabitants (2014)**



Source: OICA; Eurostat

The automotive industry is very important for the Czech Republic, both in terms of economic performance and in terms of the labour market, where the automotive industry is among the main employers in the country. However, the performance of the automotive industry does not end at the Czech Republic's borders, since the Czech Republic, with annual production of 118 vehicles per 1,000 inhabitants, is among the world's automotive superpowers, holds 16th place in the global market and produces more than a million vehicles annually. Besides

the three main car makers (Škoda Auto, Hyundai Motor Manufacturing Czech, Toyota Peugeot Citroën Automobile) and manufacturers of buses and trucks, the industry includes an extensive and diversified network of suppliers. This situation, together with several businesses' focus on research and development as well as design, makes the Czech Republic a compact centre for car production.

Automotive Industry in CR		
<b>Production:</b> 991 bln CZK Growth: 14.7 %	<b>Export:</b> 845 bln CZK Growth: 15.2 %	
Share of industrial production: <b>24.7 %</b>	Share of Czech GDP (estimate): <b>cca 7.4 %</b>	Share of total export: <b>23.4 %</b>
<b>Average wage:</b> 31 515 CZK Growth: 2.7 %	<b>Employees</b> 155 550 persons	

Source: Car Industry Confederation

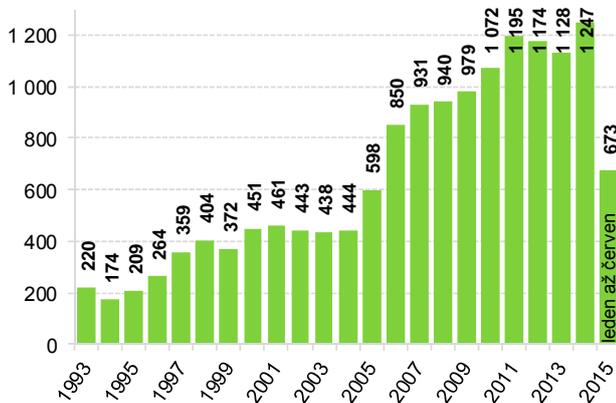
Motor vehicle production is essential for the Czech economy. The automotive sector makes up nearly 25% of the country's industrial production and exports and approximately 7.4% of GDP.



# Main Theme

According to estimates, the sector employs over 150,000 people. The production of motor vehicles in the Czech Republic has long been on the rise, and in 2014 it reached 1.278 million vehicles. The overwhelming majority of them (a record of more than 1.247 million) consisted of personal and small commercial vehicles. They were followed by buses (3,891 vehicles), motorcycles (a stagnating 1,075 motorcycles) and trucks (821 vehicles), the production of which gradually decreased from 8,764 vehicles produced in 1997. It is apparent from these numbers that the production of personal vehicles makes up the "backbone" of the entire automotive industry. Following the decline in growth after the economic crisis years, since 2013 there has been a recovery in the personal and small commercial vehicle industry. And this year, the number of manufactured personal vehicles is expected to reach a new record. In the first half of this year, more than 673,000 personal vehicles were manufactured in the Czech Republic, which represents year-to-year growth by more than 6%. Czech car makers and their suppliers increased revenues in 2014 by 14.7% to CZK 99 billion. Exports grew at a similar pace to CZK 845 billion.

## Production of passenger and small utility cars in CR



Source: AutoSAP, thousands

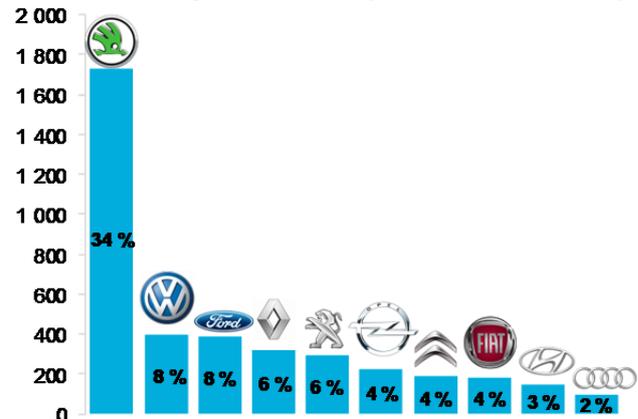
This year's (1st half of 2015) positive (not only) economic development in the EU, where 84% of the country's exported vehicles end up, indicates that car production in the Czech Republic will again be at its highest level in history, and a record is also expected in part production. This is evidenced by the best results so far for Škoda Auto for the 1st half of the year (thanks mainly to record sales of the new models Fabia and Superb) as well as the success of the new series of Kolín-based TPCA and speeding up of production at the Hyundai plant in Nošovice. How long the boom will last will depend on the situation in Western and Central Europe, on the

continuation of sanctions against Russia, on the situation in Ukraine, as well as on oil prices and exchange rate developments. In view of the planned increase in capacity from Škoda Auto, which is related to expansion of the model series, and thanks to the success of the Czech branch of Hyundai, the capacity of Czech-based vehicle manufacturers in the years to come is expected to increase to 1.5 million vehicles per year.

In addition to the increasing number of manufactured vehicles, the number of registered cars is also expected to increase, and in the Czech Republic it has already exceeded 5 million. (According to data valid as of 30 June 2015, there are 5,060,000 registered vehicles.) Not only is the number of registered vehicles growing, but the average age of personal vehicles has also been increasing since the economic crisis, which has also been reflected in the slower rebound in the number of new vehicles in use in the Czech Republic. People have begun postponing new vehicle purchases, and "older" vehicles are not being replaced very quickly.

It should come as no surprise that a third of all registered vehicles in the country are Škoda brand vehicles (1,731,000 vehicles as of 30 June 2015). That brand is followed by Volkswagen and Ford, which a 8% share of vehicles in use. The situation in the first two places is similar in the case of registration of new personal vehicles for the first seven months of 2015. Škoda brand vehicles in this ladder as well make up a third of all newly registered vehicles in the country. Volkswagen is in second place with 14,000 newly registered vehicles, followed by Hyundai in the third position.

## Car brand composition in CR (in thous., 30. 6. 2015)



Source: AutoSAP; first ten brands

## Car manufacturers

In the Czech Republic, there are three major manufacturers of personal vehicles, which are members of large



# Main Theme

multinational corporations:

- Škoda Auto;
- Hyundai Motor Manufacturing Czech;
- Toyota Peugeot Citroën Automobile (TPCA).

**Škoda Auto:** Škoda Auto operates 13 factories in 6 countries in Europe and Asia and exports personal vehicles to more than 100 countries. In 2014, it achieved its highest sales ever in history, selling 1,037,200 vehicles. Škoda has long invested into the expansion of its Czech factories in Mladá Boleslav and Kvasiny. In order to complement its strong position in Western Europe (sales growth +11.8% in 2014), it has focused on growth on the Chinese market, which with the sale of 281,000 vehicles in 2014 is the largest individual market. Škoda Auto is part of the VW concern, which in 2014 achieved revenues of CZK 266.5 billion .

### New vehicles registration in 1-7/2015

Brand	Produced cars	Share
Škoda	43 663	32%
Volkswagen	14 616	11%
Hyundai	10 939	8%
Ford	8 818	7%
Dacia	6 236	5%
Opel	4 730	4%
Kia	4 651	3%
Renault	4 373	3%
Peugeot	4 279	3%
Seat	4 092	3%
BMW	3 314	2%
Citroën	3 060	2%
Audi	2 871	2%
Nissan	2 790	2%
Mercedes-Benz	2 653	2%

Source: AutoSap, first 15 brands

**Hyundai Motor Manufacturing Czech:** In 2008 the capacity of the plant in Nošovice was set at 200,000 cars per year, which the car company achieved after just two years since its launch. After beginning three shifts in 2011, the maximum yearly production of Hyundai in the Czech Republic rose to 300,000. In 2015, the company plans to manufacture 330,000 vehicles, thanks to speeding up of production lines. Hyundai produces three models in the

Czech Republic, ix20, ix35 and i30, but some of the production is intended for the sister car manufacturer Kia Motors Slovakia in Žilina, Slovakia.



However, even it supplies the Czech Hyundai factory, and both factories comprise a complex of units cooperating with each other. In 2015, the production of the Tuscon SUV model began. In 2014, the company achieved revenues of CZK 106.3 billion .

**Toyota Peugeot Citroën Automobile:** The capacity of the factory in Kolín is 300,000 vehicles annually. Currently TPCA produces a new generation of Toyota Aygo, Peugeot 108 and Citroën C1 models, which are fuel efficient small urban vehicles with low emissions. Approximately 80% of the deliveries for TPCA production come from the Czech Republic.

More than 99% of the production is exported to the European market, especially to France, Italy, the UK, the Netherlands and Germany. The factory has approximately 3,000 employees. In 2014, the company achieved revenues of CZK 39.8 billion .

### Industry-wide Associations

The most important automotive industry association in the Czech Republic is the Automotive Industry Association (AutoSap). It currently includes 13 manufacturers, 103 suppliers and 32 specific organisations, which account for approximately 85% of the sector's revenues. The Association's aim is to develop the automotive sector in the Czech Republic, to promote its members' interests, to present a single voice in relation to public administrative bodies and to keep statistics about the entire sector.

At the European level, there is the European Automobile Manufacturers' Association, which represents 15 manufacturers of motor vehicles active in Europe.



# Main Theme

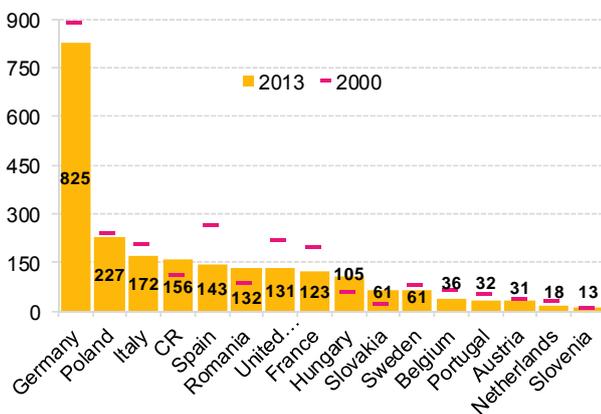
## AUTOMOTIVE INDUSTRY IN EU AND IN THE WORLD

The development of the number of registered and manufactured vehicles has undergone major changes in the world in recent years. Europe has already lost its dominant position, and Asia is moving full speed ahead and is even gaining a majority share of registered new vehicles. As far as the largest markets for vehicles are concerned, the huge Chinese market is excelling, and compared to other economies is growing at a much faster pace and soon will have more than 20 million registered vehicles.

Both Europe and America were hit by the economic crisis, which also had an effect on the automotive industry. The decline in production in 2009 compared to 2008 was by more than 5 million personal vehicles in both Europe and America.

However, the outlook for the EU's economy for future years is entering positive numbers, and with the growth of the economy it is also expected that vehicle sales will increase, as has happened in recent years.

### Employment in automotive industry in EU (thous. persons)

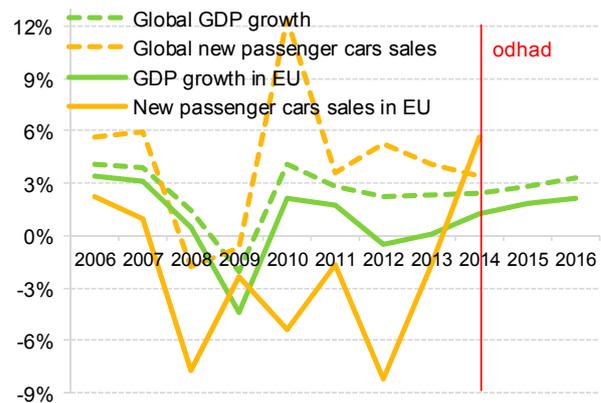


Source: Eurostat; member states with more than 10 000 employees; \*data for 2012

The automotive industry is not only important for the EU as far as economic performance is concerned, but in addition the sector is a major employer in the EU as a whole just as it is in the Czech Republic. Germany has the most employees working in the automotive industry with more than 800,000 employees, which greatly exceeds the number in other member states. The changes happening in the automotive industry are also reflected in employment.

There has been an apparent shift from "traditional" automotive superpowers, such as France, Italy and the UK, where the numbers of staff working in the automotive industry has declined as a result of production being shifted to Eastern European countries and even Asia. For example, the number of people working in this industry in countries such as the Czech Republic, Romania, Hungary and Slovakia has risen compared to the year 2000.

### GDP and car sales growth in the world and in EU



Source: European Commission; OICA

There have been other changes in the automotive industry, not only changes in production preferences and the destinations where vehicles are exported, but regulatory changes as well. The most important regulatory areas in the automotive industry include environmental and safety standards. In both cases, EU standards are followed. As far as environmental standards are concerned (according to Regulation (EU) No. 333/2014), newly manufactured personal vehicle must not release more than 130 grams of CO2 per kilometre driven in 2015. In 2021, new personal vehicles will not be allowed to release more than 95 g of CO2 per km. The European Commission's goal is not only to improve the environment and support alternative fuels, but also to reduce vehicles' consumption. Various European regulations regarding safety standards define mandatory safety equipment that vehicles must have.

Besides standard seatbelts, airbags as well as ABS and ESP systems, all new personal vehicles will also be required as of 1 April 2018 to be equipped with an e-call system, which will call for help automatically in the event of an accident.



## TRENDS IN THE AUTOMOTIVE INDUSTRY

The automotive industry is undergoing a number of major changes that have significant potential to transform the entire sector. This is true not only as far as new technological features in cars themselves are concerned, but in the production process and the business model as well.

### 1) Fuel alternatives: Electricity, natural gas and hydro

Every large car company is investing in new fuel alternatives. The most important is electric power, but Škoda Auto, for example, also supports compressed natural gas (CNG). Liquefied natural gas is being promoted for freight transport on roadways. Mainly Japanese car companies believe in hydrogen (Toyota has already mass-produced the Mirai hydrogen vehicle), and Audi has developed a new eco-friendly e-diesel fuel consisting only of water and air. Mass expansion of particular fuel alternatives will depend primarily on the availability of refuelling and charging stations, on vehicle prices and on the distances they can travel.



**Electromobility:** The cost for each kilometre travelled in an electric vehicle is between 1 and 3 cents, and their greater development is currently being prevented by the high acquisition cost, the battery life and an insufficient number of charging stations. Greater development of electromobility at the European level is not expected until after 2020, depending on tightening of the EU's emission rules, development of technology (especially batteries) and individual member states' policies. (Several member states,

with Germany leading the effort, are supporting purchases of electric vehicles, through tax incentives, free parking and providing subsidies towards vehicle purchases, among other incentives.)

### 2) New technologies: connectivity and autonomous control systems

The most interesting user innovations taking place involve connecting vehicles with mobile phones and applications and in autonomous control systems. Today, it is already possible not only to connect and synchronise a vehicle with a smartphone, but also to use it to control the vehicle. (For example, Mazda offers a system that makes it possible to start the engine via a mobile phone.) Autonomous control systems, thanks to advanced sensors, help keep the vehicle in the proper lanes, brake in emergencies, monitor surrounding objects, park or enter a garage.

Self-driving cars are already being tested by Audi, BMW, Toyota, Mercedes and even Google. However, they are not expected to be put in regular operation until at least 2025, because so far it is not clear who would be liable for potential accidents. In the nearer future, however, links between vehicles and their GPS navigation will be developed and smart traffic control systems will be implemented, including vehicles communicating with each other.

One of the consequences of the development of new technologies could be the arrival of new operators in the sector (in particular, from IT sector, such as Google), but they will have to invest huge resources into the development of their cars.

### 3) Industry 4.0: Production digitalisation

A major opportunity for the Czech automotive industry is the 4th revolution in industry, involving its digitalisation. In practice it will mean interconnection of all intelligent devices, production lines and products, all production systems, storage facilities, logistics and service into a single intelligent information network, within which the smart devices of customers, manufacturers and suppliers will communicate with each other without human assistance and react to clients' needs in real time.

Already within a few years, people will not have to go to a dealership to buy a car, but can set up a customised "unique" car via the internet, containing all possible



# Main Theme

components. The only difference is that the customer will not buy the car, but will lease it for a specific period.

The production process will be carried out in such a way that after ordering the vehicle's intelligent system will analyse the order and send requirements to component manufacturers.

With the help of robots, they will assemble the vehicle and automatically deliver it in ready form. Moreover, the production line will not be owned by the factory, but will only be borrowed from the manufacturers. The borrowing time can be for 20 years, for three months or for just a few orders. Everything will be overseen by smart factories, in which robotisation and automation of production will continue and where chips, sensors and 3D printers will be implemented, which will also grow productivity in the sector. The employees' main role will be checking robots and cooperating with them.

## 4) Tightening of environmental and safety standards

Tightening of requirements regarding CO2 emissions (in accordance with EU regulations from today's 130 g/km to 95 g/km in the year 2021), as well as tightening of safety standards (requirements for the mandatory safety gear, airbags, ABS and ESP systems - electronic stability control, the e-call system, which as of 1 April 2018 all new vehicles will be required to have, will require major investments by car companies.



Fulfilment of the requirement regarding CO2 emissions alone will cost car companies selling their vehicles in Europe up to EUR 13 billion. That is why car companies increasingly use new materials, such as nano fibres (e.g. in filters) or carbon fibres, which enable reduction of vehicle weight (and hence consumption) while maintaining strong standards.

## 5) Continuing cost reduction

Car manufacturers will apply further pressure to reduce costs and increase production efficiency, both in their own factories and in those of their suppliers.

As a result, large car companies will reduce the number of suppliers and give preference to those who are able to supply parts globally and innovate their products.

Car companies will also focus more on their suppliers, mainly on the effectiveness of their production and the prices of components. The aim is to minimise recalls (recalling of vehicles for service), for which suppliers are usually to blame and which harm car companies.

## 6) Car sharing

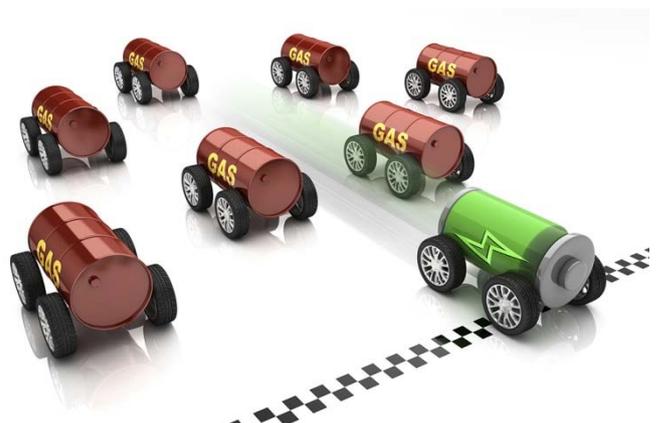
Among members of the upcoming generation ("Generation Z") the need for people to own their own cars will decline. They will be much more interested in how to get from point A to point B. They will be helped in this by smart phones, applications, non-stop internet access and mainly concepts for shared mobility (car sharing).

Car sharing functions based on the principle that one "travels by car only when necessary". The service is focused on people who do not use a car every day and travel fewer than 10 km per year. It will be appreciated by, for example, families who sometimes need to have a second car available as well as by students and young people.

Access to a vehicle will be possible at any time, usually via a chip card, a smart phone app or SMS. This is a cheaper and more flexible type of car rental service. The user signs a contract only once and pays only for the number of kilometres he actually travels. Car sharing already functions in the Czech Republic.

Its biggest Czech providers include Car4Way and Autonapůl. The main providers of the service in Germany include Cambio, which offers more than 2,000 vehicles.

The importance of car sharing is growing mainly in cities and very urban areas. However, even in the future people will not stop wanting to own their own cars, mainly due to independence and the desire for freedom.



# Doing Business



The Doing Business is part of the Foreign Business Guide offered by the Česká spořitelna EU Office. Within the program, we provide our clients from among small and mid-sized enterprises with information about how to expand abroad successfully and what business environment awaits them there. In the August issue, we will focus on the business environment in Azerbaijan.

## AZERBAIJAN

Official name	Azerbaijan Republic
Population	9 593 000 (2015)
Area	82 630 km <sup>2</sup>
Currency	Manat (AZN)
Official language	Azerbaijani

Source: Eurostat

Azerbaijan is located between Russia and Iran and also borders Armenia, Georgia and Turkey. It is divided into 9 regions and one autonomous republic, which is also an exclave. Since 2003, the head of state has been President Ilham Aliyev, who is continuing the legacy of his father, who held the office during the previous 10 years. Aliyev was re-elected in 2013. In 2009, the Constitution was amended, and presidential term limits were abolished, and therefore the president can run for re-election in 2018.

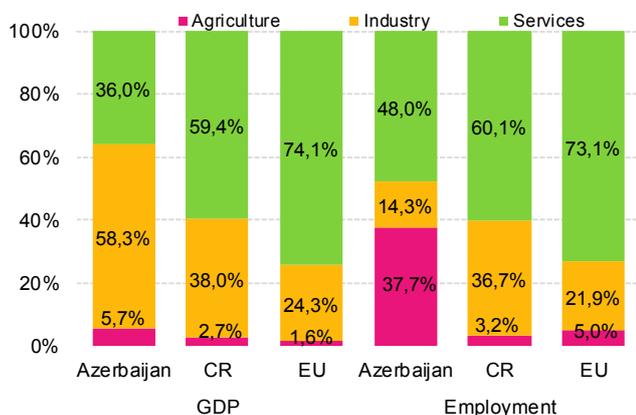
Since 2003, the country's prime minister has been Artur Rasizade, from the same political party as the president, a new Azerbaijani party which holds a majority in parliament and governs without a coalition partner.

### Structure of economy and foreign trade

This Central Asian country's structure of exports is relatively simple: more than 90% of all exports are of oil and natural gas. Engineering, food and cotton are also worthy of mention. The country imports mainly engineering products and equipment, food products, metals and chemicals.

The country's main export partners are Italy (25.6%), Indonesia (11.1%) and Thailand (7.4%). However, popular importers

### National Economy – Azerbaijan (CR and EU)



Source: World Bank, GDP for 2014, employment 2012

include Turkey (15.8%), Russia (14.1%) and the UK (11.1%).

### Macroeconomic outlook

Following a very good year in 2013, when economic growth reached nearly 6% of DGP, the economy has slowed to just under 3% of GDP. The reason for this has been both weaker domestic demand and a decline in the volume of oil drilling.



The non-oil sector has grown "only" by 6.9%, and construction has slowed to 9.1% of from the "non-European" 23% a year earlier. Since the economy is very dependent on exports of oil and natural gas, the decline in the prices of these commodities during 2014 have taken a relatively strong toll on economic performance, which is reflected in the growth level in 2015.

At the turn of this year and last year, the Central Bank of Azerbaijan certainly did not suffer from boredom. In the interest of easing pressure on the weakening of the manat, the bank first massively intervened (for the period of November 2014 to February 2015 it lost 27% of its foreign currency reserves), and it eventually gave up its effort and devalued the central parity against the U.S. dollar by 34%.

As a result of this, inflation pressures were significantly reflected in the economy, and the IMF expected the consumer price index this year to grow by just under 8%.

Azerbaijan carried out fiscal consolidation in 2014, which according to the IMF's data led to a budget surplus of 0.5% of GDP.

Revenues from the sale of oil and natural gas declined by 6%, but revenues from the non-oil sector grew by 13%.

In 2015, the balance of public finances is expected to worsen due to the decline in the price of oil, which fell to below \$58 per barrel.

Public debt was at 16.3% in 2014, and for the following year a somewhat higher level has been predicted and is expected to be slightly higher than 20% of GDP.

Basic indicators (in %)	2013	2014 <sup>e</sup>	2015 <sup>e</sup>	2016 <sup>e</sup>
GDP Growth (%)	5.8	2.8	0.6	2.5
Unemployment rate (%)	6.0	6.0	6.0	6.0
Inflation (%)	2.4	1.4	7.9	6.2
Current account balance	17.0	15.3	5.3	8.2
Budget balance (%)	0.8	0.5	-5.8	1.5
Public debt (%)	13.8	16.3	21.6	23.0

Source: European Commission; <sup>e</sup> - estimate



## Labor market

The unemployment level rose during the crisis years. According to currently available data, the unemployment level remains at around 16%. However, in the future it is expected to decline slightly.

Basic indicators of labor market		
Unemployment rate (estimate)	6.0 %	
Minimum Wage (2013)	92 EUR	
Average wage	372 EUR	
Ø monthly labor costs in sectors	Azerbaijan	CR
Manufacturing (2013)	384 €	1 014 €
Construction (2013)	547 €	922 €
Trade, vehicle repairs (2013)	318 €	944 €

Source: *The State Statistical Committee of Azerbaijan*

## Labor law basics

The work period has been set at 8 hours per day (40 hours per week). During a six-day work week, the daily work period must not exceed 7 hours. However, exceptions exist, for which the weekly number of hours can be reduced to 24 or 36 for employees under the age of 18, employees with medical disabilities, pregnant women and women with small children. Double the hourly wage is paid for each hour of overtime work. Employees are entitled to at least 21 days of paid leave, and for some professions that period is extended to 30 days per year.

Form of Company	Minimum Capital
Limited Liability Company	---
Open joint-stock company	2 000 AZN (cca 45 000 CZK)
Closed joint-stock company	4 000 AZN (cca 90 000 CZK)-

Source: *Ministry of Energy, Commerce, Industry and Tourism*

## Commercial law basics

Azerbaijan ranked in 80th place among the 189 monitored economies in the World Bank's Doing Business index. However, in the "company formation" category, it is at 12th place in the index. Setting up a company takes only five days and three procedures, which cost a maximum of AZN 200 (CZK 4,500). Registration of a company and registration for VAT can be taken care of online. Both main types of companies, a limited liability company or a joint-stock company, can be established by one person. The difference between an

open and a closed joint-stock company is, besides the amount of required capital, also in limitations on share trading.

## Main taxes and additional labor costs

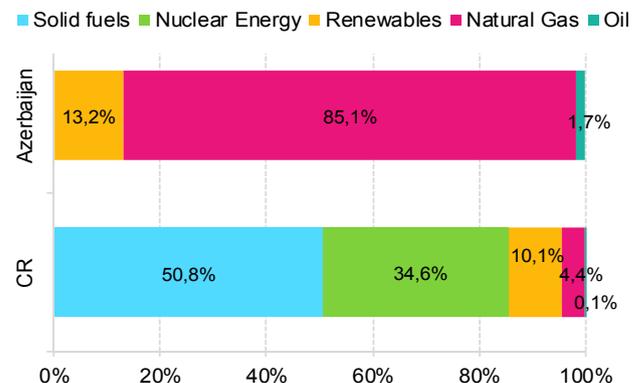
Individuals pay income tax at a rate of 14% up to (based on currency conversion) EUR 2,100 and at a rate of 25% plus EUR 300 on income exceeding that amount. The corporate income tax rate is 20 %. The VAT rate in Azerbaijan is 18%, and only the oil, natural gas and gold industries are relieved of VAT.

The health insurance and social security system is relatively simple: an employee contributes 3% of his gross wages to a fund, and the employer contributes 22%. Since 2006, a contract has existed between Azerbaijan and the Czech Republic on limitation of double taxation.

## Energy

Azerbaijan has become the main energy exporter in the region, while in 1990 it was still strongly dependent on imports. Today the volume of exports is more than 1,000 that of imports. Azerbaijan's main source of electricity is natural gas (85.1%), followed by hydroelectric plants (13.2%). Electricity prices are set by a state authority and are strongly subsidised.

### Gross Electricity Energy Mix - Azerbaijan



Source: *World Bank, data for 2011*

## Investment incentives

Foreign investments in the country are overseen by the Azerbaijan Investment Company. The country has three industrial parks, which are focused on high-tech research and development, energy efficiency, communication technology, the chemical industry, etc.

The Azerbaijani government offers investors incentives such as a tax holiday for seven years, which includes investors being excluded from the obligation to pay corporate tax, income tax, land tax, real estate tax and VAT for furnishings, equipment and raw materials.



We will familiarise you in greater detail with the fifth approved operational programme, the Research, Development and Education Operational Programme. The Operational Programme is focused on the entire education system, from kindergartens to universities, including support for research and development, and its total allocation is nearly EUR 3 billion.

## OP RESEARCH, DEVELOPMENT AND EDUCATION

Like in the prior period of 2007-2013, now as well the Czech Republic is supporting research and development through EU funds – the Research, Development and Education OP. Compared to its previous version, the programme is now focused more on universities and development of research teams.

The aim of the OP is "to contribute to the structural advancement of the Czech Republic towards an economy based on an educated, motivated and creative labour force, on production of quality research results and on their use for increasing competitiveness."

The management body for the OP is the Ministry of Education, Youth and Sport, and the financial resources in the total amount of EUR 2.768 billion will be allocated via the European Fund for Regional Development and the European Social Fund. Non-investment activities will be financed from the ESF, and investment activities will be financed from the European Fund for Regional Development.

The programme has been divided into 4 priority axes, which include a total of 19 specific objectives. The largest portion of financial resources will be allocated within PA 1 (*Increasing R&D Capacities* - 36.3%), followed by PA 3

(*Equal access to preliminary, primary and secondary education* - 32.5%) and PA 2 (*Development of Universities and HR for R&D* - 27.7%).

By 31 August 2015, a total of six calls for submissions were announced within the Research, Development and Education OP, an overview of which can be found in the table below. During this year, the announcement of 21 calls for submissions is planned in a total volume exceeding CZK 33 billion. More detailed information can be found in the indicative Schedule of Calls for 2015.

The large projects that will be financed from the programme include [Extreme Light Infrastructure - Beamlines](#), the purpose of which is to build the most modern laser equipment in the world, and the [Sustainable Energy \(SUSEN\)](#) project - it includes development of research infrastructure, which will increase the scientific, research and development potential of the Czech Republic in the field of applied energy research (mainly nuclear) over the long term.

More information about the Research, Development and Education OP and individual calls for submissions can be found on the OP's website and on the websites of relevant administrative bodies: [www.mmr.cz](http://www.mmr.cz) | [www.msmt.cz](http://www.msmt.cz)

### Overview of calls for submissions announced in the OP by 31 August 2015

Call	Receipt of applications	Allocation (millions of CZK)
<b>Supported activities</b>		
<b>Inclusive education</b>	<b>26 October - 30 November 2015</b>	<b>700</b>
Support for new teams and their contacts in the community at newly built kindergartens and/or children's groups.		
<b>Teaming</b>	<b>26 October - 31 October 2016)</b>	<b>2,600</b>
Completion, modernisation and upgrading of infrastructure, activities for implementation of modernisation of centres of excellence, increasing scientific capabilities.		
<b>Smart accelerator</b>	<b>28 August 2015 - 30 June 2016)</b>	<b>650</b>
Support and development of HR for implementation of the intelligent specialisation strategy at the regional level		
<b>Support for excellent research teams</b>	<b>28 August 2015 - 8 January 2016</b>	<b>2,500</b>
Development of the capacities of research teams, completion, modernisation and/or upgrading of infrastructure, development of strategic partnerships.		
<b>Regional action plan for development of education</b>	<b>28 August 2015 - 31 December 2016)</b>	<b>340</b>
The regional action plan is aimed at intervention to improve the quality of school management and increase the quality of education and incorporation of long-term planning as a tool for quality management in schools and increasing quality in education.		
<b>Individual system projects</b>	<b>28 August 2015 - 31 December 2017)</b>	<b>2,000</b>
For support for pre-school and elementary education - action CLIMA: Culture of Learning, Leadership, Inclusion, Mentoring and Active Learning Methods; Providing methodical and supervisory support during the preparation, implementation and evaluation of regional action plans.		

Source: OP Research, Development and Education

# Statistical Window



The “Statistical Window” in a tabular form shows important macroeconomic indicators from all member states and the European Union as a whole. It includes economic performance indicators, external economic stability indicators, fiscal stability indicators and price level to Ø EU. The source of the data is Eurostat and European Commission

## Key microeconomic indicators

in %	Inflation (YoY)				Unemployment rate				Labor costs to Ø EU			
	XI-14	XII-14	I-15	II-15	Q4-13	Q1-14	Q2-14	Q3-14	2011	2012	2013	2014
Belgium	-0.1	0.4	0.8	0.9	8.4	8.6	8.6	8.5	148.6	149.5	150.4	149.6
Germany	0.2	0.3	0.7	0.1	5.0	5.0	4.9	4.7	121.8	122.9	123.1	123.3
Estonia	0.0	0.4	0.5	0.3	7.3	7.7	6.5	n/a	35.3	36.8	39.2	41.0
Ireland	-0.3	-0.4	0.2	0.4	11.7	11.1	10.4	9.9	115.8	115.8	115.0	113.9
Greece	-1.9	-1.8	-1.4	-1.1	26.9	26.2	26.0	n/a	72.6	66.9	61.5	60.2
Spain	-0.8	-0.7	-0.3	0.0	24.7	24.1	23.7	23.2	89.4	88.3	87.5	86.3
France	0.0	0.1	0.3	0.3	10.1	10.3	10.5	10.6	134.1	134.0	132.7	132.0
Italy	0.0	-0.1	0.2	0.2	12.4	12.8	13.0	n/a	112.3	112.0	113.0	112.1
Cyprus	-1.4	-1.7	-1.7	-2.1	16.1	16.3	16.4	16.1	71.7	70.3	67.4	64.4
Latvia	0.5	0.6	1.2	0.7	10.7	10.8	10.4	n/a	26.6	27.1	28.0	29.2
Lithuania	-1.1	-0.6	-0.1	-0.2	11.0	10.5	10.1	9.8	23.7	24.1	25.6	26.4
Luxembourg	0.1	0.0	0.4	0.5	6.0	5.9	5.9	5.8	147.3	147.7	150.5	152.3
Malta	0.5	1.4	1.3	1.1	5.9	5.8	6.0	5.9	58.9	60.6	61.7	61.2
Netherlands	-0.3	0.0	0.7	0.5	7.6	7.2	7.2	7.1	133.6	133.5	136.0	135.9
Austria	0.9	0.9	1.0	1.0	5.6	5.7	5.6	n/a	124.8	127.5	129.3	131.4
Portugal	0.4	0.5	1.0	0.8	14.3	13.5	13.5	13.6	53.0	48.8	47.9	46.7
Slovenia	-0.4	-0.7	-0.8	-0.9	9.7	9.7	9.5	9.4	60.9	59.9	58.5	59.1
Slovakia	-0.4	-0.1	-0.1	-0.1	13.3	13.1	12.6	12.3	35.2	35.2	35.8	37.1
Finland	0.0	-0.1	0.1	0.1	8.6	8.8	9.0	9.1	122.6	125.0	125.6	125.6
Bulgaria	-1.1	-0.9	-0.3	-0.6	11.5	11.4	10.6	10.3	14.2	14.4	15.4	15.6
CR	0.1	0.5	0.7	0.9	6.2	5.9	5.8	5.8	44.6	44.7	44.9	45.2
Denmark	0.3	0.4	0.4	0.4	6.4	6.5	6.3	6.3	152.5	151.5	151.6	151.8
Croatia	0.0	-0.1	0.0	0.1	17.0	16.9	18.0	18.4	38.2	38.4	38.5	n/a
Hungary	-0.5	0.0	0.6	0.7	8.1	7.5	7.3	n/a	37.3	38.6	38.9	39.7
Poland	-1.2	-0.9	-0.6	-0.6	9.2	8.7	8.3	7.8	35.7	36.0	36.7	37.7
Romania	0.8	0.6	1.3	-0.9	6.8	6.7	6.6	6.5	23.5	24.4	25.0	26.4
Sweden	0.7	0.5	0.9	0.4	8.0	7.8	7.8	7.8	152.6	155.1	155.9	158.4
UK	0.0	-0.1	0.1	0.0	6.3	5.9	5.6	n/a	114.8	113.7	113.3	113.7
EU	-0.1	0.0	0.3	0.1	10.3	10.1	10.0	9.8	100.0	100.0	100.0	100.0

in %	Productivity to Ø CR				Average interest rate on mortgages				Price electricity to Ø EU			
	2010	2011	2012	2013	2011	2012	2013	1H-14	2010	2011	2012	2013
Belgium	259.6	257.1	266.6	282.3	n/a	n/a	n/a	n/a	122.0	116.1	110.6	99.4
Bulgaria	204.8	204.5	211.0	224.3	4.1	3.2	2.9	2.6	143.0	140.7	147.9	145.9
CR	83.5	85.4	91.1	98.8	3.7	3.1	3.0	2.9	53.0	55.2	64.9	61.0
Denmark	279.5	283.2	293.2	n/a	3.5	3.3	3.5	3.4	125.1	131.8	134.8	140.2
Germany	156.9	151.0	156.0	159.4	4.7	3.6	3.1	3.4	56.4	61.2	71.6	77.9
Estonia	184.1	181.7	190.4	n/a	3.5	3.4	3.2	3.2	116.3	120.5	116.4	120.8
Ireland	237.2	235.3	244.0	258.5	4.4	4.5	3.9	3.6	81.6	78.4	81.4	84.1
Greece	211.2	207.5	210.5	222.6	3.6	4.3	3.9	3.5	86.7	94.3	92.4	95.1
Spain	147.2	145.7	153.9	157.6	5.3	5.5	5.4	5.0	114.7	138.5	121.5	104.7
France	70.4	75.4	83.3	89.2	4.7	3.9	4.1	n/a	61.0	61.6	58.8	55.3
Romania	73.9	79.5	84.9	91.6	4.3	3.3	2.7	2.7	65.1	62.9	65.4	60.8
Croatia	599.0	599.5	614.3	n/a	2.5	2.4	2.2	2.2	95.6	92.2	85.1	85.5
Italy	130.8	128.2	131.3	138.4	3.6	3.6	3.4	3.6	99.0	94.4	89.8	69.9
Cyprus	229.6	225.4	230.6	n/a	4.6	4.3	3.9	3.4	54.9	56.1	53.1	36.5
Latvia	n/a	n/a	n/a	n/a	3.4	3.3	2.8	2.7	113.7	109.1	109.3	105.1
Lithuania	115.6	112.9	116.0	124.6	4.8	4.8	4.3	4.0	102.4	110.2	108.4	108.3
Luxembourg	122.4	122.4	122.7	n/a	4.1	3.6	3.5	3.5	87.0	85.8	90.0	87.7
Hungary	94.6	95.9	100.4	106.0	5.2	5.3	4.4	3.7	98.0	95.1	89.2	77.2
Malta	239.6	241.7	251.3	266.6	2.6	2.2	2.2	2.0	100.6	95.7	93.4	90.8
Netherlands	33.3	35.2	38.2	40.0	8.8	8.3	7.8	7.4	43.5	43.9	42.1	39.3
Austria	100.0	100.0	100.0	100.0	4.6	4.2	3.6	3.3	118.8	113.2	108.5	89.5
Poland	286.5	283.0	295.4	313.5	4.0	3.5	3.7	3.2	167.4	160.6	152.0	150.0
Portugal	97.1	95.7	100.5	104.8	n/a	n/a	n/a	n/a	60.7	68.8	69.0	64.6
Slovenia	84.7	83.6	82.2	85.2	10.6	12.0	9.6	7.3	87.3	80.8	66.5	55.1
Slovakia	76.3	76.8	80.4	85.5	7.1	7.4	5.9	5.5	78.1	75.1	70.9	67.0
Finland	43.6	45.2	45.6	51.8	9.5	8.1	7.6	5.5	56.7	53.4	61.8	59.1
Sweden	259.0	270.3	289.8	307.7	4.0	3.6	2.8	2.3	116.1	109.2	106.0	98.2
UK	198.6	195.6	215.2	n/a	n/a	n/a	n/a	n/a	84.0	92.4	89.8	98.4
EU	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	100.0	100.0	100.0	100.0

Source: Eurostat

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