The FORTNIGHTLY

A Review of Middle East Regional Economic & Cultural News & Developments

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1. ISRAEL GOVERNMENT ACTIONS & STATEMENTS

1.1. Israel Moves to Increase Butter Imports Amid Shortage

Finance Minister Moshe Kahlon signed an order on 26 February to lift duties and quotas on imported butter in an effort to alleviate a prolonged shortage in Israel. The order is limited to one year to prevent long-term damage to Israel's dairy industry. It is not known if the imported butter will be subject to the fixed-price regulations on Israeli-produced butter.

There has been a shortage of domestically produced butter since early last year as demand increased but limits on milk production did not keep pace. Questions about whether an interim government had the authority to sign such an order postponed its enactment. Approval to sign the order was issued earlier this month by Deputy Attorney General Levin. (Various 01.03)

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1.2. Serbia's Vucic Announces Intention to Open 'Official State Office' in Jerusalem

Serbian President Alexander Vucic announced at AIPAC's annual conference his intention to open an 'official state office' in Jerusalem. The country would open a Chamber of Commerce office in the holy city, Serbia's president announced, and a diplomatic office would follow, bearing Serbia's national flag. He also spoke on the historic importance of the Israeli-Serbian ties, pointing out that Serbia has long supported the right of the Jewish people to have their own state, starting from the Balfour declaration. He mentioned Israeli President Rivlin's visit to Serbia in 2016, which saw the two leaders open a street named after Theodor Herzl. (i24NEWS 01.03)

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2. ISRAEL MARKET & BUSINESS NEWS

2.1. B.O.S. Announces Funding of $600,000

B.O.S. Better Online Solutions has entered into an agreement for a loan from a private investment fund in the principal amount of $600,000. The principal loan amount bears an interest rate of 8% per annum and is not secured. The loan will be repaid in 12 monthly installments of principal and interest. BOS will issue to the lender warrants to purchase up to 100,000 ordinary shares of the Company at an exercise price of $3.00 per ordinary share. The warrants shall be exercisable for a period of two years from issuance. The Company paid to the lender a commitment fee of $15,000.

Rishon LeZion's BOS is a global provider of Intelligent Robotics and Supply Chain solutions for enterprises. BOS offers smart automation systems for industrial processes, logistics and retail stores. The Company's Supply Chain division provides electronic components mainly for the aerospace, defense and other industries worldwide including electronic components services of consolidation from a vast number of suppliers, long term scheduling and kitting. (B.O.S. 25.02)

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2.2. Elementor Raises $15 Million for its WordPress Website Builder

WordPress has become so ubiquitous, it’s easy to forget that it still drives a huge ecosystem of startups that build tools and services around the platform. One of these is Elementor, a graphical website building platform that you can plug into WordPress to design and publish sites. More than 4 million sites have already been built with the tool — and it’s now seeing a million new sites every six months.

Tel Aviv's Elementor, which was founded in 2016, has raised its first round of institutional funding — a $15 million round from Lightspeed Venture Partners. Elementor gives designers everything from a visual editor to a set of pre-made templates, widgets for most standard use cases and, for paying users, support for building popups, themes and building WooCommerce sites. A lot of these features are available for free, but access to the paid tools starts at $49/year for a single site or up to $199/year for agencies that handle up to 1,000 sites. Elementor plans to use the new funding to accelerate its operations and global community. For 2020 alone, Elementor is planning about 500 meetups, the company says, and will grow its team by 50%. (Elementor 26.02)

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2.3. TowerJazz Announces New Brand Identity

TowerJazz, the global specialty foundry leader, announced the launch of a new brand identity to reflect Company's global presence and strength, and highlight its focus to provide the highest value analog semiconductor solutions. The new brand identity was launched on 1 March and included updates to Company’s brand name, vision, mission, values, logo, tagline, website and graphic design approach. The

Company brand name will be Tower Semiconductor and will include all of the company's worldwide subsidiaries.

Over the past decade, the Company has vastly expanded its global presence, manufacturing platforms and customer base, well positioning itself as the leading analog foundry. The Company's rebranding process is aligned with its strategic roadmap to provide the highest value analog semiconductor solutions. This is supported by the Company's focus on being a trusted long-term partner with a positive and sustainable impact on the world through innovative analog technologies and manufacturing solutions.

Migdal HaEmek's Tower Semiconductor and its subsidiaries operate collectively under the brand name TowerJazz, the global specialty foundry leader. TowerJazz manufactures next-generation integrated circuits (ICs) in growing markets such as consumer, industrial, automotive, medical and aerospace and defense. TowerJazz's advanced technology is comprised of a broad range of customizable process platforms such as SiGe, BiCMOS, mixed-signal/CMOS, RF CMOS, CMOS image sensor, integrated power management (BCD and 700V), and MEMS. (TowerJazz 27.02)

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2.4. Pagaya Closes $200 Million Consumer Credit ABS

Pagaya announced the closing of a consumer credit asset-backed security (ABS) at $200 million, led by structuring agent Cantor Fitzgerald. This is Pagaya's sixth securitization in the past year, bringing the firm's total assets under management (AUM) to $1.5 billion. Pagaya worked with multiple consumer loan originators for this transaction and continues to expand the number of platforms that can access its PAID shelf. This latest ABS will be actively managed by Pagaya's AI, like the five previous transactions.

Pagaya's technology-driven originations offering (I-to-I Sourcing Network), has steadily grown over the past year, increasing the cadence and size of the firm's ABS transactions. Pagaya's I-to-I Sourcing Network unlocks opportunities that connect borrowers with institutions investing in data-rich alternative asset classes, such as consumer credit. Pagaya's AI analyzes millions of data points to select and purchase individual loans instead of securitizing a pool of previously assembled assets. This data-driven, in-depth analysis unlocks more low-risk, high-yield opportunities for institutional investors.

Tel Aviv's Pagaya is a financial technology company reshaping asset management using machine learning and big data analytics to manage institutional money. With a focus on fixed income and alternative credit, Pagaya offers a variety of discretionary funds to institutional investors, including pension funds, insurance companies, and banks. Pagaya's unique technology platform, Pagaya Pulse, runs on a suite of artificial intelligence technologies and state-of-the-art algorithms to deliver a high and scalable performance edge consistently. (Pagaya 26.02)

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2.5. Mellanox Acquires Titan IC to Strengthen Leadership in Data Analytics

Mellanox Technologies has reached a definitive agreement to acquire privately held Belfast, Northern Ireland's Titan IC, a leading developer of network intelligence (NI) and security technology to accelerate search and big data analytics across a broad range of applications in data centers worldwide. The acquisition will further strengthen Mellanox's network intelligence capabilities delivered through the company's advanced ConnectX and BlueField families of SmartNIC and I/O Processing Unit (IPU) solutions. Titan IC's world class team in Belfast, Northern Ireland will become the center of advanced network intelligence research and development for Mellanox.

Titan IC is a world leader in high-speed complex pattern matching and real-time Internet traffic inspection for advanced cyber security and data analytics applications. The highly sophisticated RXP hardware network intelligence acceleration engine, offloads regular expressions (RegEx) string and malware matching, freeing up CPU cores and delivering faster throughput and increased efficiency. The RXP engine's unique ability to simultaneously handle high throughput, rule depth, and complexity is an ideal complement to Mellanox high performance BlueField IPU based solutions, which include line-rate network, storage, and crypto accelerators at speeds up to 200 Gb/s. The combination delivers unmatched network intelligence capabilities making BlueField the perfect solution for a wide range of applications such as stateful firewalls, load balancers, intrusion detection and prevention, deep packet inspection, application recognition, lawful interception, government, logfile analytics, in-storage search and many more.

Yokneam's Mellanox Technologies is a leading supplier of end-to-end Ethernet and InfiniBand smart interconnect solutions and services for servers and storage. Mellanox interconnect solutions increase data center efficiency by providing the highest throughput and lowest latency, delivering data faster to applications, unlocking system performance and improving data security. (Mellanox Technologies 03.03)

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3. REGIONAL PRIVATE SECTOR NEWS

3.1. Bahrain's Investcorp Signs $164 Million US Real Estate Deal

Bahrain-based Investcorp announced that its US-based real estate team has acquired two residential properties in South Florida for about $164 million. Investcorp said the acquisition further strengthens its US multifamily real estate portfolio and follows a highly active period of investment in multifamily properties. The firm ranked as the second largest international acquirer of US multifamily properties in 2019, according to Real Capital Analytics. Multifamily property portfolios currently represent the largest part of Investcorp's global real estate platform, with an approximate value of $2.3 billion.

Investcorp's multifamily portfolios span across 15 markets totaling 18 properties and more than 14,000 units. Since inception, the value of Investcorp's real estate investments have totaled over $18 billion across more than 800 properties. The acquisition of the two apartment properties in South Florida provides Investcorp with a 95% occupied portfolio of 836 units. (AB 25.02)

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3.2. Dubai Medical Group in $52 Million Legal Battle with Allergan

Dubai-based medical equipment distributor Dansys Group has filed a $52 million law suit against US pharmaceutical giant Allergan over allegations of fraud and breach of contract, according to court documents. In February 2017, Allergan announced it was acquiring Zeltiq - the medical technology company behind the popular fat reducing treatment CoolSculpting, before completing the acquisition for approximately $2.4 billion in cash. Dansys, which had the exclusive rights to distribute Zeltiq's CoolSculpting machines in the UAE and three other countries in the Middle East, is claiming Allergan and Zeltiq colluded to illegally terminate the company's contract in April after Dansys in February bought millions of dollars' worth of CoolSculpting machinery which it was planning on distributing exclusively. Dansys claims it is a victim of "circumvention, fraud and collusion by the two defendants together, who colluded against it," according to Dubai Courts documents.

It also claims Zeltiq did not abide by the exclusively agreement, having sold CoolSculpting encryption cards to other parties in the UAE. Allergan, best known for making Botox, was acquired by New York-listed pharmaceutical giant AbbVie in a $63 billion cash and stock transaction in June last year. (AB 18.02)

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3.3. Dubai's DP World Acquires Fraser Surrey Docks in Canada

Dubai-based DP World on 24 February completed the acquisition of Fraser Surrey Docks in Canada from Macquarie Infrastructure Partners (MIP) alongside its partner Caisse de dépôt et placement du Québec (CDPQ). The port operator said the acquisition complements its footprint in Canada, which also includes terminal operations in Vancouver, Nanaimo, Prince Rupert and St John's, without disclosing the value of the purchase. The integrated coast-to-coast platform provides customers with bulk, breakbulk and general cargo services. DP World said its global strategy is to become a trade enabler and solutions provider as the company looks to participate across a wider part of the supply chain.

In 2016, DP World partnered with CDPQ to create a $3.7 billion platform to invest in ports and terminals worldwide. Since then, the partnership has leveraged DP World's strong track record in the port sector and CDPQ's in-house infrastructure expertise to grow a high-quality portfolio of 10 ports and terminals across the globe, including locations in Canada, Chile, the Dominican Republic and Australia. DP World holds 55% of the platform and CDPQ holds the remaining 45%. (DP World 24.02)

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3.4. Careem Launches Smartphone Bicycle Rental Service in Dubai

Ride-hailing firm Careem and Dubai's Roads and Transport Authority have launched almost 800 rental bicycles from 78 locations across the city. This is the first phase of a scheme that will see Careem operating 3,500 bicycles from 350 designated stations in the emirate. The rental scheme is part of broader efforts to reduce energy consumption and pollution and offer a short first and last-mile connection service between public transport stops.

Users will be able to hire and pay via the Careem Bike app, which allowed them to unlock the bicycle by scanning the QR code or entering a five-digit code from the application into the station. Those riding the bicycles will have to stick to a 30kph limit, which organizers said was a safe speed. The RTA also used the launch to remind cyclists of the need to adhere to the emirate's laws and regulations when travelling on a bicycle. These include a ban on bicycles being used on roads that have a top speed of 60kph or more. Cyclists should get off their bicycles when on a crossing point, wear a protective helmet, a reflective vest and ride on the right side of the bicycle track. Bicycles will not be rented to under 15s, unless accompanied by an adult. The ride-hailing firm can track the bicycles via GPS as they travel across Dubai. (Careem 23.02)

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3.5. UAE is Seen Leading the $2.5 Billion Arab Middle East FinTech Market

The UAE is leading the MENA region's fintech market reaching a record-high of $2.5 billion by 2022, said industry experts ahead of the Middle East Financial Technology (MEFTECH) event in February in Dubai, UAE. As the Middle East's fintech market reaches record-highs, the UAE's banking and financial institutions are leveraging real-time information management to enable mobile banking, e-commerce, digital remittances, and secure real estate contracts.

Recent major digital transformation projects have included the backup and disaster recovery and hybrid cloud environments for the UAE's largest bank, an identity and access management solution for a large bank in the Northern Emirates, and virtual desktop infrastructure for 2,500 employees of a major European-based bank.

One of the biggest topics of discussion among UAE banking leaders is the need to enhance security, data protection, and identity and access management. With the right security solutions in place, banks in the UAE can ensure secure and trusted transactions, reduce risk, and meet government legislation on data breaches. In the UAE, the Decretal Federal Law No. 14 of 2018 outlines how the Central Bank regulates virtual banking, stored value, e-payments and digital money services.

In the UAE, there is strong demand for the Dell Technologies portfolio of information management and security solutions across its group of companies, including from Dell EMC, VMware and RSA. (TradeArabia 25.02)

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3.6. Dubai's Wamda Boosts Investment in Car Buying App Seez

Wamda, the Dubai-based start-up ecosystem enabler, has boosted its investment in car buying app Seez, which raised $6 million in its Series A funding round. The round was oversubscribed by five times and attracted an investment pool, which also included several strategic automotive partners, in addition to German VC Crealize, B&Y Venture Partners, Phoenician Funds and several angel investors. The round of financing will enable UAE-based Seez to grow and access the $10 billion second-hand online automotive industry in the UAE, as well as other markets in the Middle East and North Africa. The start-up had previously raised $3.2 million over two rounds, bringing its total funding to date to $9.2 million.

Founded in 2016, Dubai's Seez facilitates the car shopping journey through its app, which offers a smart search engine for car listings and proprietary, AI-powered pricing and negotiation tools. The Seez app has grown to more than a million users with almost 500,000 cars listed on its platform available across five countries. (Wamda 29.02)

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3.7. Etihad Rail Signs Deal to Buy 38 Locomotives for UAE Railway

Etihad Rail, the developer and operator of the UAE’s national railway, has awarded a contract to significantly increase the size of its fleet of locomotives. The deal with Albertville, Alabama's Progress Rail Locomotive, a Caterpillar company, will see the fleet expand to 45 locomotives, which is equivalent to 6 times the current fleet.

Etihad Rail has also contracted Progress Rail, one of the world’s biggest manufacturers of diesel-electric locomotives, to design, manufacture, test, and ship 38 EMD locomotives especially designed to withstand the high temperatures and humidity of the Gulf region. The fleet will be equipped with a state-of-the-art system that filters sand from the air intake and pulse cleaning systems, ensuring effective and efficient operations while passing through desert areas. The locomotives are designed to haul a 100-wagon train, which can replace 5,600 on-road truck trips per day.

Since Etihad Rail became operational in 2016, the company’s current fleet of 7 locomotives has contributed to decreasing the number of truck trips on the roads of Al Dhafrah by more than one million, with up to 28 million tons of granulated sulfur transported from sources at Shah and Habshan to the processing and export point at Ruwais.

Etihad Rail has successfully completed stage one of the network, spanning 264km to transport sulfur from sources at Shah and Habshan to the export point at Ruwais. Stage two links the UAE and Saudi Arabia from Fujairah Port to Ghuweifat through Mussafah, Khalifa Port and Jebel Ali Port. When complete, Etihad Rail’s network will span approximately 1,200km. (Etihad Rail 26.02)

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3.8. Dubai's Sunset Hospitality Purchases Stake in US Burger Chain Black Tap

Dubai-based Sunset Hospitality Group has announced it has acquired a minority share in New York's Black Tap Craft Burgers & Beer, the American eatery known for its burgers and milkshakes. Sunset, which holds the rights for Black Tap in Europe and the Middle East, said the investment will extend its partnership with the Black Tap brand, without saying how much it had invested. It added that two new Black Tap outlets will open at The Dubai Mall and Mall of the Emirates in the second quarter of 2020, bringing the total to nine across the Middle East region. The new branches are expected to create jobs for more than 120 people in Dubai. Sunset also announced that, following on the success of Black Tap Geneva, it will expand its portfolio in Switzerland, with a new Black Tap restaurant in Zurich. The upcoming three Black Tap outlets are part of the more than 10 new outlets that Sunset plans to open this year, taking its portfolio over 30 venues by year-end. (AB 26.02)

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3.9. Aanaab Closes Its First Investment Round with $1.5 Million

Saudi-based Teacher Training Platform Aanaab announced that has closed its first investment round with $1.5 million. The round was led by Nour Nouf Knowledge Company and Wamda, along with a group of angel investors in the education sector. This investment comes as part of an effort to support the expansion of Aanaab operations to reach new segments and markets in the online teacher training sector during its second year. The platform has achieved significant growth in its first year and managed to gain over 37,000 enrollments by teachers around the Arab world. The completion rate of courses on Aanaab platform has reached 28%, which is twice the average global rate for other open education platforms, and achieved a rate of 95% in trainee satisfaction. This confirms the need for a specialized platform that provides high-quality professional development courses in education.

Aanaab platform offers online courses to enhance teachers and educators competencies through open learning. Teachers can enroll for free in various courses and opt to purchase a certificate of completion afterwards. The platform also provides schools with premium solutions for teachers professional within the school. (Aanaab 03.03)

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3.10. Gradiant & SAWACO Deploy High Recovery Desalination Technology

In partnership with Saudi Arabia's SAWACO, Boston's Gradiant has successfully demonstrated its industry disruptive technology, Counter Flow Reverse Osmosis (CFRO), extracting an additional 50% fresh water from an existing seawater RO plant's reject brine. The demonstration project has been in continuous operation since November 2019, successfully meeting the project's water quality, efficiency, cost, and energy consumption goals. The partner companies are now scaling the process up to 5000 m3/d at the same site in Jeddah to serve the increasing water needs of local industry. The eventual CFRO capacity could be up to 15,000 m3/d, doubling current freshwater production at the site. The CFRO process will deliver the additional fresh water without increasing the seawater inlet, brine outfall, or pre-treatment system.

SAWACO and Gradiant are in the process of forming a joint venture to deploy CFRO and other seawater desalination technologies across Saudi Arabia. Saudi Arabia is currently the world's largest desalination market, producing about one fifth of the world's desalinated water supply, with $80B projected to be spent on desalination projects over the next two decades. SAWACO water desalination is the leading supplier of un-bottled potable water for people and businesses in Saudi Arabia and is the first private water utility, established in Saudi Arabia under license by Ministry of Water in the year 2000 well before IWPP and PPP initiatives were launched. (Gradiant 24.02)

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4. CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

4.1. BreezoMeter Wins EU Horizon 2020 Grant to Advance Air Quality Research

BreezoMeter has won funding & endorsement from the EU's Horizon 2020 Research & Innovation program. The research will focus on understanding air quality health impact & improving forecast methods. Horizon 2020 is the biggest EU Research & Innovation program, with nearly €80 billion of funding over 7 years. The prestigious grant was awarded for AQ-Watch (Air Quality: Worldwide Analysis & Forecasting of Atmospheric Composition for Health). The project received funding from the European Union's Horizon 2020 research and innovation program under EC grant agreement No 870301.

By providing air quality information at a resolution and granularity of up to 5 meters, BreezoMeter brings unique expertise. BreezoMeter will also partner with several leading institutions around the world in 10 different countries. Horizon 2020 received over 120,000 eligible applications. BreezoMeter's selection is a significant validation of their technology, enabling them to work with leading institutions to advance analysis and forecasting of air quality.

Haifa's BreezoMeter is the leading provider of street-level and real-time air quality information, including air pollution, pollen and active fires data. Their free Android and iOS apps help individuals protect themselves from harmful air exposure. Their APIs enable businesses to increase sales & product engagement. BreezoMeter is already integrated by leading brands across healthcare, smart home, automotive, and cosmetic industries. (BreezoMeter 20.02)

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4.2. Pick a Pier & Blue Flag Promote Sustainability in the Recreational Boating Industry

Blue Flag, one of the world's most recognized voluntary eco-labels, grants awards to beaches, marinas, and boating tourism operators who adhere to environmental guidelines, joins forces with Pick a Pier. The partnership aims to advance technological solutions that will reduce the environmental impact of marinas and maritime businesses, encourage environmentally friendly behaviors among sailors, and reward sustainable businesses with greater visibility and recognition. Pick a Pier's platform will enable sailors to easily identify Blue Flag accredited marinas when planning their sailing trip and keep them informed of best practices to preserve the maritime environment. The partnership will also promote a Sustainable Sailing Code of Conduct. Together, Blue Flag and Pick a Pier will supply the industry with data on the tangible benefits of sustainable practices.

Tel Aviv's Pick a Pier was founded in 2017 and developed a digital platform that utilizes Machine Learning and Artificial Intelligence to design the technological future of marinas. Pick a Pier's goal is to optimize the use of marina berths to promote sustainable sailing, maritime tourism, and innovate and implement new strategies that increase the profitability and environmental practices of the marina industry. (Pick a Pier 27.02)

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4.3. Project to Combine Saltwater & Solar Energy to Vegetate Arid Aqaba Lands

On 2 March, an agreement was signed in Amman between the Sahara Forest project and the Aqaba Development Corporation, the development branch of the Aqaba Special Economic Zone Authority (ASEZA). The agreement includes transferring Red Sea water to the Sahara Forest Project in Aqaba, with the aim of expanding the production of vegetables in an environmentally friendly manner, restoring vegetation in the region and creating environment-related jobs. According to the agreement, the project, located 12 kilometers from the center of Aqaba, will use saltwater, sunlight, biomass and clean energy to grow vegetables on previously arid land. The project intends to expand its coverage from 200,000 square meters in its first stage to 300,000 square meters in its second stage.

The Sahara Forest Project is a Norwegian institution established in Aqaba in 2010 to enable sustainable and profitable innovation and promote the use of environmental technologies in the food, water and energy sectors. (JT 03.03)

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4.4. Agthia Launches Arabian Gulf's First Plant-based Water Bottle

Agthia Group PJSC, one of the region's leading food and beverages companies, announced the launch of Al Ain Plant Bottle, the region's first plant-based water bottle. An MoU was also signed between Agthia and Veolia, a global leader in optimized resource management, to launch a PET water bottles collection initiative in the UAE. The packaging of the new Al Ain Plant Bottle is environmentally friendly and made of 100% plant-based sources, including the cap. Furthermore, the water bottle serves growing consumer move toward sustainability as it is biodegradable and compostable, within 80 days. The revolutionary innovation is set to improve the environmental footprint from a CO2 perspective. It uses plant sources and converts them into a durable 100% plant-based resin, which is then used to create the Al Ain Plant Bottle.

In addition to taking the lead to launch the region's first plant-based water bottle, Agthia is partnering with Veolia to launch several sustainability initiatives, which will establish a circular ecosystem to pave the way towards more PET recycling in the region. This initiative underscores Agthia and Veolia's shared commitment to drive sustainability efforts by working together with the community. We aim to make the recycling easier and accessible by proposing different collection schemes.

The science behind Al Ain Plant Bottle is based on converting plants to special polymer material obtained from the fermentation of sugars contained in plants and used to create this material, without using a single drop of petroleum or its by-products. The plant-based bottle is being developed at Agthia's new Packaging Technology Center in Al Ain, under the strictest quality standards and under manufacturing conditions that consumes 60% less energy during entire process and has best-in-class CO2 environmental footprint, with more than 50% savings on non-renewable energy. (Agthia Group 27.02)

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5. ARAB STATE DEVELOPMENTS

5.1. S&P Cuts Lebanon Debt Rating & Warns a Further Cut is Possible

On 21 February, S&P lowered Lebanon's debt grade a notch, warning that a further cut is possible should the government miss a payment to creditors. S&P Global Ratings lowered the sovereign credit rating to CC from CCC with a negative outlook.

Lebanon's debt burden had been among the largest in the world for some time but a liquidity crunch has brought the crisis home and banks have imposed tough restrictions on dollar withdrawals. The government in Beirut faces a $1.2 billion debt payment on Eurobonds that reach maturity on 9 March. "We are lowering our ratings because we believe restructuring or nonpayment of Lebanon's government debt is virtually certain, regardless of the specific time to default," S&P said in a statement, citing "severe fiscal, external, and political pressures."

The rating could be cut further to selective default or 'SD,' "if the government signals that it will undertake a distressed exchange offer or if it misses its next interest or principal payment." Lebanon's sovereign debt rating slid into junk territory long ago, but investor confidence has fallen further since a wave of protests erupted in October in a major challenge to the political establishment. The Lebanese pound, which has been pegged to the dollar since 1997, has plummeted on the parallel market, further crippling the import-dependent economy.

Prime Minister Hassan Diab met with a delegation from the International Monetary Fund to discuss how to tackle the country's spiraling economic crisis. The Lebanese premier asked the Washington-based crisis lender for advice, but has yet to ask for financial assistance. S&P said that may reflect the "political unwillingness to accept harsh adjustment policies such as exchange rate liberalization." Economists, investors and government officials are divided over what to do with the March bond payment.

Parliament speaker Nabih Berri advocated debt restructuring. S&P said that would be "tantamount to default." Many analysts have argued that paying the bonds next month would only deepen the crisis by putting further strain on foreign currency reserves. (AB 22.02)

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5.2. Lebanon's Inflation Rate Rose Aggressively, Reaching 10% in January 2020

According to the Central Administration of Statistics (CAS), the monthly inflation rate in Lebanon doubled from November's 3.17% to end 2019 at 6.96%. The ensuing inflation rate in the first month of 2020 surged to 10.04%, up from 3.17% recorded in January 2019.

A double digit increase in consumer prices was in fact expected in Lebanon, following the emergence of a parallel market as the capital controls imposed rendered the prices of all imported goods &/or basic materials more expensive to the buyer and thus the end user as well. All sub-components of Lebanon's consumer price index (CPI) recorded substantial upticks in the first month of the year, except for Health costs. In details, the average costs of Housing and utilities, inclusive of water, electricity, gas and other fuels (composing 28.4% of CPI) climbed by 4.25% year-on-year (YOY) in January 2020. Owner-occupied rental costs (composing 13.6% of Housing and utilities) rose by an annual 2.52% while the average prices of water, electricity, gas, and other fuels (11.8% of Housing & utilities) recorded a substantial increase of 6.6%YOY, over the same period.

In addition, average prices of Food and non-alcoholic beverages (20% of CPI) and of Transportation (13.1% of the CPI) surged by 14.45% and 18.24%, respectively, in the first month of 2020. The 5.7%YOY increase in the average international oil prices to $63.67/barrel in January 2020 also partly contributed to the rise in Transportation costs in the beginning of the year. Moreover, the average costs of Education (grasping 6.6% of CPI) rose by 3.96%YOY while average prices of Clothing and Footwear (5.2% of CPI) surged by 24.28%YOY in January 2020. Meanwhile, the average costs of Health (7.7% of the CPI) slipped by a marginal 0.11%YOY over the same period. (CAS 24.02)

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5.3. Jordan's Razzaz Outlines Amman's Priorities for 2020 & 2021

On 29 February, Jordanian Prime Minister Omar Razzaz said that the focus during 2020 and 2021 will be on enhancing national security, rule of law, self-reliance, economic growth and public services as per seven priorities. Razzaz explained that mechanisms to achieve the priorities include 142 measures and initiatives and work to meet a total of 41 national and international performance indicators. The premier said that Amman will work on enhancing national identity and security and citizens' engagement in political life in addition to achieving self-reliance and improving the quality of public services.

Employment and entrepreneurship will also be a major priority for the next two years, Razzaz said, adding that the government hopes to create 45,000 jobs in 2020. In the endeavor to enhance integrity and combat corruption, Razzaz said that new relevant laws will be drafted in 2020 to boost the independence of the concerned agencies. To enhance self-reliance, the premier said that the government will diversify energy resources and improve the agriculture and water sectors. He also said that work will be accelerated to implement the e-government project in addition to improve the education, health and housing sectors. There will also be measures to enhance the judiciary and eliminate drug abuse and trafficking.

Razzaz pointed out that the government's priorities for 2020-2021 are based on an "extensive" review of the priority document laid out in 2018 under which, he said, 92% of the commitments for 2019 were realized. (JT 29.02)

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►►Arabian Gulf

5.4. Arabian Gulf Growth to Slow in 2020 as Coronavirus Hits Oil Demand & Tourism

Standard Chartered predicts that Arabian Gulf economies will grow at a slower pace than estimated this year as the coronavirus hurts oil demand, trade and tourism. The bank reduced expectations for Brent crude prices to an average $64 per barrel this year, down from an initial estimate of $70. The revision also takes OPEC's December decision to deepen oil cuts into account. OPEC's curbs will be shouldered by Saudi Arabia, the economists said, pushing growth to 1% this year from an earlier forecast of 2.3%. Oman sells large amounts of its oil to China. The United Arab Emirates' - and in particular Dubai's -position as a trade and transport hub makes the economy particularly vulnerable to the impact of coronavirus disruption to flights and global supply chains. They expect growth in the UAE at 1.1% down from 2.1%.

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5.5. UAE Central Bank Announced GDP Grew by 2.9% During 2019

The UAE Central Bank (CBUAE) announced that the UAE's GDP is estimated to have grown 2.9% in 2019. According to the CBUAE's 'Quarterly Review Report' for Q4/19, the overall rise in GDP was driven by the growth of the non-hydrocarbon sector – estimated at 1.1% – as well as a 7.6% growth in the hydrocarbon sector. The CBUAE attributed "significant growth" in the hydrocarbon sector to double-digit growth in condensates and natural gas production. The rise in non-oil activities is also reflected in improved labor market indicators. Private sector employment also rose further year-on-year growth momentum of 2%. This growth, the Central Bank report noted, was the highest growth registered in the last seven quarters, adding that some 38,765 new jobs were created in the fourth quarter of 2019. (CBUAE 23.02)

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5.6. UAE Central Bank Cracks Down on Misuse of Home Loans

The United Arab Emirates is cracking down on the misuse of home loans to prevent risky borrowing as an ongoing property slump weighs on banks. The central bank issued a notice to lenders "to stop certain unacceptable practices" involving mortgages, which enabled some borrowers to use home loans for purposes other than constructing, purchasing or renovating a house for owner occupier or investment purposes. Any form of personal loans granted by banks or finance companies using property as collateral cannot be classified as mortgages, the regulator said. Lenders shouldn't provide personal loans for longer than four years and lenders "must not take private houses as security" for this type of borrowing, it said.

The measures come as banks in the UAE are at risk once again as the property market endures its longest decline since a 2014 peak and non-performing loans rise. That's prompted some lenders in the second-biggest Arab economy to ease payment terms by extending loan maturities and lowering interest rates. In Dubai, business growth has stalled while jobs have disappeared at the fastest pace in at least a decade in the latest signs of strain on the Middle East's commercial hub. In September, the government set up a committee to manage the supply and demand of properties and ensure that private developers operate in fair environment. (AB 19.02)

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5.7. UAE Health Ministry Cuts Cost of Medicines by Up to 68%

The price of 573 medicines has been slashed by the UAE Ministry of Health and Prevention by up to 68%. The initiative includes medicine for diabetes, hypertension, cardiovascular, nervous and respiratory issues; and some pediatric problems. The majority of the drugs have been reduced in price by over 50%, with discounts ranging from 47% through to 68%. According to the ministry, the move, which has been taken in cooperation with 97 major local and international pharmaceutical manufacturers, is designed to ease the financial burden on patients and ensure everyone has access to drugs at affordable prices. (AB 21.02)

5.8. UAE's Port of Fujairah Announces $204.2 Million Expansion Plans

The Port of Fujairah is to invest AED750 million ($204.2 million) over the next two years to expand and upgrade its oil handling infrastructure. The chief financial officer at the port said they are consulting clients to understand their expansion plans, which may require the port to increase its oil handling capacity, from the current 700m barrels annually. The plans would increase operational efficiency and improve service.

These plans are part of the port's long-term strategy derived from the Government of Fujairah's directives to always be ahead of the market demand. They aim to maintain the port's status as one of the leading petroleum ports in the world. (AB 01.03)

5.9. Saudi Arabia Creates Ministry for Investment, formerly SAGIA

On 25 February, the Kingdom of Saudi Arabia announced that its state entities governing Investment, Tourism and Sport were promoted to full ministries on as part of a Cabinet reshuffle. The move comes as Saudi Arabia's startup ecosystem comes into full swing, with $67 million being invested in 71 deals in 2019, making it a record year by both number of deals and total funding, according to MAGNiTT's 2019 Saudi Arabia VC Snapshot. Saudi Arabia saw the highest amount of total funding and number of deals in 2019. With this increase in deals, up 92% from 2018, and total funding, up 35% from 2018, the country now claims the third spot in the Middle East and North Africa (MENA) region, with the aim of increasing its rank even further in 2020 and beyond.

As part of the move, the Saudi Arabian General Investment Authority (SAGIA) will become the Ministry of Investment, led by former Energy Minister Khalid Al-Falih, the new Minister of Investment. SAGIA has increasingly focused on the startup ecosystem, including the signing of several international venture capital firms, to spur innovation and investment in the Kingdom. (Arab News 26.02)

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►►North Africa

5.10. IFC Invests $125 Million to Fund Construction of Hospitals in Egypt and Morocco

The IFC, a member of the World Bank Group, is the lead arranger for an Islamic financing package of up to $125 million to Humania, a private healthcare company, to help expand health services and improve medical care in Morocco and Egypt. IFC will provide Humania with a $35 million Islamic facility for its own account and is the lead arranger for the rest of the financing from the Finnish Fund for Industrial Cooperation (Finnfund), OPEC Fund for International Development, European Bank for Reconstruction and Development, and the IFC Managed Co-Lending Portfolio Program (MCPP). MCPP is an innovative syndications platform that offers institutional investors the ability to passively participate in IFC's future senior loan portfolio.

The financing will help Humania develop a network of multispecialty hospitals and healthcare assets in Egypt and Morocco. The first phase of its investment program includes three hospitals and a medical tower with nearly 600 inpatient beds and 240 outpatient clinics. The company's growth is considered key in both countries, where there are shortages of doctors and hospital beds. Egypt's healthcare sector needs $60 billion in investments by 2050 to meet rising demand for medical services, while Morocco is also facing a need to improve healthcare delivery, especially for women and young children.

The investment by IFC is part of an effort to expand the role of private medical providers in the Middle East and North Africa (MENA), where demand for health services is rising and the public sector cannot meet all needs. (Various 18.02)

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5.11. USTDA & Egypt Strengthen Petroleum Sector Partnership

The U.S. Trade and Development Agency (USTDA) signed a Memorandum of Understanding (MoU) with the Egyptian Ministry of Petroleum and Mineral Resources, paving the way for further cooperation between the United States and Egypt in the petroleum sector. The signing took place at the EGYPS 2020 Petroleum Show, the largest oil and gas conference across Egypt, North Africa and the Mediterranean.

The USTDA delivers technical expertise, expert training and private sector solutions to advance the high-quality infrastructure Egypt can utilize to become a leading energy hub. The agreement aims at supporting cooperation between the two sides in the Petroleum Sector's Modernization Project, especially in the infrastructure domain. (USTDA 20.02)

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5.12. Egypt's Real GDP to Remain Strong, Growing by 5.9% in FY19/20

Egypt's economic growth will remain strong in the medium term due to relative political stability, strong investment, and recovering consumer environment, Fitch Solutions said in its latest report. That said, more needs to be done in terms of structural reform to maintain high growth rate over the long term. Fitch analysts expect growth to remain strong in the next five years. The economy will continue to be dominated by private consumption, while fixed investment will see the fastest growth rates in the short to medium term. Egypt's positive short-term story is effectively one of pent-up demand that has been unleashed by increased macroeconomic and political stability.

Sustained strong growth rates over the long term will require more structural reform. They currently forecast a gradual drop in headline growth rates past the medium term. This is to account for the pessimism that reforms will be sufficient to draw in large amounts of foreign direct investment, and other competitiveness will improve enough to boost the private sector. The next few years will prove formative in this regard, however, with IMF led reforms having helped restore macroeconomic stability, the government can now move onto making more structural changes to the economy. Fitch expects GDP growth rate to remain strong in the short term. They forecast real GDP to grow at 5.9% in fiscal year 2019/20 (FY19/20) from 5.6% in FY18/19.

In context, investment will remain a key driver of growth. Fixed investments grew by 12.3% year over year YoY in the first three quarters of FY 18/19, according to the government's most recent national accounts release, outpacing the growth rates in all other components of GDP. Much of the investments stems from public sources, a trend that will likely to continue to play out over the next year. (DNE 03.03)

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5.13. Egypt's Suez Canal Revenues Rise to $458.2 Million in February

Egypt's revenues from the Suez Canal increased to $458.2 million in February, up 5.6% from the corresponding month a year earlier, the Suez Canal Authority announced. Revenues were $433.9 million in February. The rise is below the $497.1 million reported in January. Traffic in both directions in February rose 12.7% year-on-year to 1,525 ships. The fastest shipping route between Europe and Asia, the canal is one of Egypt's main sources of hard currency. (Ahram Online 01.03)

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5.14. Morocco's Phosphate Sales from Western Sahara Down by 46%

Morocco's sales of phosphates from Western Sahara declined by 46% in volume from 2018 to 2019 after Saskatoon's Nutrien stopped buying the mineral in 2018. Morocco's Office Cherifien des Phosphates (OCP) sold 19 shipments with 1.03 million tons of phosphate from the southern region in 2019. In 2019, the biggest buyer of phosphates from Morocco's southern region became India, followed by New Zealand, China and Brazil.

In 2018, sales of phosphates from the region reached 1.9 million tons. Canada bought approximately 50% of phosphate production in Western Sahara at the time. Between 2012 and 2018, Morocco sold 1.8 million tons of phosphate from the region on average each year, notes the report. The sales figures for 2019 mark the lowest sales from the region in recent years.

OCP's Phosboucraa mine in Western Sahara has a production capacity of 2.6 million tons, according to the state-owned company. Phosphate deposits in the region, however, represent only 2% of the phosphates that OCP owns, with most of Morocco's phosphate deposits located farther north. Phosboucraa also makes up less than 5% of the OCP Group's revenue. (MWN 24.02)

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6. TURKISH, CYPRIOT & GREEK DEVELOPMENTS

6.1. Turkey's Booming Textile Industry Now Employs Over 1 Million, Minister Says

Turkey's textile and the ready-to-wear industry currently employs more than 1 million people, Trade Minister Pekcan announced as the industry experiences a recent boost due to global production shifts to the country from China over the coronavirus outbreak. Speaking at a meeting organized by the Istanbul Textile and Apparel Exporters Association, Pekcan said the textile and its sub-sectors are now employing a total of 1.67 million people, adding that this number will be rising in the upcoming years as a result of new investments and rising exports. The minister emphasized that the textile industry was one of Turkey's key engines of growth and innovation that create added value.

Turkey exported some $17.7 billion ready-to-wear products last year. Turkish manufacturers are now looking to catch the window of opportunity created by coronavirus-hit China, which is expected to experience production delays for five-six months this year. According to experts, Turkey's garment exports are projected to rise by 10% due to the outbreak. Turkey's apparel looks to increase its exports to $19 billion in 2020. The sector had a 10.1% share in the country's overall exports of $14.8 billion in January 2020, reaching an export figure of $1.5 billion, up by 5.8% in the same month last year. Nearly 73.4% of exports were made to EU countries, with Germany and Spain being the main destinations. (DS 25.02)

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6.2. Turkish Economy Registers Strong Rebound From Recession

The Turkish economy grew 6% year-on-year in the fourth quarter and nearly 1% in 2019 as a whole, data showed, beating expectations with a strong rebound from recession as it shakes off the effects of the 2018 currency crisis. The data marked a sharp turnaround for the emerging market economy, which has a track record in the past two decades of about 5% growth but has been hit by a nearly 40% slide in the lira's value since the beginning of 2018. Compared with the third quarter, Turkey's gross domestic product expanded at a seasonally and calendar-adjusted rate of 1.9%, Turkish Statistical Institute data showed. (TurkStat 28.02)

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6.3. Turkish Inflation Rises to 12.37% in February

Turkey's consumer price inflation rose less than expected to 12.37% year-on-year in February, official data showed 3 March. Month-on-month, consumer prices rose 0.35% in February, according to the Turkish Statistical Institute (TurkStat), marking a climb for the fourth straight month after a dramatic drop last year that opened the door to aggressive rate cuts.

Inflation was a pressing issue for the economy in the second half of 2019 when it surged to a 15-year high above 25%. But it has since dropped gradually throughout last year and briefly touched single digits, going all the way down from 20.35% in January to 8.55% in October, thanks mostly to base effects from high volatility in exchange rates in 2018. It closed the year at 11.84% in December. In response to the hike, the Central Bank of the Republic of Turkey (CBRT) had raised its policy rate to 24%, where it stayed until last July. It has cut rates by 1,325 basis points down to 10.75% since then to boost growth.

The rise in February inflation was driven by food and non-alcoholic drink prices which surged 2.33% month-on-month, while prices in the health sector were up 2.03%, the data showed. Clothing and shoe prices declined 4.83% in February, while alcoholic beverage and tobacco prices declined 1.34%. Alcoholic beverages and tobacco saw the highest year-on-year price increase with 40.15%, while the lowest annual rise was 2.27% in communication.

The inflation rate is expected to hit 8.5% this year, as laid out in the New Economic Program (NEP) for 2020-2022 announced by the government last September. Over the last decade, annual inflation saw its lowest level at 3.99% in March 2011, while it peaked at 25.24% in October 2018. (TurkStat 03.03)

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6.4. Lack of Diversity Hurting Cyprus' Economy

Cyprus' economy is still characterized by large economic imbalances, which, unless addressed, may impede its medium-term prospects, the European Commission warns in its in-depth analysis. It said Cyprus' large imbalances are a legacy of the 2013 crisis and include high stocks of private, public and external debt and nonperforming loans. Brussels urged Nicosia "to step up reforms in key areas to attract productivity-enhancing investments, diversify the economy and help foster inclusive and environmentally sustainable growth in the long term". "The long-term sustainability of the growth model of Cyprus is put at risk by rising external uncertainties and pending structural reforms." It also said that the design of the Cypriot corporate tax residence rules, and the residence and citizenship by investment schemes, are a cause for concern.

Cyprus economic growth is viewed as "resilient" but is expected to slow in the coming years with GDP growth projected at 3.2%% in 2019. The economy is expected to continue growing — albeit at a slower pace — by around 2.8%% in 2020 and 2.5% in 2021, in view of the anticipated weakness of the global economy. The headline budget balance is set to return to surplus in 2019 (above 3.5% of GDP) and to remain in surplus in 2020 and 2021, which would enable considerable debt reduction. Growth relies heavily on specific sectors, such as tourism, foreign-funded residential construction and services linked to foreign companies, which are vulnerable to potential negative external developments.

In mid-2019, the share of non-performing loans accounted for 33.5% of the total loans in the banking sector, which is still one of the highest proportions in the EU. Non-performing loans, including the growing proportion held outside of the banking sector, need to be resolved, said Brussels. The banking sector's profitability remains under significant pressure. (FM 27.02)

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6.5. Cyprus Repays IMF Loan Early - Saving €13.4 Million

Cyprus has saved €13 million by fully repaying an International Monetary Fund (IMF) crisis loan before schedule which was granted to Nicosia during the 2013 financial meltdown. According to a statement from the Ministry of Finance, the total repayment amounted to €716.67 million. The early repayment of the loan, combined with its financing through a 20-year bond with an interest rate of 0.625%, is expected to yield to the Republic of Cyprus total savings of €13.4 million over the five-year period 2020-2025. This transaction has been positively appreciated by international investors as a strong indication of the momentum of the Cypriot economy in recent years. (FM 28.02)

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7. GENERAL NEWS AND INTEREST

***ISRAEL:**

7.1. Preliminary Israeli Election Returns Show Netanyahu Victory Still Short for Coalition

Initial returns indicate Prime Minister Benjamin Netanyahu's Likud party emerged victorious after the 2 March elections, with an estimated 59 seat coalition out of the 120 Knesset seats after 90% of votes were counted but still short of the 61 seats needed to form a rightwing and religious coalition. Netanyahu's main opponent, Blue & White leader Benny Gantz who conceded defeat, is far less likely to be forming a coalition after securing at the very least three seats less than Likud.

Preliminary indicators say Likud led with 28.52% of votes followed by Blue & White with 24.66%, in third place is the Joint List with 15.26%. United Torah Judaism with 6.62%, Shas with 7.72%, Yamina with 5.34%, Labor-Gesher-Meretz with 5.65% and Yisrael Beytenu with 5.65%.

These results do not include an estimated 340,000 votes from military polls, the votes of diplomats overseas and the tally from special polling stations including over 4,000 votes from the dedicated stations set up for voters who have been exposed to the coronavirus. (Various 03.03)

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7.2. Israel's Supreme Court Rules Against Surrogacy Law Excluding Gays

On 27 February, Israel's Supreme Court ruled against a surrogacy law critics said discriminated against same-sex couples. The Supreme Court said the 2018 law, which expanded access to surrogacy in Israel to single women but excluded gay couples, "disproportionately harmed the right to equality and the right to parenthood" for same-sex couples and that it was unlawful. It gave the state a year to change the law.

Israeli same-sex couples looking to become parents are often deterred by the additional costs that come with finding a surrogate in another country, costs they could save if they were allowed to use a surrogate in Israel. The state had argued that the law was intended to protect surrogate mothers but the court ruled that it would be possible to strike a balance that would not discriminate. The law's passage prompted tens of thousands of LGBT members and their families to protest, with many leaving work to demonstrate on the streets of Tel Aviv and elsewhere. The protest generated widespread support and hundreds of employers said they would allow employees to observe the strike without penalty.

Israel has emerged as one of the world's most gay-friendly travel destinations in recent years, in sharp contrast to the rest of the Middle East where gays are persecuted and even killed. Tel Aviv holds a raucous yearly pride parade that draws tens of thousands of revelers. Gays serve openly in Israel's military and parliament, and many popular artists, entertainers as well as the country's current justice minister are openly gay. (AP 28.02)

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7.3. Women's Advocacy Group Notes Record-Breaking Month of Resolving Agunot Cases

Marking Israel's Family Day, the Yad La'isha advocacy group for women's rights announced a record-breaking month with respect to resolving cases involving agunot – women whose husbands refuse to grant them a divorce. An *agunah* (anchored) is a Jewish woman who is trapped in a religious marriage as determined by the Halacha – Jewish law. These cases sometimes involved the wives of soldiers missing in action or men who have disappeared under various circumstances, but for the most part, agunot cases involve men who simply refuse to grant their wife a divorce.

Thousands of agunot live in Israel and around the world, waiting to be freed from their marriages. Yad La'isha announced that is has been able to resolve 12 agunot cases, representing one of the most active periods in its history. According to Yad La'isha, each year over 2,400 women around the world – of all ethnic groups, ages and socio-economic backgrounds, both religious and secular – become agunot. While many cases are eventually resolved amicably, all too often women do not have the resources to address the legal and emotional challenges involved when facing particularly recalcitrant husbands.

This month's impressive success is the result of dedicated work, creative thinking, and exceptional expertise by women advocates, lawyers and social workers who have been fighting to release chained women for over 20 years. (Israel Hayom 25.02)

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8. ISRAEL LIFE SCIENCE NEWS

8.1. NeoTX Closes $45 Million in Series C Financing

NeoTX Therapeutics has closed a $45 million Series C financing. To date, NeoTX has raised over $60 million. NeoTX plans to use the Series C proceeds to advance its STR platform for the treatment of advanced and metastatic solid tumors as well as to in-license new technologies. With the funds raised in this financing, NeoTX intends to complete the dose escalation phase of the Phase 1b trial of naptumomab estafenatox (Nap) in combination with durvalumab and continue to develop their patented STR platform. The platform, which uniquely leverages the body's natural antibacterial immune response to selectively redirect T cells to kill the tumor, has the potential to be applicable in a variety of solid tumor indications and in combination with other immunotherapies. The open-label, multicenter, dose-finding Phase 1b study of Nap (NCT03983954) is currently enrolling. Patients are dosed with a combination of Nap and AstraZeneca's checkpoint inhibitor IMFINZI® (durvalumab). NeoTX aims to establish the maximum tolerated dose before advancing to a larger cohort expansion phase in the Unites States.

Rehovot's NeoTX is a clinical-stage biotechnology company leveraging its proprietary Selective T cell Redirection (STR) platform to develop new targeted anticancer immunotherapies. STR binds a genetically engineered bacterial determinant to the tumor surface while simultaneously activating immune cells away from the suppressive tumor environment to mount an effective antibacterial response. The company's lead STR molecule, naptumomab estafenatox (Nap) is currently in clinical development for advanced solid tumors. (NeoTX 19.02)

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8.2. Equinom Raises $10 Million to Accelerate Growth

Equinom has closed its Series B round of funding of $10 million, led by BASF Venture Capital, Germany followed by Roquette, France; and Trendlines Group, Israel. Equinom's current investor, Tel Aviv-based Fortissimo Capital, also participated. Equinom's non-GMO technology shapes the future of plant protein by designing smarter seeds via fast-track, technology-driven breeding methodology that harnesses natural genetic variation in plants. Leveraging an innovative business model, Equinom supports the entire supply chain and collaborates with top-tier food companies to bring products to consumers.

Smart seeds are more nutritious than traditional commercial varieties, featuring protein and oil contents among the highest in the market. Equinom introduces such high-value characteristics and organoleptic properties by combining advanced sensory technologies with high-throughput protein analysis systems.

Today, Kibbutz Givat Brenner's Equinom is transforming the food industry, strategically breeding non-GMO seeds with higher nutritional profiles and increased crop yields. Equinom is the first company to design seeds exclusively for the food industry, enabling clients to choose specific varieties for their needs. An example of the success of Equinom's mission is that in just five years, the company has become the preferred supplier for sesame seeds by generating mechanically harvestable varieties. These seed stocks are now being grown worldwide.

The recent $10 million investment represents market leaders' trust in Equinom's proprietary technology and its capabilities. The FoodTech startup gained increased awareness and leadership in providing solutions to the plant-based-food industry, spurring numerous international strategic collaborations. (Equinom 19.02)

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8.3. Plant-Based Infant Formula Brand Else Nutrition Secures Funding

Tel Aviv's Else Nutrition has received C$5.75 million ($4.34 million) in funding and signed a distribution agreement with Hong Kong's Health and Happiness (H&H) to develop its plant-based infant formula. The funding forms part of an investment agreement with NewH2 Limited, a subsidiary of nutrition and wellness company Health and Happiness, which has agreed to an aggregate private placement offering of up to C$8 million ($6.03 million). NewH2 has also agreed to purchase 8,900,928 units which represent 11.15% of Else Nutrition's issued and outstanding common shares, assuming all units are sold.

Else Nutrition will use the capital to accelerate its anticipated launch in the US later this year, enhance its toll manufacturing capabilities and fund marketing initiatives. Both companies have entered into an agreement for the future distribution of Else Nutrition's non-dairy non-soy baby formula and children nutrition drinks in France, Hong Kong China (SAR), cross-border China, Australia, Italy and mainland China. The investment deal will therefore build Else Nutrition's distribution relationship with H&H and expedite sales in the new territories. (Else 20.02)

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8.4. Can-Fite Files Patent for Namodenoson to Overcome Oncology Drug Resistance

Can-Fite BioPharma filed a patent application for its drug candidate Namodenoson to be used as a combination therapy with checkpoint inhibitors. Titled "Programmed Death 1/Programmed Death Ligand 1 (PD-1/PD-L1) Axis Inhibitor For Use In Combination With An A3 Adenosine Receptor (A3AR) Ligands", the patent application addresses various oncology indications including advanced hepatocellular carcinoma (HCC), the most common form of liver cancer. Namodenoson is currently being developed by Can-Fite as a monotherapy for HCC, with a Phase III study expected to commence in 2020.

Patients respond very well to checkpoint inhibitors, however a high percentage may develop resistance to the drugs. New studies show that activation of the β-catenin protein in tumor cells helps cancer to escape detection by the body's natural immune mechanisms and creates resistance to PD-1 and PD-L1 checkpoint inhibitors, including nivolumab and pembrolizumab, two of the most broadly used checkpoint inhibitors on the market today. In pre-clinical studies, Can-Fite's Namodenoson has shown to significantly inhibit the expression of PD-L1 in liver pathological cells, and therefore has the potential to boost the efficacy of drugs that inhibit PD-1 and PD-L1 by helping patients overcome resistance to the drug.

Petah Tikva's Can-Fite BioPharma is an advanced clinical stage drug development company with a platform technology that is designed to address multi-billion dollar markets in the treatment of cancer, inflammatory disease and sexual dysfunction. Can-Fite's liver cancer drug, Namodenoson, recently completed a Phase II trial for hepatocellular carcinoma (HCC), the most common form of liver cancer, and is in a Phase II trial for the treatment of non-alcoholic steatohepatitis (NASH). Namodenoson has been granted Orphan Drug Designation in the U.S. and Europe and Fast Track Designation as a second line treatment for HCC by the U.S. FDA. (Can-Fite 24.02)

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8.5. Cardiovalve Designated 'Breakthrough Device' for Its Valve Replacement System

Cardiovalve has received U.S. FDA approval for an Early Feasibility Study (EFS) of its Transcatheter Tricuspid Valve Replacement System for a tricuspid regurgitation (TR) indication. The Cardiovalve System also has been granted 'Breakthrough Device Designation' status by the FDA. Cardiovalve is the first privately held company to have the FDA's EFS approval for both TR and MR (tricuspid/mitral regurgitation) indications.

Cardiovalve commenced its Early Feasibility Study for TR in the U.S. earlier this year. The study's primary endpoint is the safety and feasibility of the Cardiovalve technology and procedure in reducing tricuspid regurgitation, with evaluations at 30 days and periodically up to 5 years. The study will be conducted in collaboration with five leading US hospitals. Cardiovalve has developed an innovative transfemoral valve replacement system where the valve mimics current surgical replacement solutions that can fit both mitral and tricuspid indications, covering 90% of the patient population with three approved valve sizes, using the same delivery system.

Or Yehuda's Cardiovalve's flagship Cardiovalve transcatheter system is a novel valve replacement device designed for transfemoral use to replace the native Mitral/Tricuspid regurgitating valve by using a transfemoral procedure. The system offers an approach that avoids the need for open surgery or transapical delivery with mini-thoracotomy access. The Cardiovalve system is designed to provide significant benefits, including a short profile for minimal protrusion to the left or right ventricle, minimizing interference with the cardiac blood flow (outflow tract obstruction) with an aim of improving safety and avoiding surgical risk; it has a robust design, as well as an enhanced sealing solution to prevent paravalvular leaks. (Cardiovalve 20.02)

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8.6. Dexcom & DreaMed Diabetes Integrate Dexcom CGM Data into DreaMed Advisor

DreaMed Diabetes and San Diego's DexCom, the leader in continuous glucose monitoring (CGM) for people with diabetes, announced a data partnership agreement. The collaboration enables a seamless data transfer of CGM data from Dexcom into DreaMed Advisor, an advanced decision support platform designed to assist healthcare professionals in the optimization of patient-specific insulin therapy for people with diabetes.

DreaMed Advisor is a cloud-based digital solution generating insulin delivery recommendations by analyzing information from CGM, self-monitoring blood glucose (SMBG) and insulin delivery devices. Its current version, DreaMed Advisor Pro, applies event-driven adaptive learning to refine its understanding for each individual. The solution sends recommendations to healthcare providers on how to optimize patient insulin pump settings for basal rate, carbohydrate ratio (CR) and correction factor (CF). The NextDREAM consortium has recently completed a multicenter, multinational, randomized controlled study with 108 subjects to evaluate DreaMed Advisor Pro in comparison to experts from the NextDREAM consortium.

Petah Tikva's DreaMed Diabetes is a medical device company providing personalized diabetes treatment optimization solutions. The company was established in 2014 and commercialized its first product, GlucoSitter, an artificial pancreas technology which was licensed to Medtronic Diabetes. Ever since, DreaMed Diabetes has been vigorously working on the DreaMed Advisor portfolio, decision support tools in the diabetes management space. (DreaMed 20.02)

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8.7. Enlivex Therapeutics Announces $8 Million Registered Direct Offering

Enlivex Therapeutics has entered into definitive agreements with certain institutional investors for the purchase in a registered direct offering of an aggregate of 1,000,000 ordinary shares of the Company at a purchase price of $8.00 per share. H.C. Wainwright & Co. is acting as the exclusive placement agent for the offering.

The gross proceeds to the Company from the offering, before deducting the placement agent's fees and other estimated offering expenses payable by the Company, are expected to be $8 million. The Company intends to use the net proceeds for clinical, regulatory, manufacturing and research and development activities, potential acquisitions and in-licensing, as well as for working capital and other general corporate purposes.

Ness Ziona's Enlivex is a clinical stage immunotherapy company, developing an allogeneic drug pipeline for immune system rebalancing. Immune system rebalancing is critical for the treatment of life-threatening immune and inflammatory conditions which involve an out of control immune system (e.g. Cytokine Release Syndrome) and for which there are no approved treatments (unmet medical needs), as well as solid tumors immune-checkpoint rebalancing. (Enlivex Therapeutics 24.02)

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8.8. Kitov Pharma Expands Planned NT-219 Clinical Program for Difficult to Treat Cancers

Kitov Pharma will expand the planned Phase 1/2 clinical trial of NT-219 with cetuximab trial in patients with recurrent or metastatic head and neck cancer, to also include evaluation of NT-219 as monotherapy treatment in patients with advanced solid tumors. Kitov expects to initiate this study in the second quarter of 2020, pending clearance of its Investigational New Drug application by the U.S. FDA. NT-219 is a small molecule dual inhibitor of IRS1/2 and STAT3, pathways associated with treatment resistance.

The Phase 1/2 study will be an open-label, dose escalation and subsequent expansion phase study. The study will have a dose escalation component of NT-219 as a single agent; a dose escalation phase of NT-219 in combination with cetuximab; and an expansion phase of NT-219 at its recommended Phase 2 level in combination with a standard dose of cetuximab. Advanced solid tumors, as well as recurrent or metastatic squamous cell carcinoma of the head and neck, will be evaluated. Other possible expansion cohorts will be determined based on the Phase 1 dose escalation and further preclinical data. The primary objectives of the study will be to assess plasma pharmacokinetics, safety, tolerability and maximum tolerated dose of NT219 as a single agent, and in combination with cetuximab. The secondary objectives will be to assess pharmacokinetics and efficacy of different dose levels of NT219, alone and in combination with cetuximab.

Tel Aviv's Kitov Pharma is a clinical-stage company focusing on advancing first-in-class therapies to overcome tumor immune evasion and drug resistance, to create successful long-lasting treatments for people with cancer. Kitov's oncology pipeline includes NT-219 and CM-24. NT-219 is a small molecule targeting the novel cancer drug resistance pathways IRS1/2 and STAT3. Kitov is currently advancing NT-219 in combination with cetuximab as a third-line or second-line treatment option for the treatment of recurrent and metastatic squamous cell carcinoma of head & neck cancer (SCCHN), as well as a single agent monotherapy treatment in patients with advanced solid tumors. (Kitov Pharma 24.02)

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8.9. U.S. FDA Clears the UPnRIDE Standing Wheelchair for Distribution in the United States

UPnRIDE Robotics announced that the U.S. FDA has cleared the UPnRIDE Robotic Standing Wheelchair for marketing and use in the U.S. This first and only smart and robotic mobility device provides full functionality, both in standing and sitting positions. The UPnRIDE will be available soon for wheelchair users and the elderly in the U.S.

The UPnRIDE standing wheelchair is innovative and unique in providing users with full, safe, functional mobility in a standing position, in practically any urban environment, both indoors and outdoors. The UPnRIDE mobility device is suitable for most wheelchair users, including paraplegics, quadriplegics, the elderly and people suffering from MS, ALS, CP, stroke, TBI and other conditions that limit physical movement.

Yokneam's UPnRIDE RIDE Robotics is a developer of innovative life-changing upright mobility and assistive technologies, intended for the disabled and elderly people, and has spurred a significant leap forward in this field. The company plans to develop a variety of products, the first of which is the UPnRIDE - a revolutionary smart and robotic wheeled mobility device allowing wheelchair users to be fully mobile in both standing and sitting positions, in practically any urban environment. (UPnRIDE Robotics 27.02)

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8.10. KAHR Medical Raises $18 Million in Private Funding Round

KAHR Medical has raised $18 million from a global syndicate of leading investors. Completion of the financing round is subject to customary closing conditions and is expected to occur early next month. The round was led by Flerie Invest AB, Oriella Limited, Hadasit Bio-Holdings (HBL), Pavilion Capital and Mirae Asset Venture Investment. Proceeds will be used for advancing the Company's next generation immuno-oncology drug candidates including the clinical development of the Company's lead product, DSP107, an anti-CD47 therapy for the treatment of solid tumors through a Phase I/II study and the preclinical advancement of additional pipeline projects.

In September 2019, KAHR Medical announced a clinical collaboration with Roche to evaluate KAHR Medical's lead program, DSP107, a SIRPα-41BBL DSP, in combination with Roche's PD-L1-blocking checkpoint inhibitor atezolizumab (Tecentriq®) in patients with advanced NSCLC who are refractory to existing immune checkpoint inhibitors. KAHR Medical expects to begin a Phase I/II trial in H2 2020 at leading sites in the US to evaluate DSP107 as a monotherapy and in combination with atezolizumab, following the filing of an Investigational New Drug (IND) application with the U.S. FDA.

Jerusalem's KAHR Medical develops the next generation of immuno-oncology drug candidates for the treatment of multiple types of cancer. Its proprietary technology enables the construction of targeted bi-functional biological drugs generated by fusion of the active extracellular domains of a TNF-SF ligand and a type-I membrane protein. DSPs have two functional ends, which can simultaneously block and/or activate two reinforcing biological signals resulting in a synergistic outcome. The unique DSP composition ensures target activation and increased potency by assembling a high multimer protein structure which is essential for activation of the TNF receptor family. (KAHR Medical 25.02)

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8.11. FDA Approves Teva's ArmonAir Digihaler Inhalation Powder

Teva Respiratory, an affiliate of Teva Pharmaceutical Industries, announced that the U.S. FDA has approved ArmonAir Digihaler (fluticasone propionate) Inhalation Powder, an inhaled corticosteroid (ICS) delivered via Teva’s Digihaler device, which contains built-in sensors and connects to a companion mobile application that provides information on inhaler use to people with asthma. ArmonAir Digihaler is indicated for the maintenance treatment of asthma in patients 12 years and older. ArmonAir Digihaler is not indicated for the relief of acute bronchospasm.

ArmonAir Digihaler joins the approved Digihaler portfolio of products, including ProAir Digihaler (albuterol sulfate 117 mcg) Inhalation Powder, which is indicated for use in patients 4 years of age and older to treat or prevent bronchospasm in those who have reversible obstructive airway disease and to prevent exercise-induced bronchospasm, and AirDuo Digihaler (fluticasone propionate and salmeterol) Inhalation Powder, which is indicated for the maintenance treatment of asthma in patients 12 years of age and older. The Digihaler device detects when the inhaler is used and measures inspiratory flow rates. These data are then sent to a companion mobile app using Bluetooth Wireless Technology so that patients can review their data over time, and if desired, share it with their healthcare providers to have more informed discussions about their condition and treatment. Patients also can schedule reminders on their smartphone to take either their ArmonAir Digihaler or AirDuo Digihaler as prescribed.

Israel's Teva Pharmaceutical Industries has been developing and producing medicines to improve people's lives for more than a century. They are a global leader in generic and specialty medicines with a portfolio consisting of over 3,500 products in nearly every therapeutic area. Around 200 million people around the world take a Teva medicine every day and are served by one of the largest and most complex supply chains in the pharmaceutical industry. (Teva 24.02)

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8.12. Ibex Obtains CE-IVD Mark for AI-powered Cancer Detection

Ibex Medical Analytics announced CE-IVD Mark for the Galen Prostate solution for use in supporting pathologists in identification of suspected cancer on prostate core needle biopsies. Galen Prostate - the first-ever AI-based solution for cancer detection used in routine clinical practice - is already deployed in pathology labs with demonstrated success in alerting on missed cancer cases. With this CE-IVD Mark of Galen Prostate, Ibex is now partnering with leading institutes across Europe to implement AI and support pathologists in their diagnostic workflow.

Ibex uses AI to develop clinical-grade solutions that help pathologists detect and grade cancer in biopsies, helping them ensure diagnostic accuracy, integrate comprehensive quality control and enable a more efficient workflow. Galen Prostate is a vendor-neutral AI solution, evaluated across multiple scanning systems, staining platforms and pathology labs. The solution uses an algorithm that was trained on slides from a dataset of over 60,000 prostate slides from multiple institutions and representing a variety of diagnoses and clinical findings. The CE-IVD Mark follows the outstanding results from a blinded multi-site prospective clinical study measuring, for the first time, performance against consensus diagnosis between multiple pathologists. The study included digitized slides from prostate core-needle biopsies analyzed by Galen Prostate. Performance was evaluated against the consensus diagnosis of multiple pathologists.

Tel Aviv's Ibex provides the first-ever AI-powered cancer diagnostics solution in routine clinical use in pathology labs, supporting pathologists in delivering accurate, rapid and objective diagnosis of prostate and breast biopsies. Ibex's products are deployed across the laboratory's workflow and build on deep learning algorithms trained by a team of pathologists, data scientists and software engineers. For more information go to. (Ibex Medical 27.02)

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8.13. Anchora Medical Closes a $4.5 Million Financing Round led by HOYA Corporation

Anchora Medical announced closing of a $4.5 million financing round led by Japan's HOYA Corporation, a key strategic investor, and Tal Capital. The funds will be used to complete Anchora's family of single-use laparoscopic suturing devices. HOYA, a global medical device and high technology company, and Tal Capital, a US-based hi-tech investment company, join current investors Alon Medtech and Dr. Shimon Eckhouse in their support of the company. Anchora's single-use suturing device for the approximation of soft tissue during MIS incorporates tiny stainless-steel smart anchors threaded on a surgical thread to create either running or interrupted sutures in tissue.

Yokneam's Anchora Medical is a privately held medical device company based in Israel. Its platform technology is devoted to changing suturing in endoscopic procedures. Its approximation device is a unique single-use device for the approximation of soft tissue during MIS. The device incorporates tiny stainless steel anchors threaded on a surgical thread. (Anchora Medical 26.02)

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8.14. Univo Pharmaceuticals Signs MOU with Canopy Growth

Univo Pharmaceuticals signed a memorandum of understanding with a marijuana company, Ontario's Canopy Growth Corp., for the sale, production and marketing of medical cannabis. Under the first phase of the agreement, Univo will import 470 kilograms of dry medical cannabis to Israel. Canopy Growth will provide medical cannabis to the company to exclusively market in Israel. Univo will manufacture its products with Canopy Growth's raw materials and the final products will carry a joint brand and logo of the two companies. After production, the company will distribute medical cannabis products exclusively as final products in pharmacies In the Israeli market.

Under the second phase of the agreement, Canopy Growth will be able to utilize Univo's manufacturing and processing services in Ashkelon, Israel, for export to European cannabis markets after medical cannabis exports from Israel are allowed. Israel's Ministry of Health has ruled that exports of medical cannabis products from Israel could begin as soon as the cannabis shortage in the country is overcome. Univo said it sees the relationship with Canopy Growth as a strategic move that will establish the company's position as a manufacturer and product supplier. The agreement will also allow Univo to increase its market share of domestic products sold in Israel, regardless of the medical cannabis farm in Israel.

Tel Aviv's UNIVO Pharmaceuticals is a vertically-integrated medical cannabis company covering all aspects of cultivation, manufacturing and distribution. Their highly experienced researchers holding PhDs in chemistry, analytical chemistry, biomedicine and pharmaceuticals come together to create innovative and dosage formed products for next-generation medical cannabis. (Univo Pharmaceuticals 02.03)

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9. ISRAEL PRODUCT & TECHNOLOGY NEWS

9.1. Zero Networks Announces $4.65 Million in Funding

Tel Aviv's Zero Networks unveiled the Zero Networks Access Orchestrator, the first network security platform that automatically defines, enforces and adapts user- and machine-level network access policies to create a continuous airtight zero trust network model, at scale. The company was named one of three finalists for the prestigious RSAC Launch Pad, where it debuted the platform on 26 February.

Zero Networks also announced it has raised $4.65 million in seed funding, led by F2 Capital and Pico Venture Partners. This funding will be used to accelerate product development and hire key positions in engineering, marketing, sales and business development.

Assuming users and machines inside the network can be completely trusted leaves the door open for malicious insiders and hackers to do almost anything they want. Zero Networks minimizes these risks, with the click of a button, constraining access in the network to only what users and machines should be doing. The Zero Networks Access Orchestrator is currently being used by beta customers in the manufacturing, energy, retail and public sectors to defend their internal networks and will be commercially available at the end of Q1/20.

Zero Networks automates the creation, enforcement and maintenance of zero trust network access policies for each user and machine to make zero trust security model at scale a reality. The Zero Networks Access Orchestrator enables organizations to keep up with the changes in their dynamic environment and prevent breaches from impacting operations, so they can be confident their users and machines are able to go about their business and nothing more. (Zero Networks 20.02)

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9.2. Chipest Localizes Transactions and Services to Help Anyone Shop Online

Tel Aviv's Chipest is a new eCommerce platform with the ambition to provide the locals customers around the world with a convenient way to compare products and purchase from the world's largest eCommerce sites. Over one million people have already visited Chipest website, a platform which features millions of products across hundreds of categories, for anyone to shop the best online deals online with confidence and ease. With an initial launch in Israel and Romania, Chipest is set to expand across five new countries in the upcoming year, offering customers a localized experience to provide them with the best shopping experience. Since Chipest aggregates products from multiple retailers, users can rest assured they are getting the best deals on their purchases without having to check multiple sites. (Chipest 18.02)

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9.3. Guardicore Expands to Protect Cloud Native Applications & Simplify Policy

Guardicore announced several new capabilities in its Guardicore Centra Security Platform designed to help security architects visualize, segment, and protect cloud-native applications while further simplifying the process for reducing risk to mission-critical business applications through segmentation. Building on its broad security coverage across hybrid data center environments, Guardicore protects cloud-native applications, including serverless computing and Platform as a Service (PaaS). This enables security teams to visualize and control access to cloud-native applications from the same Guardicore Centra Security Platform where they secure applications running on bare metal systems, virtual servers, Infrastructure as a Service (IaaS) and containers. This provides security professionals with a single platform, giving them a single view of all applications and flows, and a single, consistent dashboard to create, update and enforce policies, dramatically simplifying security policy management in hybrid data center and cloud environments.

The Guardicore Centra Security Platform secures the production and operational elements of cloud-native applications by enabling IT security teams to visualize access to PaaS services, by user, system or cloud service, providing a visual map of all interactions between those services, including application flows. Guardicore segmentation policies then control access to cloud resources to ensure only sanctioned users and systems are allowed, blocking any unauthorized access, and reducing the attack surface of cloud-native applications.

Tel Aviv's Guardicore is a data center and cloud security company that protects your organization's core assets using flexible, quickly deployed, and easy to understand micro-segmentation controls. Their solutions provide a simpler, faster way to guarantee persistent and consistent security — for any application, in any IT environment. (GuardiCore 21.02)

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9.4. SecuriThings Integrates with Microsoft Azure Security Center for IoT Protection

SecuriThings is the technology provider of Horizon, a software-only solution which detects and mitigates cyber-attacks exploiting the inherent vulnerability of connected devices such as IoT-focused malware and botnets. The solution, available on Microsoft Azure marketplace, is already monitoring hundreds of millions of devices globally, across verticals and industries.

SecuriThings has announced integration of Horizon with Microsoft Azure Security Center for IoT as part of its membership in Microsoft Intelligent Security Association. The integration enables customers to benefit from both risk detection and mitigation, and automated maintenance for every managed IoT device, all in a unified view. Horizon's in-device capabilities provides both endpoint protection (cyber-threats, vulnerable firmware versions, and more), and the device operational posture (upcoming failures, excessive network and storage usage, ongoing troubleshooting, etc.).

Ramat Gan's SecuriThings is a leading IoT technology provider, helping organizations maximize their operational efficiency when managing IoT at scale. SecuriThings' software-only solution, Horizon, provides both risk mitigation and automated maintenance for managed IoT devices, in one unified view. SecuriThings Horizon has been deployed in major airports, universities, cities, and large enterprises, and is already monitoring millions of devices globally. (SecuriThings 20.02)

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9.5. Simian Chooses Kornit Atlas for Scaling of Direct-to-Garment Apparel Decoration

Kornit Digital announced that Netherlands-based Simian, an online total print provider to more than half a million businesses and end-consumers, is implementing the Kornit Atlas digital direct-to-garment (DTG) system to increase its capacity for delivering sustainable, retail-ready decorated apparel on demand. Simian is the parent company of online print providing sites Reclameland, Drukland and Flyerzone.

Having established itself as a total print solutions provider for signage, banners, posters, flags and other digitally printed textiles, Simian first entered the decorated apparel market by implementing two entry-level, single-pallet DTG systems. Kornit Atlas, which can imprint more than a thousand garments per day with a single operator, will enable them to increase capacity to accommodate ongoing growth in this line of business. Offering lower total cost of ownership than other DTG systems, Atlas meets the retail quality, wash and light fastness, and sustainability standards of the world’s largest apparel brands. Simian will use the system for nontoxic decoration of baby apparel and accessories, in addition to t-shirts, polos, sweaters, vests, and tote bags.

Rosh HaAyin's Kornit Digital develops, manufactures and markets industrial digital printing technologies for the garment, apparel and textile industries. Kornit delivers complete solutions, including digital printing systems, inks, consumables, software and after-sales support. Leading the digital direct-to-garment printing market with its exclusive eco-friendly NeoPigment printing process, Kornit caters directly to the changing needs of the textile printing value chain. Kornit’s technology enables innovative business models based on web-to-print, on-demand and mass customization concepts. With its immense experience in the direct-to-garment market. Kornit also offers a revolutionary approach to the roll-to-roll textile printing industry. (Kornit Digital 19.02)

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9.6. CyberArk Named Best Enterprise Security Solution at 2020 SC Awards

CyberArk was named the 2020 SC Award winner for Best Enterprise Security Solution. Receiving this honor for the second year in a row, CyberArk was once again the only privileged access management vendor among the finalists for the award. This recognition reinforces privileged access management as a top cybersecurity technology for maximizing risk reduction. Announced in conjunction with 2020 RSA Conference in San Francisco, the SC Magazine Award program honors the achievements of the cybersecurity brands and professionals striving to safeguard businesses, their customers, and critical data.

The SC Award is a highlight among multiple global security industry award wins that further solidify CyberArk’s market and product leadership. Additional award wins announced around the RSA Conference include CyberDefense Magazine InfoSec Awards where CyberArk was named the Market Leader in the Privileged Account Security category and the Cybersecurity Excellence Awards in which CyberArk took home two honors – Best Cybersecurity Company and Best Privileged Access Management Solution.

Petah Tikva's CyberArk is the global leader in privileged access management, a critical layer of IT security to protect data, infrastructure and assets across cloud and hybrid environments and throughout the DevOps pipeline. CyberArk delivers the industry’s most complete solution to reduce risk created by privileged credentials and secrets. (CyberArk 27.02)

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9.7. Siemens Mobility Invests in Stratasys 3D to Support Digital Rail Maintenance Project

Having successfully implemented Stratasys' 3D printing to produce parts for the German and UK rail industries, Siemens Mobility Services has continued its investment in Stratasys technology to support the expansion of its rail maintenance operations in Russia. This includes two new industrial-grade Stratasys Fortus 450mc 3D Printers for part production. The decision comes in line with a recent business win for Siemens Mobility to build 13 additional high-speed Velaro trains for Russian train company, RZD, including an agreement to maintain and service the trains for the next 30 years. This is already the third Velaro order from RZD for Sapsan fleet due to excellent availability of Sapsan trains in daily operation, supplementing an existing fleet of 16 trains.

The two Fortus 450mc 3D Printers have been installed in St. Petersburg and Moscow, enabling Siemens Mobility Russia to transform its maintenance operations. Leveraging Siemens Mobility's rail domain knowledge and Stratasys printers, the team is able to rapidly and cost-effectively 3D print rail replacement parts on-demand. The investment marks the start of Siemens Mobility's 'Easy Sparovation Part' network in Russia, which aims to optimize services using 3D printing and a digital inventory of original train parts, facilitating the in-house replacement and production of spare vehicle components.

Rehovot's Stratasys is a global leader in additive manufacturing or 3D printing technology and is the manufacturer of FDM®, PolyJet™ and stereolithography 3D printers. The company's technologies are used to create prototypes, manufacturing tools, and production parts for industries, including aerospace, automotive, healthcare, consumer products and education. The Stratasys 3D printing ecosystem of solutions and expertise includes 3D printers, materials, software, expert services, and on-demand parts production. (Stratasys 27.02)

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9.8. Karamba Security Announces a Production Agreement with SolarEdge

Karamba Security announced the signing of a production agreement of its XGuard runtime integrity software, with SolarEdge, a global leader in smart energy. As a leading global PV inverter manufacturer, with more than 1.25 million connected sites and more than 14GW of PV systems worldwide, Herzliya's SolarEdge places critical importance on protecting its connected inverters against cyberattacks in order to safeguard customer security and privacy. To provide superior self-protection, SolarEdge will embed Karamba Security's XGuard software into its products. Once embedded in SolarEdge's products, XGuard software continuously and automatically conducts runtime integrity checks. If XGuard software detects a deviation from factory settings (i.e. a hacking attempt), it will prevent and report the deviation to the SolarEdge management cloud.

Hod HaSharon's Karamba Security is the embedded security powerhouse, providing industry-leading embedded cybersecurity solutions for connected devices. Manufacturers in automotive, Industry 4.0, enterprise edge, and Industrial IoT rely on Karamba's products and services to seamlessly protect their connected devices against Remote Code Execution (RCE) and Command Injection. (Karamba Security 25.02)

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9.9. BigID Next Generation Data Security Capabilities for Protecting Crown Jewel Data

BigID introduced first-of-its-kind discovery and security features for managing sensitive crown jewels across unstructured, structured, big data and cloud. The new capabilities build on BigID's first of its kind discovery-in-depth technology for identifying any kind of personal or sensitive data anywhere inside a modern data landscape. BigID's new data security capabilities address critical cybersecurity use cases: empowering customers to protect crown jewel data, discover dark data, automate labelling and policy enforcement, leverage access insight to highlight security vulnerabilities and overexposed data and remediate risk on their most sensitive data.

Based in New York and Tel Aviv, BigID uses advanced machine learning and identity intelligence to help enterprises better protect their customer and employee data at petabyte scale. Using BigID, enterprises can better safeguard and assure the privacy of their most sensitive data, reducing breach risk and enabling compliance with emerging data protection regulations like the EU's General Data Protection Regulation and California Consumer Privacy Act. BigID has raised $146 million in funding since its founding in 2016. (BigID 24.02)

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9.10. Cloudify's Latest Version Features Industry Changing 'Environment as a Service'

Cloudify announced that its latest product update features an 'Environment as a Service' component, designed to achieve consistent delivery and management of hybrid-cloud services and network infrastructures across CI/CD pipelines - at scale. Running Cloudify's version 5, users will be able to integrate with the likes of Kubernetes, Azure ARM, AWS Cloud Formation, Ansible, Terraform and beyond, managed by one platform that orchestrates application delivery as a value stream.

This latest release marks a new generation of the Cloudify product, and can now serve 10X more concurrent executions, infinite scale, and take a cloud-native and public cloud-first approach by moving to a microservices architecture. Combined with a new level of real-time visibility of workflow automation across multiple cloud infrastructures and DevOps frameworks, Cloudify now aims to give users a simplified and consistent method to monitor and troubleshoot application delivery execution.

Herzliya's Cloudify radically simplifies end-to-end cloud services and network automation through its open source, intent-based orchestration platform connecting any cloud, device, or third-party automation tool. With Cloudlify in place, enterprises can automate, manage and transform all network and application services across all locations and devices saving cost and time while preventing vendor lock-in. (Cloudify 24.02)

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9.11. SA Taxi Goes Live With Sapiens Suite to Facilitate Growth in the Minibus Industry

Sapiens International Corporation announced that SA Taxi Protect, an independent financier for the minibus industry in South Africa, has gone live with Sapiens IDITSuite for Property & Casualty. The Sapiens suite is supporting SA Taxi Protect's initiatives to provide optimal insurance solutions to finance entrepreneurs who operate minibus taxis that may not have access to credit from traditional banks. These initiatives enable and improve the safety of public transport in South Africa.

With an estimated 250,000 taxis on the roads in South Africa, comprehensive insurance offerings are imperative for keeping this industry on track and able to meet the needs of its growing population. The high degree of functionality and seamless implementation of Sapiens IDITSuite made it the best option for supporting SA Taxi Protect's evolution. The implementation was completed within a year. Sapiens' head office in South Africa provided support throughout the project lifecycle and will continue to do so.

Sapiens IDITSuite for Property & Casualty was carefully chosen for the quality of its offering and component-based, standalone software solution. IDITSuite will maximize support capabilities and streamline current processes, including policy issuing, taxi financing and insurance claims forms. This pre-integrated, fully digital suite was designed with growth and change in mind, and offers a flexible, user-friendly workflow interface.

Holon's Sapiens International Corporation empowers insurers to succeed in an evolving industry. The company offers digital software platforms, solutions and services for the property and casualty, life, pension and annuity, reinsurance, financial and compliance, workers' compensation and financial markets. With more than 35 years of experience delivering to over 500 organizations globally, Sapiens has a proven ability to satisfy customers' core, data and digital requirements. (Sapiens International 27.02)

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9.12. BlueBird Aero Systems Secures an Order for Over 150 VTOL UAS

BlueBird Aero Systems has received an order worth tens of millions of euros from a European customer for the delivery of more than 150 vertical take-off and landing (VTOL) UAS of various categories. The WanderB-VTOL Mini UAV and ThunderB-VTOL Tactical UAV will be operated by infantry soldiers, armored units, artillery corps and special forces. The contract marks the largest-ever sale of tactical VTOL UAS.

BlueBird was preferred over other suppliers due to the fact that the WanderB-VTOL and ThunderB-VTOL offer high operational flexibility and deliver best performance in their categories. Above all they combine the advantages of a fixed wing UAV (longer endurance, high speed, wind independency, large area coverage, ability to glide in engine failure scenario) with the advantages of a multi-copter (ability to take off and land in small and limited areas like a ship in mid-sea for maritime operations, a small forest clearance or a rooftop in urban areas, ability to hover over a target, accurate, safe and damage-free landing, etc.). The end user was specifically looking for a highly mobile UAS, which can be carried in small cases, and the small ones even in a soldier's backpack.

Kadima's BlueBird Aero Systems, founded in 2002, is a dominant player in the UAS industry. BlueBird specializes in design, development and production of micro, mini and tactical UAS and peripheral equipment and delivers exceptional, field-proven solutions to meet the challenges of the military, homeland security (HLS), and civilian markets. BlueBird's advanced UAV systems have performed over 52,000 operational sorties and open area support, as well as urban scenarios and tactical mapping on demand (TMOD) for military, HLS, peace-keeping, low intensity conflict, security, disaster management, law enforcement, search and rescue and commercial applications. (BlueBird Aero Systems 26.02)

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9.13. Cymulate's Breach and Attack Simulation Platform Wins Two Prestigious Industry Awards

Cymulate has been awarded Gold in the Breach & Attack | Simulation, Detection and Protection category by the Info Security PG's Global Excellence Awards and has won the Breach and Attack Simulation category in Cyber Defense Magazine's InfoSec Awards 2020. Cymulate's automated BAS offering delivers continuous testing across the full kill-chain, including the ability to run the industry's first agentless APT simulation. Having recently solidified its leadership position in the BAS arena, their user-friendly approach is swiftly being adopted by enterprises across the US and Europe.

Rishon LeZion's Cymulate is a SaaS-based breach and attack simulation platform that makes it simple to know and optimize your security posture any time, all the time, and empowers companies to safeguard their business-critical assets. With just a few clicks, Cymulate challenges your security controls by initiating thousands of attack simulations, showing you exactly where you're exposed and how to fix it—making security continuous, fast and part of every-day activities. (Cymulate 26.02)

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10. ISRAEL ECONOMIC STATISTICS

10.1. Israeli Startups Raised Over $700 Million in February

Israeli tech companies, which raised a record $8.3 billion in 2019, have raised $1.5 billion in the first two months of 2020. Israeli startups raised over $700 million in January, according to press releases issued by companies that have completed financing rounds. The figure may be more as some companies prefer to remain in stealth and not to publicize the investments they have received.

After raising a record $8.3 billion in 2019, which easily surpassed the record $6.4 billion raised by Israeli tech companies in 2018, and $5.24 billion in 2017, 2020 has begun strongly, with indications that 2020 will be yet another record year. Israeli tech companies have raised over $1.5 billion in the first two months of the year, compared with $1 billion in the corresponding period of 2019.

Financing rounds in February were led by cybersecurity company SentinelOne, which raised $200 million. Other notable large financing rounds included personal medicine app K Health, which raised $48 million and drug development company NeoTX Therapeutics, which raised $45 million. Deep learning cybersecurity company Deep Instinct raised $43 million, digital publication company Minute Media raised $40 million, Intuition Robotics raised $36 million, cybersecurity risk insurance company At Bay raised $34 million. (Globes 01.03)

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10.2. Unemployment in Israel Remains at Record Low-Point

The Central Bureau of Statistics announced that unemployment among the population aged 15 and up in January remained at its lowest point of 3.6%, unchanged from December. The percentage of men who were unemployed at the end of January was 3.5%, down from 3.6% in December, while the percentage of women who were unemployed was 3.8%, up from 3.5% in December.

The number of people in Israel's workforce in January was 3,986,000, up 0.3% from December and the number of people employed 35 hours a week or more rose 0.2% compared with the previous month (an addition of 5,000 people). The number of people working part time (less than 35 hours per week) rose by 0.2% last month, an extra 1,000 people.

Participation in the work force by people aged 15 and over rose to 63% last month from 62.9% at the end of December. Participation in the work force by men was 66.9% last month, unchanged from December and participation in the work force by women was 59.3% last month, up from 59.1% at the end of December. (CBS 24.02)

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11. IN DEPTH

11.1. LEBANON: Moody's Downgrades Lebanon's Rating to Ca, Changes Outlook to Stable

On 21 February, Moody's Investors Service (Moody's) downgraded the Government of Lebanon's issuer rating to Ca from Caa2 and changed the outlook to stable. This concludes the review for downgrade that was initiated at the time of the 5 November 2019 rating action.

The Ca rating reflects Moody's expectation that domestic and external private creditors will likely incur substantial losses in what seems to be an all but inevitable near-term government debt restructuring in light of rapidly deteriorating economic and financial conditions that increasingly threaten the sustainability of the government's debt and currency peg.

The stable outlook balances Moody's assumption so far that a debt restructuring may happen in coordination with creditors and under the umbrella of an economic adjustment program agreed with the IMF that unlocks external funding, with the possibility that external funding is not forthcoming given subsequent governments' extremely weak track record on policy implementation, leading to larger losses for investors.

Moody's also downgraded Lebanon's senior unsecured Medium Term Note (MTN) Program rating to (P)Ca from (P)Caa2, and affirmed the other short-term rating at (P)NP. The senior unsecured MTN program rating was also on review for downgrade.

Lebanon's long-term foreign currency bond and deposit ceilings have both been lowered to Ca from Caa1 and Caa3, respectively. The long-term local-currency bond and deposit ceilings have been lowered to Caa1 from B2. The short-term foreign currency bond and deposit ceilings remain Not Prime.

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Ratings Rationale: rapidly deteriorating economic and financial conditions point to debt restructuring with significant losses for investors

The prospect of a deepening economic and financial contraction that undermines the sustainability of the peg points to government debt restructuring in the near term that Moody's estimates would likely entail losses for private domestic and external creditors in the 35-65% range.

Despite the formation of a government in January, with a mandate to prepare an economic and fiscal reform plan, Lebanon's deep economic contraction is likely to continue, driven by declining broad monetary aggregates reflecting a sharp acceleration in deposit outflows during the last quarter of 2019, despite the informal capital controls implemented by commercial banks starting November. At the end of December 2019, bank deposits had declined by $15.7 billion (i.e. almost 30% of GDP) from a year before, of which $11.4 billion in the last quarter alone. In turn, the sharp recession makes the chances that government policies lead to an effective turnaround extremely remote.

The deposit outflows have contributed to the continued deterioration in the overall balance of payments and in the Banque du Liban's (BdL) foreign exchange (FX) reserves which have declined to below $30 billion at the end of 2019. When netting foreign exchange reserves against commercial banks' negative net foreign asset position and after drawing on the economy's net foreign assets accumulated in the past in the absence of new net inflows, Moody's estimates that only about $5-10 billion are usable FX reserves to meet future foreign currency debt service requirements at $4.7 billion in 2020, followed by over $4 billion in 2021 including Eurobond maturities. FX reserves would also be needed to support key imports.

The ensuing shortage of US dollar liquidity for daily business transactions is contributing to rapid growth of a parallel exchange rate market, implying a depreciation of about 40% compared to the official pegged exchange rate. In turn, the weaker exchange rate that applies to a range of consumer purchases fuels inflation and threatens the stability of the official peg.

This precarious situation is not sustainable. Moody's estimates that a near-term restructuring of government debt, currently worth around 160% of GDP, is all but inevitable. Moreover, in this extremely fragile environment, including heightened fragility of the peg, the Ca rating reflects the likelihood of private creditors incurring substantial losses in eventual debt restructuring.

The central bank's holdings of government securities imply that Lebanon has options for debt management in the near term that would limit losses borne by the private sector in case of a default event. Although insufficient to restore debt sustainability, Moody's estimates that a maturity extension on BdL's debt holdings amounting to over 50% of GDP could act as first loss vehicle.

However, even such options involve significant economic and financial costs that have already compounded on the BdL's balance sheet, which could in turn raise the extent of losses facing private creditors. Already, the BdL is paying only 50% of the interest earned on US dollar deposits and on US dollar-denominated certificates of deposits in local currency, and has instructed commercial banks to do the same with their existing US dollar deposits.

Rationale for the Stable Outlook: prospect of availability of external funding enhanced by IMF involvement, reduced by weak policy implementation track record

The stable outlook reflects Moody's assumption that a government debt restructuring will be facilitated by the IMF's coordinating role between private and official creditors, depositors and the Lebanese public sector in order to keep the process as orderly as possible, ensure burden sharing and minimize the risk of protracted litigation by minority investors.

The government's request for IMF technical assistance to develop a credible economic and fiscal reform agenda also increases the likelihood that a debt restructuring would unlock financial assistance either via disbursements under the CEDRE package and/or possibly via a funded IMF program.

These prospects are balanced by Lebanon's weak policy implementation track record that could reduce creditors' willingness to continue to finance the government, contributing to a cycle of heightened liquidity pressure exacerbating the economic recession, widening the size of the policy adjustment needed to restore some stability. In this context, a sudden breakdown of the pegged exchange rate would multiply the burden of the government's foreign-currency debt and heighten pressure on capital flows further, making achievement of debt sustainability even more remote.

Environmental, Social, Governance Considerations

Environmental considerations are relevant for Lebanon's credit profile in particular through the impact of climate change on the tourism industry. Water shortages will likely become more frequent and pervasive due to increased demand from agriculture and industry, constraining growth unless they are addressed by effective policies.

Social considerations are one of the key credit drivers of the sovereign rating. Sectarian fragmentation leads to frequent protracted negotiations between political parties and government stalemates that contribute to economic and financial instability, reflected in Moody's assessment of heightened domestic political risk.

Sectarian fragmentation also impacts governance, which is partially alleviated by the BdL's non-partisan policy focus. However, the BdL's reduced monetary and financial policy effectiveness in light of mounting fiscal and external headwinds adds to the government's weak fiscal policy track record thus driving Moody's weaker overall governance assessment.

What Could Change the Rating Up

Moody's would consider an upgrade if financing conditions stabilize and the risk of restructuring involving large losses for private creditors were to diminish. This would likely require a highly credible policy path to persistent primary surpluses, reform implementation in the electricity sector and an achievable plan to control the public sector wage bill.

What Could Change the Rating Down

Moody's would downgrade the rating in the event of persistent economic and fiscal policy reform implementation challenges that prevent a disbursement of official external funding support to accompany government debt restructuring, thus increasing the likelihood of significant additional losses accruing to private investors. An even more destabilizing adjustment than Moody's currently assumes, possibly accompanied with a sudden de-pegging of the currency, could also be consistent with larger losses than assumed in the Ca rating and lead to a downgrade. (Moody's 21.02)

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11.2. JORDAN: Jordanians Fuming Over Electricity Bills, Call for Boycott

Osama Al Sharif posted on 17 February in [Al-Monitor] that Jordanians are angered at the sharp hike in electricity rates, which the government claims is due to the high consumption in subzero temperatures.

Jordanians are fuming over a massive hike in electricity prices for January compared to the previous month — an increase of 30% to 80% for most and double for some. Hundreds of thousands of customers have been affected and the issue has become a public relations disaster for the government that had previously promised not to introduce new taxes or raise the price for electricity and water.

On 12 February, Minister of Energy Zawati denied that electricity tariffs were raised, saying that the only reason for the sharp increase in prices was the unprecedented electricity consumption in January due to the cold weather. "People are unaware that higher consumption means that the price of kilowatt-hour [kWh] is calculated at a higher tariff," she said during a meeting with a parliamentary committee. She admitted that the number of complaints by the public over the January bill was "overwhelming."

But the government's explanation was rejected by lawmakers who called on the Lower House's Energy and Mineral Resources Committee to investigate the issue that has overshadowed protests against the US "deal of the century." Head of the committee Hussein al-Qaisi told Al-Monitor that he has asked the government's Energy and Minerals Regulatory Commission (EMRC) for a full report explaining the reason for the sharp increase in electricity bills.

He warned that the committee will not allow the disconnection of power for failing to pay until a resolution of the issue is reached. He said that the committee has found that 74% of the increase was on bills below 300 kWh per month.

Qaisi noted that the National Electric Power Company (NEPCO) estimates annual losses due to illegal consumption — by accessing the grid directly and without the use of a company meter — at JOD 200 million ($282 million), which are added to the bills of paying customers.

Qaisi said that the government's decision to ask a private company to audit January's bills confirms that it does not trust the EMRC, which sets the tariffs. He added that the committee is considering handing over the review of the controversial bills to the Audit Bureau, which is a credible and independent party. The EMRC announced on 31 January that it was reviewing more than 2 million bills for December, since customers also complained of higher than usual bills that month. It said that as of the end of January it had found no discrepancies.

NEPCO, a public shareholding company, delivers electricity it buys from power generators through three main distributors covering the kingdom. Its director, Amjad al-Rawashdeh, announced on 10 February that due to subzero temperatures power load registered an unprecedented 3,570 megawatts on 9 February. He added that the increase in prices is due to higher consumption and the tariff is calculated incrementally. The rate for consumption up to 300 kWh is 720 fils/kWh ($0.10), but it doubles once it exceeds that load up to 500 kWh and doubles again when it passes that load.

At a time when the majority of Jordanians are suffering under a sluggish economy, the increase in electricity bills during an exceptionally harsh winter is a cause for public agitation. Heating oil is expensive, standing at JOD 600 per 1,000 liters ($846) and many Jordanians rely on electric heaters during winter. Activists have called for a campaign to force the government to review electricity tariffs. They launched a hashtag on Twitter calling on consumers not to pay their electricity bills.

The timing of this crisis could not be worse for the government. Earlier this year, Israel began pumping natural gas to Jordan under a controversial agreement that Jordanians reject overwhelmingly. The government is under pressure to revoke the agreement, but it says it can do nothing since the contract is between two companies. The Israeli gas will be used to power electricity stations and Jordanians claim that the latest increase in their bills is somehow linked.

Writing in the daily Addustour on 9 February, columnist Hussein al-Rawashdeh warned that Jordanians can take no more and that this latest episode will only increase the threat to social peace. He called for a neutral body that not only should look into the recent increase in electricity bills, but also review the entire structure of calculating tariffs.

Columnist Maher Abu Tair wrote in Al-Ghad daily on 8 February that the public does not believe the government's claims anymore. "Trust is lost between the people and the state and that is the real problem facing us today," he said. "How can we believe it when the increase in bills included customers who are expatriates living abroad?" Abu Tair added that the only explanation is that the government wants to subsidize NEPCO, which owes billions and continues to lose money, by taking money from people's pockets.

Energy expert Amer al-Shobaki, who runs his own consultancy firm, told Al-Monitor that customers pay for the huge loss in electricity distribution, which is due to illegal use in addition to waste because of a bad infrastructure. He said that the loss is calculated by subtracting what NEPCO buys from the electricity generators and what it sells to the distributors and that includes what is lost during generation, transportation and distribution, estimated at JOD 200 million annually. Shobaki said this issue alone — if dealt with — would decrease the rates for consumers.

Osama Al Sharif is a veteran journalist and political commentator based in Amman who specializes in Middle East issues. (Al-Monitor 17.02)

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11.3. UAE: Moody's Downgrades Sharjah's Rating to Baa2 and Changes Outlook to Stable

On 18 February, Moody's Investors Service (Moody's) downgraded the long-term foreign and local currency issuer ratings of the Government of Sharjah to Baa2 from A3, and changed the outlook to stable from negative.

The downgrade to Baa2 reflects Moody's lower assessment of Sharjah's institutions and governance strength than previously assessed. Evidence of significant slippage on fiscal targets and incurrence of contingent liabilities denotes more reactive fiscal policymaking than previously assessed. Moreover, a significant widening of the fiscal deficit has contributed to a much faster than expected accumulation in debt last year and, in the absence of any fiscal consolidation measures, is likely to result in a markedly higher debt trajectory over the medium term, indicating weaker fiscal strength than Moody's had previously estimated.

The stable outlook reflects a number of factors pointing to resilience at the Baa2 rating level, including low external vulnerability risks and a credible currency peg afforded by membership in the federation of the United Arab Emirates (UAE), ample funding sources, and high income levels contributing to shock absorption capacity. The Baa2 rating takes into account Moody's expectations of a further rise in the debt burden. It also includes analysis showing that under various plausible negative scenarios, Sharjah's fiscal strength is unlikely to deteriorate significantly further, indicating a degree of resiliency at this rating level. Conversely, the rating also takes into account the relatively low probability of a significant improvement in fiscal strength.

The downgrade of the rating to Baa2 from A3 also applies to the backed senior unsecured debt ratings of Sharjah Sukuk Limited, Sharjah Sukuk (2) Limited and Sharjah Sukuk Programme Limited. The provisional rating of the backed senior unsecured MTN program of Sharjah Sukuk Programme Limited has also been downgraded to (P)Baa2 from (P)A3. In Moody's opinion, the payment obligations of the notes issued by these entities are direct obligations of the government and rank pari passu with other senior, unsecured debt issuances of the government.

RATINGS RATIONALE

Rationale for the Downgrade to Baa2

The downgrade to Baa2 reflects Moody's assessment of weaker institutions and governance, and fiscal strength in light of recent developments that reveal a significantly wider deficit, higher government debt and an absence of measures that may stem a further increase in the debt burden. Moody's assesses that weaknesses in fiscal policy effectiveness largely account for the significant increase in debt in 2019, which are unlikely to be addressed in the near term.

Sharjah's fiscal deficit widened to 6.1% of GDP in 2019 -- significantly above the 2.3% of GDP that was budgeted. After ring-fencing social security revenues, the borrowing requirement arising from government spending was equivalent to 7.2% of GDP. An increase in discretionary spending was the primary driver behind the increase in the fiscal deficit, with accelerated payments on public infrastructure projects resulting in a significant over-spend on contractor payments. While the fiscal data are preliminary, Moody's believes they represent a reasonably finalized portrayal of government accounts for 2019.

In addition, the deterioration in the macroeconomic environment also contributed to weaker than expected government revenues. Notably, receipts from land sales were substantially lower than expected in the 2019 budget, in part due to continued pressure on the UAE's real estate sector. Increased competition for business among the free-zones amid the slowdown in the UAE's non-oil economy also resulted in lower transfers from Sharjah's government-related entities.

Partly due to the wider than budgeted fiscal deficit, Sharjah's debt burden rose rapidly in 2019, reaching 33.6% of GDP, from 25.4% of GDP in 2018. The transfer of government-guaranteed debt from a real estate developer to the government's balance sheet also contributed to the increase in the government's debt burden, as did the government's policy of ring-fencing social security funds, rather than using these funds to finance government expenditure. Despite increases in the revenue base arising from the distribution of VAT revenues in 2019, debt-to-revenues reached a new high of 292%, which is significantly higher than the median level for both Baa1 and Baa2 rated sovereigns.

In Moody's view the recent track record of missed fiscal targets and the assumption of guaranteed debt is evidence of more reactive fiscal policy making than previously assumed. Meanwhile, the absence of timely and publicly-available macroeconomic and fiscal data remains an institutional constraint at emirate level, reflected in slow progress on the publication of constant-price and quarterly national accounts data, which may impair the formation of accurate fiscal projections.

This view is supported by the fact that the 2020 budget suggests limited prospects for fiscal consolidation in the short term. No new revenue-raising measures are currently planned for the upcoming fiscal year and in the absence of new fiscal measures, improved government revenues will remain contingent upon an acceleration in the macroeconomic environment. However, Moody's expects growth in the UAE's and Sharjah's non-oil economy to remain materially below historical rates.

After removing ring-fenced social security funds from the 2020 budget, Moody's estimates that the net increase in government debt will be equivalent to 6.5% of GDP in 2020. As a result, Moody's expects Sharjah's debt burden is likely to rise above 40% of GDP by end-2020, which would be more than four times the debt burden when the initial A3 rating was first assigned in 2014.

In addition to wider fiscal deficits, Moody's expects that the government's plan to underwrite a second rights issue for Invest Bank up to AED 785 million as part of a package of remedial measures will further contribute to the increase in the government's debt burden. While the timing of this remains subject to change, Moody's expects it could occur in the relatively near term.

Rationale for Changing the Outlook to Stable

Sharjah's membership in the federal structure of the UAE provides numerous credit strengths which support the rating at the Baa2 level, including a highly credible currency peg, strong banking sector oversight and indirect financial support via spending on infrastructure and social projects.

Furthermore, Sharjah continues to benefit from a relatively diversified economy, which is more diversified than the UAE on aggregate reflecting the small size of the hydrocarbon industry in the emirate. Sharjah also benefits from relatively high incomes in global terms, above the median for Baa-rated sovereigns although substantially lower than in neighboring Abu Dhabi (Abu Dhabi, Government of Aa2 stable) and Dubai.

Moreover, under its baseline scenario Moody's expects Sharjah's debt burden to continue to increase. However, even under various negative scenarios, Moody's does not expect the fiscal strength of Sharjah will deteriorate significantly, indicating a degree of resiliency at this rating level.

Event risks stemming from Sharjah's government liquidity risks or the UAE's balance of payments are low in Moody's view given the UAE's sizable foreign assets. Notwithstanding the increase in recent years and likely further rise in the debt burden, a liquid banking sector, which acts as a key creditor to the emirate, supporting Moody's view of low government liquidity risks.

Environmental Social and Governance Considerations

Environmental risk is material to Sharjah's credit profile. The UAE is one of the world's top ten most arid states, and rapid growth in recent decades has further increased environmental risks surrounding water sustainability, a challenge which also applies to Sharjah given that water generation is handled at the emirate level. The majority of the UAE's (and Sharjah's) water is produced by desalination plants, which are highly energy intensive. Growth and/or fiscal constraints would rise if water supply is unable to keep pace with demand.

Social risks currently exert limited impact on Sharjah's credit profile, although the effectiveness of labor market nationalization policies in keeping unemployment low among citizens will remain an important consideration for social risks for the foreseeable future.

Governance risks are material to Sharjah's credit profile and a driver of the rating downgrade. As explained above, the risks relate to the limited transparency on fiscal policy, in particular the recent track record of missed fiscal targets and the incurrence and assumption of government guaranteed debt point to reactive fiscal policy formation.

What Could Change the Rating Up/Down

A sustained decline in the debt burden relative to revenues, whether arising from a significant sustainable expansion of the revenue base and/or through substantive expenditure restraint achieving primary balance surpluses, would likely exert positive pressure on the rating. Furthermore, evidence of decreasing volatility in government revenues which would provide greater comfort over the capacity of Sharjah to carry a higher debt burden could also support a higher rating.

Further significant deterioration in fiscal strength, resulting from wider fiscal deficits for longer than Moody's currently projects and/or a more marked increase in government debt, would likely lead to a downgrade, revealing yet weaker institutions and governance than Moody's now assesses. (Moody's 18.02)

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11.4. EGYPT: Egypt Economic Report – 2020

The Group Research Department at Bank Audi observed that Egypt is a successful reforming model for highly indebted economies.

Booming Real Sector Activity

Egypt's economy sustained in 2019 its robust growth performance and the improvement in its public finances, while external accounts are stabilizing at broadly favorable levels. Egypt remains committed to its successful reform program, following completion of its three-year Extended Fund Facility with the IMF in November 2019. As a matter of fact, real GDP growth reached 5.5% in FY 2019, the highest in the MENA region, up from 5.3% in FY 2018. This pickup is driven by net exports, as goods and services exports inched up in tandem with a contraction of oil imports (supported by the increase in natural gas production), while private investment is also picking up.

Balance of Payments Still in Surplus Despite Widening Current Account Deficit

Although the pressures on Egypt's trade deficit relatively lessened in 2019, the current account deficit widened by 58.2% over the first nine months of 2019 as per the latest available statistics released by the Central Bank of Egypt. This noticeable rise in the current account deficit was mainly attributed to the significant increase in investment income payments (+58.3% year-on-year), driven by the increase in profit transfers by foreign petroleum companies, in addition to interest payments on external debt (+78.1%), despite the continuous improvement in tourist receipts (+13.9%) and remittances inflows (+2.3%). Still, the balance of payments registered a net surplus of $1.9 billion in the first nine months of 2019, though lower than the $7.5 billion during previous year's corresponding period.

Fiscal Consolidation to Anchor Public Indebtedness Reduction Remaining on Track

Public finances in Egypt are gradually improving since FY 2017. In fact, the overall budget deficit declined to 8.1% of GDP in FY 2019, compared to 9.7% in FY 2018, in response to continuous fiscal consolidation measures which reduced fuel and electricity subsidies, increased taxes and fees, and significantly improved tax collection and tax administration. In parallel, the primary budget position strengthened in FY 2019, recording a higher than expected surplus of 2% of GDP.

Dovish Monetary Policy on Reduced Inflationary Pressures

Reduced inflationary pressures and the progressive appreciation of the Egyptian pound against the US dollar have prompted the Central Bank of Egypt to maintain a dovish monetary policy over the year 2019, while the CBE's foreign exchange reserves have hit a new historical high level in December 2019 amid rising touristic revenues, increased remittances and the receipt of the final IMF loan payments. Looking forward, with inflation fully normalizing over the course of 2020, hovering around the bottom end of the Central Bank of Egypt's inflation target range of 9% (±3%), the CBE should have room for further rate cuts.

Favorable Year for Banks with Comfortable Activity Growth and Sound Financial Standing

Banks operating in Egypt have benefited from continued positive economic momentum and the spillovers of reforms, enticing liquidity into the sector and enhancing their financial intermediation role by extending new waves of credit to the government and private sector. Measured by the consolidated assets of banks operating in the country, sector activity grew by 9.3% in local currency terms in 11M 2019 (+21.5% in US dollar terms given local currency appreciation) to reach the equivalent of $368.3 billion at end-November.

Price Rebound in Egyptian Capital Markets on Improving Macroeconomic Conditions

Egypt's capital markets saw a price rebound in 2019, mainly helped by ongoing fiscal and economic reforms, improving macroeconomic conditions, CBE's dovish monetary policy and attractive market valuations. The bourse main benchmark index (EGX 30) was up by 7.1% in 2019, while the cost of insuring debt closed the year at 277 bps with a net contraction of 114 bps over the year.

Prolonged Economic Expansion Expected Looking Ahead

Assuming a continuation of the path of reforms and a parallel gradual improvement in the business environment, economic growth is expected to reach 5.9% in 2020 (6% over the next five years), driven by a recovery in private consumption, investments and exports. Lower unemployment and a strong investment climate should begin to boost private consumption as of this year, although widespread poverty would remain a constraint on consumer demand growth for the time being. The construction and energy sectors would remain the main engines for growth, while sluggish growth in Europe, Egypt's main foreign partner, might somewhat affect tourism and other sectors. (Bank Audi 20.02)

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11.5. TUNISIA: Fitch Affirms Tunisia at 'B+'; Outlook Negative

On 28 February, Fitch Ratings affirmed Tunisia's Long-Term Foreign-Currency (LTFC) Issuer Default Rating (IDR) at 'B+' with a Negative Outlook.

Key Rating Drivers

Tunisia's ratings are weighed down by wide current account deficits, high fiscal and external debt, a challenging political environment and subdued economic growth. This is balanced against strong governance indicators, continued support from official creditors underpinning the sovereign's financing flexibility and a diversified economy. The Negative Outlook reflects ongoing vulnerability from large external funding needs, weak external and fiscal buffers and entrenched social opposition to macro-economic stabilization policies.

The inauguration of a new government in late February following the October parliamentary elections will enable a continuation of reform policies, albeit at a still slow pace, and renewed engagement with international creditors, including the IMF. Fitch expects the new cabinet to negotiate a new IMF program to follow the 2016-2020 arrangement expiring in April and broadly adhere to fiscal reforms and consolidation policies initiated by its predecessor.

The protracted government formation has significantly delayed the sixth review of the current arrangement with the IMF, initially due last September and still to be completed. However, institutional safeguards have permitted continued policy implementation under the caretaker government and the budgetary process was uninterrupted, underscoring the resilience of Tunisia's policy process.

The implementation of macro-economic stabilization policies under the new cabinet will remain subject to elevated political and social risks. The heterogeneity of the government could complicate policymaking as the cabinet comprises representatives from six parties positioned across the political spectrum alongside a large share of non-politically affiliated ministers. The ability of the new government head to drive the policy agenda appears limited given his Ettakatol party has no seats in Parliament and his poor own result in the presidential election. Deep antagonism between the largest blocs in Parliament will thwart a wider consensus between government and opposition on reform approval and implementation.

The cabinet's support base also appears vulnerable and there are risks of resurgence of the government instability that Tunisia had witnessed prior to 2016. In a more fragmented legislature than its predecessor, the cabinet is backed by four parliamentary blocs representing around 15 different political parties. The government's stability could come under pressure in case of withdrawal of a junior coalition partner or shift in bloc composition given volatility of party affiliation in Parliament.

Although powerful labor unions have voiced support for the new cabinet, Fitch expects social pressures will continue to slow down policy implementation. Risks from social tensions are illustrated by wide-scale strikes early in 2019 that led the government to agree to substantial wage increases, in breach of the targets set under the ongoing IMF program. They are also highlighted by private-sector opposition to energy price hikes, with delays to tariff adjustments causing a 0.4% of GDP overrun on subsidy spending in 2019. The poor showing of established parties and the ascension of outsiders and populist forces in the September and October 2019 presidential and legislative elections also point to reform fatigue among voters.

The tightening of fiscal and monetary policies amid favorable cyclical developments has started to address macro-economic imbalances, which nonetheless remain sizeable. Fitch projects the current account deficit (CAD) will narrow to 7.7% of GDP in 2021 - still double the forecast 'B' median of 3.9% - from an estimated 8.8% in 2019 and 11.1% in 2018. The improvement in the CAD will be driven by buoyant tourism, a pick-up in the domestic production of natural gas and phosphates alongside some import compression.

Significant external liquidity pressures stem from Tunisia's high external funding requirements averaging 39% of GDP (16% of GDP assuming rollover of short-term debt mostly composed of trade credit and bank deposits) per year in 2019-2021 under Fitch's forecasts. This is nearly three times as much as the forecast 'B'-category median of 14% of GDP. Continued reliance on external borrowing has resulted in a two-fold rise in net external debt in six years to 80% of GDP in 2019 based on our estimates, one of the highest levels among all Fitch-rated sovereigns.

External vulnerability is somewhat mitigated by strong official creditor support partly related to Tunisia's democratic transition. A new IMF program will also help to catalyze official and market financing. However, Tunisia's mixed performance under the current arrangement with the IMF highlights risks to program implementation, and creditor support could weaken. Tunisia has received only $1.6 billion under the ongoing program from an initial allocation of $2.9 billion, illustrating challenges in reaching the agreed milestones. Some multilateral institutions, including the World Bank, are facing constraints in extending further budget support loans to Tunisia.

The dinar's mild appreciation in 2019 was helped by short-term factors but economic fundamentals, such as wide CAD, subdued growth and comparatively high inflation, will drive a gradual depreciation of the currency over the coming two years. The dinar's temporary strengthening has given the central bank some space to replenish its international reserves, which rose from 2.6 months of current external payments in 2018 to 3.6 months in 2019, their highest level in five years. However, the level of reserves still offers only a modest buffer relative to Tunisia's large external vulnerabilities. The shift to a market-determined exchange rate regime could, if maintained, bolster external resilience.

Tunisia has implemented sizeable fiscal consolidation of 3.2% of GDP in two years, halving the central government (CG) deficit (including grants) to 3.3% of GDP at end-2019 from 6% in 2017. Tax revenues/GDP reached a record in 2019, despite subdued growth while capital spending/GDP has fallen to its lowest level in three decades, underscoring limited scope for further consolidation from cuts to investment outlays or higher revenues. Meanwhile, current spending has reached its highest level on record, at 26% of GDP in 2019, illustrating the difficulty of reining in pressure from a bloated payroll, rising debt interest cost, energy subsidies and transfers to loss-making state-owned enterprises.

Fitch projects the CG deficit will stabilize at 3.3% of GDP in 2020, overshooting the government target of 2.8%, before narrowing to 2.9% in 2021. Efforts to enhance tax collections will provide a small boost to revenues while savings will be achieved from the gradual phasing-out of energy subsidies, a strict hiring policy and a 2019 pension reform. Personnel spending will edge further up in 2020, lifted by salary increases under the 2019 wage agreement with labor unions.

CG debt has declined to 72% of GDP in 2019 from 78% in 2018, mostly helped by the appreciation of the dinar, but any new depreciation would again push up debt as 73% of debt is denominated in foreign currencies. Fitch projects CG debt will stabilize close to its current level in 2020 and 2021, remaining well above the forecast 'B' median of around 54% of GDP. CG debt excludes government guarantees on SOE debt of 15% of GDP, half of which are owed by the ailing electricity company STEG. Additional contingent liability risks stem from public banks and persistent, albeit receding, weaknesses in the banking sector more generally.

Economic growth prospects are modest as the tightening of the policy mix and pressures on competitiveness hold back economic activity. Fitch projects growth will recover to a still weak average of 2.4% in 2020-2021, from 1% in 2019. Growth will be lifted by a pick-up in extractive industries and sturdy activity in agriculture and tourism, although the global spread of the coronavirus raises downside risks. A slowdown of growth in the Eurozone, Tunisia's main export market, and the recent aggravation of the armed conflict in neighboring Libya also pose risks to the outlook. Inflation will fall towards an average of 5.7% in 2021 under Fitch's forecasts from a 28-year annual average high of 7.3% in 2018, helped by monetary tightening and a decline in oil prices.

Rating Sensitivities

The main factors that may individually, or collectively, lead to a downgrade:

1. Failure of external liquidity conditions to improve and persistent vulnerability from high external funding needs;

2. -Political developments or social unrest undermining prospects for progress on macro-economic adjustment policies and reforms; and

3. -Failure to narrow the fiscal deficit or materialization of contingent liabilities, leading to further rise in government debt/GDP.

The current Outlook is Negative. Consequently, Fitch does not currently anticipate developments with a material likelihood of leading to an upgrade. However, the main factors that may individually, or collectively, result in the Outlook being revised to Stable include:

a. -A decline in external financing needs and a recovery in international liquidity buffers, for example due to a significant improvement in the current account deficit; and

b. -Further progress on fiscal consolidation supporting macro-economic stability and stabilizing the public debt/GDP ratio over the medium term.

Tunisia does not publish fiscal data on a consolidated general government basis. Fitch has relied until now on separate data on central government, local government and social security budget positions submitted by the authorities to produce its own estimates for general government fiscal metrics. In the absence of updated local government and social security budget statistics, the agency has decided to adopt central government fiscal metrics as a proxy for the assessment of the general government fiscal position. Qualitative discussions with the issuer indicate that the local government and social security components have only marginal contribution to the overall general government position, providing sufficient confidence to use the narrower central government data in the rating process. (Fitch 28.02)

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11.6. TURKEY: Fitch Affirms Turkey at 'BB-'; Outlook Stable

On 21 February, Fitch Ratings affirmed Turkey's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB-' with a Stable Outlook.

Key Rating Drivers

Turkey's 'BB-' rating reflects weak external finances, a track record of economic volatility, high inflation and political and geopolitical risks. These factors are set against Turkey's large and diversified economy, GDP per capita and Ease of Doing Business indicators that compare favorably with 'BB' medians, and moderate levels of government and household debt.

Economic growth is recovering strongly, inflation has fallen from 20% at the beginning of last year, the current account has improved and external risks, although still high, have eased, supported by the real effective exchange rate adjustment and private sector deleveraging. The relative resilience of the banking and corporate sectors to the 2018 crisis contributes to our expectation for a 'V-shaped' recovery.

Fitch forecasts GDP growth of 3.9% in 2020 (an upward revision of 0.8pp since our last review), after 0.4% in 2019, driven by private consumption and a more gradual recovery in investment. Lower interest rates and a sharp pick-up in credit are fueling domestic demand. Private bank lending is growing at 27% and consumer credit 46% (on a 13-week annualized basis), and we expect full-year aggregate credit growth above 15%. Pent-up demand, mildly positive labor market dynamics, a 15% minimum wage hike, and recovering confidence indicators also support stronger domestic demand. We forecast similar GDP growth in 2021, of 4.0% (but with stronger investment, some moderation in private consumption growth and a smaller drag from net exports), compared with the 'BB' category median of 3.4% in 2020-2021. We continue to estimate Turkey's trend rate of growth at 4.3%.

Turkey's large external financing requirement remains a source of vulnerability, but has reduced to around $170 billion (including short-term debt) or 161% of foreign exchange reserves in 2020, from $211 billion in 2018. This is driven by the current account moving to a surplus of 0.2% of GDP in 2019 from a deficit of 3.5% in 2018, mainly due to import compression, although export growth is also supported by the real effective exchange rate (12% below the end-2017 level) and buoyant tourism. Fitch forecasts the current account returns to deficit, of 0.9% of GDP in 2020 and 1.8% in 2021, as recovering domestic demand lifts imports and, to a lesser extent, high inflation begins to erode competitiveness gains.

Banks' external debt due over the next 12 months has fallen to $82 billion, from $90 billion a year earlier. Fitch expects banks' FX borrowing to remain muted in 2020, partly due to ongoing weak demand for FX credit (which declined 6% in 2019) and sufficient FX liquidity (which rose $9 billion in 9M19 to $86 billion, helped by an increase in FX customer deposits of $32 billion in 2019). The corporate sector has steadily deleveraged, with the negative net FX position falling to $176 billion in November from $207 billion a year earlier, and the debt rollover rate was a robust 89% in December (on a rolling 12-month basis). Highly supportive global financing conditions have also helped limit downward pressure on the lira. Gross foreign exchange reserves increased to $105.5 billion at end-December, from $96.3 billion six months earlier.

Weak monetary policy credibility and the deeper than expected cuts in the policy interest rate from 24% in June to 10.75%, which took the real rate (based on current inflation) from 8.3% to -1.3%, increase risks of renewed market volatility. This followed the sacking of the central bank governor and replacement of other senior officials in the context of President Erdogan's unorthodox views on the relationship between inflation and interest rates. Inflation in Turkey has averaged 11.7% over the past five years, compared with the 'BB' median of 3.2%, and has been above the 5% central bank target since 2011. We forecast inflation will remain relatively high, reducing from 12.2% in January to 10.5% at end-2020, helped by tax adjustments and lower energy prices, and to 10.0% at end-2021.

There has been limited progress in the implementation of key structural reform measures set out in the New Economy Programme (NEP). However the recovering economy, together with the three-and-a-half-year window to the next scheduled elections, provides a more conducive backdrop for reform. Notwithstanding widespread speculation, it is not obvious what would be gained by calling early elections, in Fitch's view (despite reported tensions within the coalition government and the potential for the steady erosion of support to opposition parties). Notable measures the government plans to advance this year include a new insolvency law, complementary pension system, and severance pay reform.

We continue to view the NEP assumptions (for GDP growth of 5%, and inflation falling to the 5% target and the current account balancing by 2022) as highly optimistic. The Turkish economy has not previously sustained such a combination, and there has been a long-standing close correlation between stronger economic activity, high credit growth and an increasing current account deficit. It is currently unclear how the authorities view such trade-offs, with a risk that policy settings result in a build-up over time of unsustainable credit growth and greater external imbalances, particularly if structural reform progress remains slow.

A number of near-term geopolitical risks weigh on Turkey's rating. The US Risch-Menendez sanctions bill is likely to be enacted in H1/20, when it will require implementation within 30 days of sanctions listed by the earlier CAATSA, although we expect the US administration will select the lighter measures allowed. The extent to which other sanctions in the bill will be legislated, such as on Turkish banks and public institutions involved in operations in Syria, is currently uncertain. Direct clashes in recent weeks between Turkish and Syrian forces contribute to an increased risk of a further escalation, heightened tensions with Russia, and adverse spillovers, compounded by the likely further displacement of Syrians from Idlib region. We view risks from Turkey's military operation in Libya, the US court case against Halkbank and potential EU sanctions for gas drilling in Cyprus, as lower impact but still with the potential to damage investor sentiment.

Fitch forecasts the general government deficit remains at 3.2% of GDP in 2020, and edges down to 3% in 2021, anchored by the high prioritization the government attaches to hitting its fiscal targets. Use of one-off measures in 2019 such as transferring the central bank accumulated reserve (0.9% of GDP) and cutting capital spending (by 20% in real terms) contained the increase in the central government deficit to 2.9% of GDP from 2.0% in 2018. Fitch views the 2020 budget target for nominal revenue growth of 17% as achievable given the expected pick-up in GDP growth, phasing out of special consumption taxes, and additional taxes on higher-rate income, property and the digital sector (totaling 0.2% of GDP). We anticipate the government would implement additional in-year measures in 2020 and 2021 if the central government budget is off track.

General government debt is projected to be broadly flat at 32.3% of GDP in 2020-2021, having increased from 28.2% in 2017, well below the current 'BB' category median of 46.5%. We anticipate only a gradual reversal of the shift towards foreign-currency and shorter-term debt issuance since 2018 (the average maturity of domestic borrowing in 2019 was just 30.1 months, compared with 71.2 in 2017). Contingent liabilities have increased from a low base, and we expect direct government guarantees (including the Credit Guarantee Fund) to stabilize at near 5% of GDP in 2020 and 2021, on top of which we estimate other contingent liabilities from public-private partnerships of a similar magnitude. On-budget transfers relating to these guarantees increased close to 70% in 2019 to 0.4% of GDP.

Banking sector metrics reflect the challenging operating conditions, but short-term risks have eased alongside economic stabilization. The NPL ratio increased to 5.4% in January from 3.9% at end-2018 and Fitch expects a further rise (partly due to still-high Stage 2 loans of 11%) but at a declining pace. High impairments and weak GDP growth lowered the return on equity to 11.5% in Q4/19 from 14.7% a year earlier, although stronger credit should drive a moderate improvement in profitability this year. The average funding cost fell to 7.3% in December from 8.1% in June, and is likely to further benefit from the lower policy interest rate. The common equity Tier 1 ratio was unchanged in H2/19 at 14.2%, supported by new issuance and foreign currency loan deleveraging. Pre-impairment profit provides a buffer to absorb credit losses but is weaker in state banks, and capital ratios remain sensitive to potential lira depreciation. We anticipate only a gradual improvement in the deposit dollarization ratio, which remains high at 50.8% despite falling 3.4pp in H2/19.

Rating Sensitivities

The main factors that may, individually, or collectively, result in positive rating action are:

1. Greater confidence in the sustainability of the external position alongside healthy GDP growth.

2. Implementation of structural reforms that raise domestic savings, reduce dollarization and make GDP growth less dependent on credit growth and external borrowing.

3. An improvement in governance standards, political or geopolitical risks for example from the conflict in Syria, and from US sanctions.

4. A sustained decline in inflation and a rebuilding of monetary policy credibility.

The main factors that may, individually, or collectively, result in negative rating action are:

1. Disruption to the path of economic stabilization and rebalancing, potentially caused by policy settings that result in a build-up of unsustainable credit growth, higher inflation and greater external imbalances.

2. Renewed stresses in the corporate or banking sectors, potentially stemming from a sudden stop to capital inflows or currency volatility.

3. A marked worsening in the government debt/GDP ratio or broader public balance sheet.

4. A serious deterioration in the domestic political or security situation or international relations.

Key Assumptions

Fitch forecasts Brent Crude to average $62.5/b in 2020 and $60.0/b in 2021. (Fitch 21.02)

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