

## POLITICS

**Great Britain has taken an important step ahead of the debate with the European Union on the details of Brexit.** After weeks of wrangling, the ministers responsible for finance and trade Philip Hammond and Liam Fox agreed that after the end of the process of exiting the EU a transition period to mitigate the consequences of leaving will follow. They specified that the transitional period will be time-limited, that during this period Britain will be out of the existing customs union and that the contractual commitments which London had with member states will no longer apply.

**The European Commission received a total of 27 offers (from 23 European cities) from EU member states for the new headquarters of the European Medicines Agency and the European Banking Authority, which are still located in London.** The Commission will now review all bids and the results of the assessment will be published on 30 September.

## ECONOMICS

**The Czech National Bank has raised interest rates after 9 years. Czech currency then broke through the border of CZK 26 per euro.** The Bank Board of the Czech National Bank increased the two-week repo rate by 20 basis points to 0.25%. This is the first change since November 2012, when the repo

## FOCUS ON THE CZECH REPUBLIC

**By the end of July 2017, the Czech Republic had contracted approximately one third of the European subsidies designated for the 2014-2020 programming period.** The Ministry for Regional Development confirmed that this is almost two hundred billion crowns of the total allocated CZK 593.1 billion.

**Czech companies are increasingly taking loans in foreign currency, especially in euros.** Year-on-year businesses thus borrowed

rate was lowered to so-called technical zero. At the same time, this is the first increase in domestic interest rates since February 2008.

**Banking companies in Britain could close a record 762 branches this year.** As part of efforts to reduce costs they are placing more emphasis on Internet banking at the expense of personal contact with clients.

**The Monetary Policy Committee of the British central bank, the Bank of England, left the base interest rate unchanged at a record low of 0.25%.** The reason is uncertain economic development at the time when Britain is preparing to leave the EU and further slowdown of inflation.

**Foreign direct investment in Europe surpassed another record in 2016.** Foreign investors have started the most projects and created a quarter of a million new jobs. Last year the three countries of Great Britain, Germany and France also defended the position of European champions in terms of attractiveness. The region of Central and Eastern Europe also experienced rapid growth. In fact it succeeded in attracting almost half of the industrial projects in the area of foreign direct investment.

**The number of registered unemployed people in Spain continued to fall in July and reached its new lowest level in eight years.** In total 3.3 million people were jobless in the country, 0.8% less than in the previous month.

about 24.5% more than a year ago. According to experts mainly exporters who trade in euros incur debt in this way. Together companies currently owe nearly CZK 300 billion in foreign currency.

**The balance of foreign trade of the Czech Republic with EU28 countries ended with a surplus of CZK 60.4 billion in June 2017.** The positive balance grew by CZK 3.1 billion year-on-year. The trade deficit with non

## FOREIGN TRADE

**Last year in the European Union, nearly half (49%) of the total amount of goods exported to non-EU countries were invoiced in euros and a third (33%) in US dollars.**

The picture was reversed for imports, with slightly more than half of imports paid in US dollars (55%) and around a third in euros (34%). Over 85% of the petroleum products imported into the EU in 2016 were traded in US dollars and around half of the primary goods and the manufactured goods that the EU exported to non-EU countries were invoiced in euros.

## SECTORS

**Industry in the eurozone is doing the best in six years.** In August activity in the manufacturing industry of the eurozone grew the fastest since 2011. Thanks mainly to higher new export orders, its index rose to 57.4 points from the previous 56.6. The index of activity in the service sector fell to 54.9 points from 55.4 points in July however.

**Lithuania has received the first supply of liquefied natural gas from the United States.** This is the result of an agreement between the two countries which aims to reduce the dependence of this European country on Moscow and strengthen relations with the Americans in response to increased tensions in the region.

-EU countries increased by CZK 4.8 billion to CZK 40.2 billion (preliminary data of the Czech Statistical Office).

**The European Commission has approved the Czech Republic's plan to support the construction of a network of service and charging stations for low emission vehicles.** It has decided that the measure contributes to reducing CO<sub>2</sub> emissions without distorting competition in the single

## FORECAST AND PREDICTIONS

## Meetings of EU institutions

- *European Parliament Plenary Session on 11 - 14 September 2017*
- *Eurogroup on 15 September 2017*
- *General Affairs Council on 19 September 2017*

**Parliamentary elections will be held in Germany on 24 September 2017.** Pre-election polls give the best chance of victory to the chancellor's conservative CDU/CSU coalition, which at present has an opportunity to get 39% of the votes, while polls promise Schulz's Social Democrats about 16 percentage points less. The Greens currently have prospects for about 8% of the votes.

**The American company Tesla will soon have a new competitor.** In Germany a giant factory for production of high-capacity lithium batteries designed for household and industrial use will spring up. For German industry this is a way to keep up with global technology leaders. Currently the lithium battery market is controlled by the South Korean firms LG and Samsung. It is envisaged that prices for lithium batteries could fall by as much as 40% thanks to mass production, which would allow them to spread much more extensively.

market. Under the scheme, support of EUR 44.5 million will be provided for 6 years for the construction of publicly available charging and service stations for vehicles using alternative fuel.

**The Czech carrier Leo Express has taken over the Berlin railway company Locomore which is in insolvency.** It will operate the route between Berlin and Stuttgart in the southwest of Germany.