

POLITICS

In Strasbourg representatives of the European Parliament, the European Commission and the EU Council signed a plan of legislative priorities for 2017 which mainly concerns creation of new jobs, development of social systems, strengthening security, environmental protection, digitization and also solving the migration crisis.

From January 2017 Malta will preside over the presidency of the Council of the EU. The priorities of the Maltese presidency are migration, the single market, security, social inclusion, relations with Europe's neighborhood and also the maritime sector. Malta, which joined the EU in 2004, will lead for the first time in its presidential role and succeed the presidency of Slovakia which is ending.

Alexander Van der Bellen (independent candidate with the support of the Green Party) will be the new Austrian president. In the repeated second round of presidential elections he defeated the candidate of the Freedom Party of Austria, Norbert Hofer.

Italy's foreign minister Paolo Gentiloni has been named the country's new prime minister following Matteo Renzi's resignation in the wake of a referendum defeat. On a high turnout of 66%, 59% of voters chose no; 41% went for yes. Overseas voters bucked the trend, voting overwhelmingly (65%) for yes.

FOCUS ON THE CZECH REPUBLIC

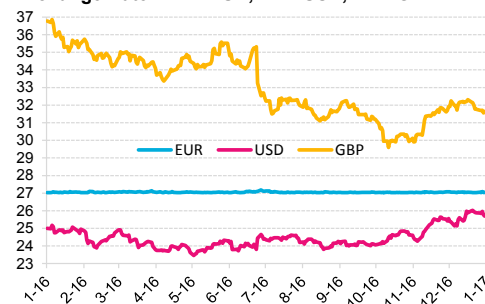
Annual inflation in the Czech Republic accelerated in November to 1.5% from 0.8% in October and was therefore the highest since June 2013. Restaurants' preparation of electronic records of sales (e-sales in English, EET in Czech) which make their services more expensive also partially contributed to the surprising increase in November's inflation. Inflation therefore may reach the 2%

Romania's Social Democrats easily win parliamentary elections a year after a major anti-corruption drive forced the last socialist prime minister from power. The party chairman hailed the result after the Social Democrats won 46% of the vote, far ahead of the second-placed Liberals on 20%.

ECONOMICS

The Czech crown depreciated this year against the US dollar and the Russian ruble, while it significantly strengthened in relation to the British pound and the Polish zloty. With regard to the intervention it thus remained almost unchanged against the euro.

Exchange Rate - CZK/EUR, CZK/USD, CZK/GBP



Source: Bloomberg; in CZK

Members of the EU Economic and Financial Affairs Council have agreed to extend the operation of the European Fund for Strategic Investments (EFSI). They also agreed to increase its target to 500 billion euros in 2020. The EFSI has so far accumulated

target of the Czech National Bank in the first few months of 2017.

Exports of Czech companies in January and February 2017 will grow at an above-average rate. Czech exports should benefit from the improving prospects of European economies and also from the growth in orders in Germany. From January to September 2016 Czech exports grew year-on-year by

138 billion euros for projects in 27 member states.

The European Union has extended economic sanctions against Russia to 31 July 2017. The measures prohibit export to Russia of certain technologies, for example for oil extraction, but primarily restrict entry of Russian companies and banks in financial markets.

The Italian government is preparing help for the banking sector of up to 20 billion euros and possible rescue of the third largest Italian bank Monte dei Paschi di Siena, which as the European Central Bank announced, needs capital worth 8.8 billion euros.

SECTORS

Representatives of the European Parliament, EU Council and Commission agreed on a Europe-wide approach in the use of ultra high frequencies (UHF), which also includes the 700 MHz band. The new band will simplify the introduction of the fifth generation of wireless networks (5G), finding uses in the automotive industry and health care and its benefits will also be utilized by all other entities working with the Internet.

In December the European navigation system Galileo started operating. The project, which has been under construction for seventeen years, will represent the civilian equivalent of the American GPS and Russian Glonass navigation systems.

3.2% to 2.96 billion crowns.

Czech scientists in cooperation with the British have surpassed competing teams from the USA, Japan and France and have developed a laser with extra strong power of 1000 W. No one had managed to do this although scientists around the world had been trying for about the past 15 years.

The Japanese brewery Asahi Group Hol-

FORECAST AND PREDICTIONS

Meetings of EU institutions

- Foreign Affairs Council on 16 January 2017
- European Parliament plenary session on 16 - 19 January 2017
- Eurogroup on 26 January 2017
- Economic and Financial Affairs Council on 27 January 2017
- European Parliament plenary session on 1 - 2 February 2017

The European Central Bank will prolong its programme of bond purchases by at least nine months and pump an additional 540 billion euros into the economy of the EU. From April 2017 however, it will reduce its monthly volume to 60 billion euros from the current 80 billion euros.

Global support for renewable energy sources will peak in 2030 then begin to decline. Renewable sources of energy are becoming cheaper, nevertheless for success on the market they cannot do without additional support. According to projections by the International Energy Agency, between 2035 and 2040 less than 40% of new renewable energy sources will need grants. The amount of subsidy per generated megawatt hour of electricity will thus decline.

Inflation in Czech Republic may reach the 2% target of the Czech National Bank in the first few months of 2017.

dings has agreed to buy Plzeňský Prazdroj and other Eastern European brands of the SABMiller company for 7.3 billion euros (almost 200 billion CZK). The final price is about a billion euros higher than expected.

From the Operational Programme Enterprise and Innovations for Competitiveness, 77 calls in the amount of 69.1 billion CZK were announced by 13 December 2016.