The FORTNIGHTLY

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

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1. ISRAEL GOVERNMENT ACTIONS & STATEMENTS

1.1. Israel Takes Proactive Steps to Curb the Spread of Coronavirus

On 15 March, a bevy of new regulations took effect to prevent the further spread of the coronavirus, including the closure of all cafes, restaurants, hotels, malls, movie theaters, gyms, event halls and other locales. Supermarkets, pharmacies, banks and other essential service providers are continuing to function. The government, in a move that raises significant concerns over privacy, will now be using invasive digital monitoring measures to track the movements of sick individuals, which had previously been employed against terrorism.

A ban against congregating in groups larger than 10 has been extended to gatherings for religious activities and mandates that people participating in such activities maintain a distance of at least two meters from one another. Meanwhile, Muslim clerics have shut the Al-Aqsa Mosque and Dome of the Rock until further notice while the Hamas-run government in the Gaza Strip announced that the Rafah pedestrian crossing would be shut to travelers in both directions. (Various 15.03)

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1.2. Israel Allocates $2.8 Billion to Assist Economy Amid Coronavirus Fears

Israeli Prime Minister Netanyahu announced on 11 March that the government would expand an economic package unveiled earlier this week to NIS 10 billion ($2.8 billion) in a bid to help support the economy as the global coronavirus crisis grows. Netanyahu said the purpose of the program would be to enable the economy to continue to function. The economic package includes the NIS 4 billion ($1.2 billion) fund announced earlier to help local companies affected by the outbreak, as well as an additional NIS 6 billion ($1.7 billion) to stabilize the economy. Netanyahu said the NIS 4 billion fund for businesses may be doubled to NIS 8 billion ($2.25 billion) to provide affordable loans to those impacted by the outbreak.

Of the NIS 10 billion, NIS 1 billion will be allocated for the health system, used to increase the supply of pharmaceutical drugs, purchase medical equipment, prepare the hospitals to receive a greater number of patients and reinforce medical teams. Another NIS 1 billion will be allocated for services such as firefighting and police. Reiterating his assurance from the previous day, PM Netanyahu said he is not worried about a shortage of goods because most supplies and raw materials reach Israel by sea. Netanyahu also said the country will ease restrictions for importers bringing goods into the country and will facilitate supplies by air, when necessary. (NoCamels 12.03)

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1.3. Israel's Finance Ministry Estimates Coronavirus Could Lower Annual Growth to 0%

The chief economist of the Israeli Ministry of Finance has estimated that the Coronavirus containment measures may cut Israel's growth for 2020 to 0% and cause a 1.6% (approximately $6.59 billion) drop in the country's gross domestic product (GDP). It was also estimated that the steps already taken, combined with the general impact of the global slowdown on the domestic economy, will cost Israel approximately $5.27 billion, or 1.4% of GDP, throughout 2020. Overall, damages are so far estimated at approximately $11.87 billion.

According to the amended restrictions, the public sector is now following emergency protocols, meaning only essential services will remain open in full capacity, while many public sector employees have been sent home and are expected to use up their accumulated vacation days. Private employers have been instructed to cut down 70% of office occupancies, whether by enforcing shift work or enabling people to work from home. Finance Minister Kahlon announced an NIS 6,000 (approximately $1,580) grant for small businesses, and an overall infusion of NIS 5 billion (approximately $1.3 billion) to the domestic economy.

With this bleak forecast, the Finance Ministry has stressed that much uncertainty surrounds the virus, and its eventual impact on the economy. The ministry is also estimating that the changes made to the unemployment benefits regulation (e.g. shortening the required time of prior employment from 12 months to six) and the increase in the number of unemployed will cost approximately $1.05 billion. (Various 17.03)

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1.4. Bank of Israel Sees Virus Crisis Over by July

The Bank of Israel has lowered its economic growth forecast for the Israeli economy this year to 2% because of the effects of the Coronavirus virus, but sees growth rebounding to 3.9% in 2021 and compensating for the damage in 2020. The bank updated its basic scenario and assumes that there will not be a mass outbreak of coronavirus in Israel, and that the whole crisis will be over by the end of June. The bank does nevertheless assume that some 150,000 Israelis will be in isolation at some stage during the period of the crisis and that a partial closure will be imposed on Judea and Samaria. The bank also assumes that tourism, civil aviation and other activities such as conferences, will be almost entirely paralyzed during the period.

On the basis of developments so far and on the assumption that the incident is over by the end of the second quarter, a 0.7% hit can be expected to GDP growth this year. At the same time, the central bank stresses that this is a developing situation, and there is great uncertainty over how the virus will continue to spread and the consequences of that for economic activity globally and in Israel, which will affect the degree of impact on economic growth. (Globes 09.03)

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1.5. Israel's Final Election Results Produces 58 Seats for the Right and 55 for the Left

Israel's Central Elections Committee reported on 5 March the final results from the country's 2 March election. Prime Minister Netanyahu's Likud party received 36 seats, gaining 235,554 more votes than in the last election. The Blue and White party garnered 33 seats, while the Joint Arab List was the third-biggest party the Knesset, with a record 15 seats. Yisrael Beytenu remained at seven, Labor-Gesher-Meretz also won a total of seven seats, as did the ultra-Orthodox United Torah Judaism. Yamina won only six seats and the Sephardi ultra-Orthodox party Shas won nine seats.

The full results also confirmed, however, that the right-wing bloc of parties supporting Netanyahu had won 58 seats, three short of a majority needed to form a coalition. While a total of 30 parties ran in the election — the third in a year — the final results gave seats to only eight, the lowest number to enter the Knesset in Israel's history. Of the 4,612,297 Israelis who voted, over 56% voted for just two parties — Likud and Blue and White, which collectively received 2,566,272 individual ballots.

Total voter turnout stood at 71.32% of the 6,453,255 eligible voters, an increase of 1.59 points from September's 69.83% turnout and of 2.86 points from April's 68.46% participation rate. With the electoral threshold for entering the Knesset being 3.25% of the total vote, parties needed at least 149,004 votes to win parliamentary representation, with each of the 120 Knesset seats worth around 38,000 votes. (Various 05.03)

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2. ISRAEL MARKET & BUSINESS NEWS

2.1. Hailo Raises $60 Million in Series B Funding

Hailo has raised $60 million in Series B funding. The round, led by existing investors, was joined by key strategic investors including ABB Technology Ventures (ATV) – the strategic VC arm of ABB, a global leader in industrial automation and robotics; NEC Corporation – a leader in the integration of IT and network technologies; and London-based VC firm Latitude Ventures. The funding will be used by Hailo to bolster the ongoing global rollout of its breakthrough Hailo-8 Deep Learning chip and to reach new markets and industries worldwide.

The Series B round brings Hailo's total funding to $88 million. It follows the launch of Hailo-8, the company's industry-leading Deep Learning processor for edge devices. With a totally reimagined chip architecture that relies on the core properties of neural networks, Hailo's chip empowers devices to perform sophisticated Deep Learning applications that could previously run only on the cloud. The Hailo-8 innovative Structure-Defined Dataflow Architecture translates into higher performance, lower power, and minimal latency, enabling more privacy and better performance for smart devices operating at the edge, including partially autonomous vehicles, smart cameras, smartphones, drones and AR/VR platforms. The Hailo-8 features up to 26 tera operations per second (TOPS) and significantly outperforms all other edge processors with its small size, high performance, and low power consumption.

Tel Aviv's Hailo, an AI-focused, Israel-based chipmaker, has developed a specialized Deep Learning processor that delivers the performance of a data center-class computer to edge devices. With a totally reimagined chip architecture that relies on the core properties of neural networks, Hailo's chip empowers devices to perform sophisticated Deep Learning applications that could previously run only on the cloud. The company was founded in 2017 by members of the Israel Defense Forces' elite technology unit. (Hailo 05.03)

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2.2. RADA Announces the First US Production at its Maryland Facility

RADA Electronic Industries announced the manufacture of the first radar in its United States-based production line. RADA's US Headquarters and Manufacturing Facility are based in Germantown, Maryland. To mark this milestone, Maryland Congressman Trone visited the facility, welcomed the new RADA US employees and celebrated the delivery of RADA's first US-manufactured MHR radar to the US Marine Corps.

Netanya's RADA is a global defense technology company focused on proprietary radar solutions and legacy avionics systems. The Company is a leader in mini-tactical radars, serving attractive, high-growth markets, including critical infrastructure protection, border surveillance, active military protection and counter-drone applications. RADA USA's air surveillance radars are the system of choice for current and emerging tactical Integrated Air & Missile Defense weapon systems, whether based on guns, missiles, directed energy, or other threat defeat technologies. Its tactical radar systems are ideal gap-fillers, complementing medium and long-range air surveillance systems. The radars can work in various installation methods depending on the mission: fixed or on-the-move onboard tactical land vehicles or aboard littoral combat and patrol ships. (RADA 06.03)

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2.3. U.S.-Israel Consortium Launches $21.4 Million Water-Energy Initiative

Chicago's Northwestern University and BGN Technologies announced the initiation of a U.S.-Israel consortium led by both universities for the development of new technologies to solve global water challenges. The multi-institutional, international program, called the Collaborative Water-Energy Research Center (CoWERC), has a total budget of $21.4 million, including a $9.2 million grant over 5 years from the U.S. Department of Energy and Israel's Ministry of Energy together with the Israel Innovation Authority. CoWERC is part of the U.S.-Israel Energy Center program administered by the U.S.-Israel Binational Industrial Research and Development (BIRD) Foundation.

Working at the intersection of water and energy, the team will research, develop and commercialize technology in three areas: energy-efficient enhanced water supply, wastewater reuse and resource recovery, and energy-water systems. All CoWERC projects are binational and include university, national laboratory and industrial partners. Technology development efforts will culminate in pilot testing at water and wastewater facilities in both Israel and the U.S. After being validated, the new technologies could potentially be implemented around the world.

BGN Technologies is the technology company of Ben-Gurion University, Israel. The company brings technological innovations from the lab to the market and fosters research collaborations and entrepreneurship among researchers and students. (BGN Technologies 12.03)

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2.4. Hellman & Friedman to Acquire Checkmarx at a $1.15 Billon Valuation

Checkmarx announced that San Francisco based Hellman & Friedman (H&F) has entered into a definitive agreement to acquire the Company from Insight Partners, which will continue to own a substantial minority interest. The deal represents the largest acquisition of an application security company to date. The acquisition will bolster the company's already outstanding growth at a time when software security has never been more critical for modern enterprises building out their software solutions. Checkmarx enables organizations to deliver secure software faster, by making security excellence intrinsic to software development. By bringing to light vulnerabilities within software solutions, Checkmarx is a critical ally to the developers and application security experts of the world's leading brands discovering and reporting security threats before disaster strikes.

Ramat Gan's Checkmarx is the global leader in software security solutions for modern enterprise software development. Checkmarx delivers the industry's most comprehensive Software Security Platform that unifies with DevOps and provides static and interactive application security testing, software composition analysis, and developer AppSec awareness and training programs to reduce and remediate risk from software vulnerabilities. (Checkmarx 16.03)

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2.5. U.S.-Israel Energy Center Winners Announced

On Friday, 6 March 2020, U.S. Secretary of Energy Brouillette and Israel's Minister of Energy Dr. Steinitz announced three winners to receive up to $27.6 million under the U.S.-Israel Energy Center competitive funding opportunity. Three consortia, comprised of U.S. and Israeli organizations, will undertake five years of research, development, and commercialization of innovative energy technologies in the fossil energy, energy storage, and energy-water nexus sectors. The total value of these three projects with cost-shared arrangements could reach $55.2 million. Each project will be negotiated with the partners under conditions set forth by the BIRD Foundation, and subject to appropriations. Three awards were made, one for each of three research topics, as described below. All three selected groups include academic institutions, industry and research labs.

Fossil Energy: Consortium Leads: Tulane University (U.S.) and the Hebrew University of Jerusalem (Israel). U.S. Partners: Louisiana State University, University of Louisiana, and Argonne National Laboratory. Israeli Partners: Technion Research & Development Foundation (TRDF), the University of Haifa, the Geological Survey of Israel, Ramot at Tel-Aviv University Ltd, and Delek Drilling LP

Energy Storage: Consortium Leads: University of Maryland, College Park (U.S.) and Bar-Ilan University (Israel). U.S. Partners: Saft America and Forge Nano, Israeli Partners: Tel Aviv University, Materials Zone, and 3DBattery.

Energy-Water Nexus: Consortium Leads: Northwestern University (U.S.) and Ben Gurion University of the Negev (Israel). U.S. Partners: Argonne National Laboratory, Yale University, DuPont Water Solutions, Evoqua Water Technologies, CycloPure, Current Innovation NFP, and Metropolitan Water Reclamation District of Greater Chicago (MWRD). Israeli Partners: Technion Research and Development Foundation (TRDF), Mekorot, Fluence Corporation, and the Galilee Society

The call for proposals also included the Energy-Cyber sector, but no winners were selected in this topic area. The U.S. and Israeli governments, with support from the BIRD Foundation, will redefine the scope of the Energy-Cyber topic to better address each country's research priorities, and will re-issue a call for proposals on this topic in coming months. (BIRD Foundation 12.03)

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3. REGIONAL PRIVATE SECTOR NEWS

3.1. Abwaab Raises $2.4 Million Pre-Seed Funding

Abwaab announced the closing of its $2.4 million pre-seed funding round - one of the largest of its kind in Jordan. The round was kicked off by Adam Tech Ventures and joined by Endure Capital, Equitrust, the World Bank-backed Innovative Startups SMEs Fund (ISSF), a London-based investment fund, a number of former and current executives from Uber and Netflix, among others. The startup plans to use this funding to develop its product and grow its team.

Founded in September 2019, the edtech startup's mission is to improve the out-of-school learning experience for Arabic-speaking youth by making high-quality education accessible to each and every student regardless of socioeconomic background. Abwaab's website, which launched in early February of this year, offers a comprehensive and engaging online learning experience for secondary school students with programs tailored to specific markets in the region. From concept-based video lessons taught by highly experienced teachers to various forms of assessment and performance-tracking features, students get the unique opportunity to learn at their own pace, assess themselves and track their progress anytime and anywhere. The startup, which has a freemium subscription model, has begun rolling out its content, starting with STEM subjects tailored to the Jordanian market and has produced nearly 1000 videos to date.

Amman, Jordan's Abwaab, the latest online learning platform in MENA, allows secondary school students to learn at their own pace, test themselves and get ahead with our expert tutors anytime and anywhere. By offering concept-based video lessons, visualized learning journeys, continuous assessment, and performance-tracking features, we are changing the way students learn outside the classroom. (Abwaab 17.03)

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3.2. RIZEK Joins with NMC Healthcare to Disrupt Health Tech in the UAE

Abu Dhabi's RIZEK, the UAE's online marketplace that connects freelance service professionals with end customers, has partnered with NMC Healthcare in a first-of-its-kind-deal, to facilitate on-demand medical service in the UAE — becoming the UAE's first online marketplace to offer such a service. From intravenous therapy to intramuscular injections, nursing and physiotherapy, the requested services will be provided by experienced doctors, nurses, and physiotherapists from NMC hospitals and its ProVita and CosmeSurge arms.

Through this first-of-a-kind on-demand medical service marketplace in the UAE, RIZEK is set to make healthcare more accessible to people leading busy lives. Moreover, by cutting down on no-shows, cancellations and waiting time, RIZEK aims to improve efficiency as well as increase the number of services booked and fulfilled.

NMC is the largest private healthcare provider in the UAE, with strict quality controls and expert professionals having years of experience. Partnering with RIZEK reflects NMC's commitment to better customer service, personalized care and the overall well-being of customers by providing highest standards of quality at affordable prices. Moreover, through ratings and reviews, RIZEK's online marketplace will bring in more transparency to the medical services sector, thereby increasing trust and demand for better healthcare services in the UAE. (RIZEK 08.03)

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3.3. University of Dubai and Krypto Labs Accelerate Student Startups On-Campus

The University of Dubai and Krypto Labs, an Abu Dhabi based co-working space, announced the launch of an innovation hub open for students, alumni, professors, and the community to develop their entrepreneurial skills and catalyze the growth of startups from within the university campus. The innovation hub aims to grow the next generation of all-rounded leaders who are equipped with the transferable skills for the 21st century, and who are capable of strengthening the UAE's global position for rising technologies in line with the UAE Strategy for the Fourth Industrial Revolution (4IR).

In accordance with its vision, the hub also seeks to promote entrepreneurship within the student community by having an on-site center that offers students with the facilities and support they need to build scalable and groundbreaking startups. Krypto Labs will operate the innovation hub, provide one-on-one mentorship for aspiring startups and conduct innovation and entrepreneurship programs. (Zawya.com 04.03)

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3.4. MEC Ventures Invests in FlexxPay

Dubai's FlexxPay, a Fintech company focusing on employee benefit solutions, announced that MEC Ventures, a newly established vehicle created jointly by MSA, a Chinese venture capital fund with more than $1 billion of assets under management together with Bahrain based Al Salam Bank, has invested in FlexxPay's pre-series A funding round. The new funds will accelerate FlexxPay's ambitious growth plans for the region, particularly in Saudi Arabia and the United Arab Emirates, enabling the company to execute quickly on its planned tech developments and new platform features for its ever-increasing corporate clientele base.

MSA has invested over $1b in the last four years in AI, genomics, mobility and SaaS companies. Their portfolio includes Meituan, Didi, Mobike, NIO, Beijing Genomic Institute, Zhaogang, Tuija and Mogujie. MSA partnered with Al Salam Bank-Bahrain to launch MEC Ventures, a $50 million venture capital fund designed to introduce new technologies and business models from Asia to the Middle East.

According to FlexxPay calculations, if you combine exit costs, lost productivity, lost expertise, as well as recruitment, orientation and onboarding costs, a company of about 500 employees, can save an estimated $200,000 a year. FlexxPay provides a cloud-based technology solution that improves employee productivity, retention rates and sales for businesses by removing financial stress from employees and giving them instant access to earned salaries and commissions. With FlexxPay, employers can directly invest in their most valuable asset, their employees. The platform can be accessed through web, mobile App and WhatsApp. (FlexxPay 11.03)

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3.5. Argineering Raises $400,000 for Its AI-Powered Interactive Design Lab

Argineering just raised $400,000, closing its seed round led by 500 Startups and Flat6Labs Cairo. Additionally, the round involved an Angel Investor, Islam Mahdy, who is also the chairman and CEO of Credence and a hospitality entrepreneur who excels in designing human-centered experiences.

Giza, Cairo's Argineering is an interactive design lab that provides shop owners and artists with devices that would enable them to create customer interaction through window displays and installations. This investment is set to accelerate the development of a new feature backed by Artificial Intelligence and Data Analytics. In 2018, the same year it was founded in, Argineering has won both RiseUp's pitch competition and CBC's Hona El-Assema and has been making waves in Europe ever since. With their product RG Kit, Argineering had to think meticulously about the market they should start at. Their eyes landed on one of Europe's busiest shopping avenues, Oxford Street in London. Their product quite literally caught the eyes of shopping arenas like Selfridges and Ted Baker. However, Argineering also caters for cultural venues like museums and showrooms; London Science Museum is also one of its clients. (Argineering 12.03)

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3.6. Zenith Acquires Onshore Production Asset in Tunisia

Calgary's Zenith Energy, an oil and gas company, signed an agreement on 2 March to acquire a working interest in an onshore oil production unit in Tunisia. The asset currently produces on average 700 bpd and generates an annual gross revenue of approximately $15 million. The company has initiated talks with an undisclosed oil firm to put together an off-take agreement for the future's production in order to aid the financing of the deal. In addition to this, the company has announced that it is aiming to complete the due diligence by 31 March. This deal is part of a wider policy of Zenith's expansion, with the Canadian company also signing a deal in December to acquire Coro Energy's natural gas production in Italy. (Zenith 04.03)

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4. CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

4.1. Oman to Ban Single-Use Plastic Bags from Next Year

Oman will ban single-use plastic bags starting next year as part of efforts to reduce pollution and protect the environment, Muscat announced on 15 March. It warned that violators would face fines of up to 2,000 Omani rials ($5,200) when the ban takes effect on 1 January 2021, with repeat offenders will be fined double that amount. According to the United Nations, Oman - which had become renowned as a travel destination for its desert camping and turtle-watching - attracted 2.3 million tourists in 2018.

A number of countries, including recently the United Arab Emirates, have taken measures to curb single-use plastic bags. Abu Dhabi announced it aims to ban their use in the UAE capital by 2021. (AB 15.03)

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5. ARAB STATE DEVELOPMENTS

5.1. Fitch Ratings Downgraded Lebanon's Long-term Foreign Currency

On 7 March, the Lebanese government announced that its does not intend to pay the $1.2 billion worth of Eurobonds that matured on 9 March. The official statement emphasized on the country's dwindling foreign reserves and therefore opted to prioritize the funding of basic imports over foreign debt payments amid the current crisis. The Lebanese government also revealed a willingness to negotiate with creditors on a debt restructuring, yet it refrained from dissipating further details on the form of the intended restructuring. The decision prompted an immediate downgrade by Fitch on 9 March. Fitch downgraded Lebanon's Long-term Foreign Currency (LTFC) Issuer Default Rating (IDR) from 'CC' to 'C'. Meanwhile, it maintained its 'CC' grade for the Local-currency IDR when more details are available on a restructuring timeline and whether it will include local currency debt. (Fitch Ratings 09.03)

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5.2. Jordanian Inflation Rises by 1.79% During First Two Months of 2020

Jordan's consumer price index, a measure of inflation, edged up by 1.79% over the first two months of 2020 reaching 101.55, compared to 99.76 during the same period last year. In its monthly report, the Department of Statistics (DOS) said the consumer price index in February picked up by 1.91% reaching 101.52, compared to 99.62 during the same month of 2019. (Petra 15.03)

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5.3. Jordan's Unemployment Reaches 19% During Last Quarter of 2019

During the last quarter of 2019, the unemployment rate hit 19%, an increase of 0.3%, compared to the 4th quarter of 2018. The General Statistics Department (GSD) indicated that in the Kingdom's unemployment rate Q4/19, that the high rate of unemployment for men reached 17.7%, against 24.1% for women. The report also showed a high unemployment rate among university degree holders that reached 22.4%, compared to other educational levels. The results showed that 50.7% of the total unemployed are holders of secondary school certificate or higher, and that 49.3% of the overall jobless had educational qualifications less than the secondary school education.

On the workforce distribution, the report showed a difference according to the educational level and gender, as 59.1% of the total male workforce was below secondary school education, compared to 13% for women, and 68.4% of the total female workforce were bachelor's holders or higher, compared to 24.4%% among males. (Petra 08.03)

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5.4. Iraq's Oil Revenues Increase to $5 Billion

Iraq's oil revenues surpassed $5 billion in February after exporting more than 98 million barrels (mmbbl) of crude oil. Iraqi Oil Minister Jabbar Alluaibi, announced that the country's crude oil exports averaged 3.39 million barrels per day (mmbbl/d). Some 95.805 million barrels were exported from Iraq's central and southern oil fields via Iraq's Basra port, while about 1.765 million from the northern province of Kirkuk via the Turkish port of Ceyhan on the Mediterranean. Additionally, exports from Qayyara Oilfield in the northern province of Nineveh reached 488,825 bbl. Out of the total exports of 98 mmbbl, Jordan received approximately 290,000 bbl. It should be noted that Iraq's crude oil exports represent more than 90% of the country's revenues. (DELFI 03.03)

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►►Arabian Gulf

5.5. UAE & Saudi Arabia Unveil $40 Billion Stimulus Packages to Fight Coronavirus Crisis

Saudi Arabia's central bank unveiled a $13.3 billion package to support private businesses, soon after its counterpart in the United Arab Emirates announced a $27.2 billion program to assist its lenders. Egypt said it will allocate $6.4 billion to combat the coronavirus. The policy makers are acting as many of the economies in the region are at risk of paralysis, with most countries shutting tourist attractions, closing schools and universities, and limiting public events. The UAE also stopped issuing visas and halted flights to Iraq, Lebanon, Syria and Turkey. Compounding the disruptions to trade and tourism from the coronavirus, the crash in oil prices is also crippling the economies in the energy-rich Arabian Gulf.

The UAE's Targeted Economic Support Scheme includes an AED 50 billion aid package for banks in the country through collateralized, zero-interest loans. Banks will also be allowed to free up capital buffers, which will make another AED 50 billion in liquidity available to lenders.

Saudi Arabia's central bank said it is preparing funding to support private businesses, which includes SAR 30 billion available to banks and financing companies in return for deferring small and medium-size businesses' loans. The Saudi Arabian Monetary Authority said the kingdom's banking sector is still seeing "good performance indicators." (Various 15.03)

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5.6. Dubai's Non-Oil Foreign Trade Rises to $380 Billion Despite Headwinds

Dubai's non-oil foreign trade surged 6% last year to AED1.4 trillion ($380 billion) despite the headwinds from a global economic downturn. Exports soared 22% to AED155 billion, re-exports grew by 4% to AED420 billion and imports rose by 3% to AED796 billion. Spurred by plans to achieve a 2025 trade target of AED2 trillion, non-oil external trade last year grew 19% in volume to reach 109 million tons. Dubai's foreign trade out of free zones in 2019 was a major contributor to the overall increase, accounting for AED592 billion, an 11% increase year-on-year. Direct trade saw 2% growth to reach AED770 billion while customs warehouse trade hit AED9 billion.

China remained Dubai's largest trading partner, contributing AED150 billion. India was the second biggest trading partner (AED135 billion), followed by the US (AED77.7 billion) and Switzerland (AED60 billion). Saudi Arabia maintained its position as Dubai's largest Arab trade partner and was the emirate's fifth biggest partner globally, contributing AED56 billion. The highest traded commodity by value in 2019 was gold, jewelry and diamonds which contributed AED370 billion, followed by phones with AED164 billion. (14.03)

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5.7. DIFC's FinTech Hive Triples in Size to Accommodate More Startups

Dubai International Financial Centre's FinTech Hive is tripling in size to accommodate additional start-ups and host more events and workshops. The financial freezone, which launched FinTech Hive in 2017, has developed it into one of the biggest FinTech accelerators in the region. As of September last year, more than 100 FinTech companies were registered at the facility - a three-fold growth in the number of firms since the end of 2018.

Currently, three accelerator programs are conducted from the space within the center. These include an early stage program to support start-ups with seed funding and development support, the FinTech Accelerator program for growth stage start-ups and a 'scale-up' program to enable series A start-ups connect to venture capitalists. It will also house Startupbootcamp, which has already announced plans to accelerate start-ups working in a range of fields impacting financial services innovation such as artificial intelligence, machine learning and distributed ledger technologies during the next three years. (The National 05.03)

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5.8. UAE Launches Initiative to Reduce Prices on 5,000 Consumer Goods

The UAE's Ministry of Economy has revealed a new initiative aimed at reducing the price of 5,000 consumer goods during March. Reduction rates will range between 25 and 60% and discounts will run until the end of March, according to the director of the Competitiveness and Consumer Protection Department at the Ministry of Economy. He also said that preparations will soon start for major discount campaigns before and during the holy month of Ramadan, at rates exceeding previous Ramadan seasons. The UAE's retail market has not witnessed any negative repercussions due to the coronavirus, as the market witnessed an abundance of goods and price stability. Concerning a new law regarding consumer protection, it was indicated that it is currently going through the necessary legislative stages before its issuance. The Supreme Committee for Consumer Protection will hold a meeting to discuss new business initiatives to enhance consumer rights in the e-commerce sector. (AB 07.03)

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5.9. Oman Considers Loans of Over $1 Billion to Help Bridge Budget Gap

Oman, the most vulnerable Gulf country in the oil-price war, plans to raise more than $1 billion in loans in the first half to bridge its budget deficit. The sultanate, which is rated junk by the three major rating companies, is in talks with local and international banks about the borrowing. No decision has been made.

If oil prices remain low the government will focus on asset sales and reserves to fill a widening gap. The sultanate is still addressing the impact of the last oil price crash in 2014 and is set to post its seventh straight budget deficit, according to the International Monetary Fund. With a population of 4 million, the country often serves as a mediator in the region and in recent years refused to follow Saudi policies toward Yemen, Iran and Qatar.

The largest Arab crude producer outside OPEC calculated its 2020 budget with a deficit of $6.5 billion based on an average oil price of $58 per barrel, way above oil's current level of about $35 a barrel. Oman's newly-appointed Sultan Haitham bin Tariq Al Said said last month he plans to lower debt. The country had planned to borrow SAR 2 billion to bridge the bulk of the deficit. (AB 10.03)

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5.10. China Completes 49% Equity Acquisition of Oman Electricity

State Grid Corporation of China (SGCC) has completed the 49% equity acquisition of Oman Electricity Transmission Company OETC together with seller Nama Group on 11 March in Muscat, Oman. As a technical partner, SGCC will make use of its technologies and experience in grid operations management with its local partners in the region to continue improving the operational safety and distribution capacity of the country's electric grid.

Since 2008, SGCC has successively acquired stakes in the Philippines (40%), Portugal (25%), Australia (46.56% of ElectraNet, 60% of SGSPAA and 19.9% of AusNet), Hong Kong SAR (HKEI, 21%), Italy (CDP Reti, 35%), Brazil (CPFL, nearly 85%), Greece (IPTO, 24%) and Oman (OETC, 49%).

Established in 2002, SGCC is a state-owned company that takes the investment, construction and operation of power grids as core business. Committed to re-electrification and energy connectivity, meeting the power demand with clean and green alternatives, SGCC supplies power to over 1.1 billion population in 26 provinces, autonomous regions and municipalities, covering 88% of Chinese national territory. (SGCC 16.03)

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5.11. Saudi Arabia's King Salman Replaces Economy Minister in Cabinet Reshuffle

Saudi Arabia's King Salman has relieved the economy minister in the latest cabinet reshuffle, relieving Mohammed al-Tuwaijri from his position as economy minister and tasked Finance Minister Mohammed al-Jadaan with overseeing the ministry. Tuwaijri was appointed as advisor to the royal court with the rank of minister. The move followed Saudi Arabia's creation of three new ministries, for tourism, sports and investment.

A cabinet reshuffle last month also saw the return of former energy minister Khalid al-Falih to the main political arena as investment minister. Falih was sacked as energy minister in a major shake-up last September and replaced by Prince Abdulaziz bin Salman -- the first member of the royal family ever to take charge of the kingdom's all-important ministry. The latest reshuffles come as Saudi Arabia is reeling from low energy prices and seeks to boost investment and jobs in the key non-oil sectors of tourism, sports and entertainment. The world's top crude exporter is struggling to fund the ambitious Vision 2030 reform program, as the spread of the novel coronavirus outbreak exerts pressure on oil prices. (AB 06.03)

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►►North Africa

5.12. Egypt's Urban Consumer Inflation Falls to 5.3% in February

Egypt's annual urban consumer inflation fell to 5.3% in February from 7.2% in January, the official Central Agency for Public Mobilization and Statistics (CAPMAS) said on 10 March, boosting the chances of an interest rate cut early next month. Month-on-month inflation stood at 0% compared to 0.7% in January, the agency said. Core inflation, which strips out volatile items such as food, fell to 1.9% year-on-year in February from 2.7% in January. The drop in headline inflation was driven by a decline in the price of vegetables and was greater than expected.

Egyptian inflation spiked to as high as 33% in 2017 before gradually falling back. It reached 3.1% in October, its lowest rate since December 2005. The central bank cut interest rates by 350 basis points between August and November 2019. Egypt has been in talks with the IMF about technical assistance on non-financial structural reforms. (CAPMAS 10.03)

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5.13. Sudan's 2019 Article IV Consultation by IMF

The IMF announced that Sudan's regime change has created a window of opportunity for fundamental reforms to address major macro imbalances and lay the groundwork for inclusive growth. After prolonged protests, President Al-Bashir's government was removed and a transitional government was sworn in August 2019 for a 39-month period, to be followed by general elections. Major challenges lie ahead, as the economy is shrinking, fiscal and external imbalances are large, inflation is high, the currency is overvalued and competitiveness is weak. The humanitarian situation is dire with large numbers of internally displaced people and refugees. U.S. sanctions on trade and financial flows were revoked in October 2017, but Sudan remains on the state sponsors of terrorism list (SSTL), which effectively discourages external investment and blocks progress toward both HIPC debt relief and the clearance of large arrears to the IMF. In this context, staff engagement has intensified to render the necessary policy and technical assistance to help the authorities seize this once-in-a-generation opportunity for reforms. There is broad agreement between the authorities and staff about the key reform priorities, but the authorities have yet to put together a fully coherent and viable plan that enjoys broad public support and can plausibly attract adequate donor financing. (IMF 10.03)

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5.14. Morocco to Move Towards More Flexible Exchange Rate for Dirham

Morocco's Ministry of Finance and the central bank, Bank Al-Maghrib, announced the country's readiness to expand the dirham's band of fluctuation to 5%. The ministry said the country entered the next phase of its currency reforms on 9 March. The move is part of Morocco's initiative to gradually expand the dirham reform process. Bank Al-Maghrib launched the process to liberalize the Moroccan exchange rate on 15 January 2018, to improve the currency's flexibility in the face of external market shocks such as the 2008 global recession.

The reforms peg the Moroccan dirham to a currency basket of the Euro and US dollar, weighted 60% to the Euro and 40% to the US dollar. Before the reforms, Morocco's currency operated on a fixed exchange rate. The dirham could only be traded within a range of 0.03% above and below the established exchange rate. Morocco then introduced a floating exchange rate in January of 2018, increasing the rate from 0.03% to 2.5%.

International institutions, including the International Monetary Fund (IMF), encouraged Morocco to introduce a more flexible exchange rate. In July 2019, the IMF advised Morocco to use the current window of opportunity to expand its exchange rate flexibility. The IMF supports Morocco's decision to advance towards the next step of dirham flexibility reforms, saying the reforms consolidate Morocco as a model for achieving inclusive growth in the region. (MWN 08.03)

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5.15. Marrakech-Agadir Railroad Construction on Track to Completion by 2025

The feasibility and pilot studies of extending Morocco's railway line from Marrakech to Agadir are almost completed, with the line's completion scheduled for 2025. The National Railway Office (ONCF) launched the railway feasibility studies years ago, which enabled the office to determine the project's profitability as well as the passenger base of the two cities. ONCF has chosen the optimal route to extend the line to Agadir, which is 260 kilometers away from Marrakech by car. The railroad will pass between mountains. To be in proximity of residents, ONCF will build the Agadir train station on a 20-hectare plot in an urban area.

Marrakech will have a second train station seven kilometers away from the city. The size of the station is not specified. Construction on the railway and stations is set to reach completion in 2025 after acquiring the necessary funding. ONCF's decision to link Marrakech to Agadir by train comes as an implementation of the instructions of King Mohammed VI pronounced in the Green March speech on 6 November 2019. (MWN 11.03)

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6. TURKISH, CYPRIOT & GREEK DEVELOPMENTS

6.1. Turkey Posts February Budget Deficit after Cash Transfer Not Repeated

Turkey's budget swung to a deficit in February from a surplus the previous month after a cash transfer from the central bank was not repeated. The budget had a shortfall of TL7.36 billion $1.15 billion) last month, the Treasury and Finance Ministry announced. But the gap was narrower than the TL 16.8 billion posted for February 2019, when the government took emergency spending measures and cut taxes to lift the economy out of a currency crisis the previous year.

Turkey had reported a budget surplus of TL 21.5 billion in January, more than four times the year-earlier figure of TL 5.09 billion, after the government earned TL 54.8 billion in "other revenue", which included the transfer from the central bank's 2019 profits. Spending rose by an annual 12% to TL 93.5 billion, as expenditure, excluding interest payments on debt, grew by 15%. Revenue increased by 29% to TL 86.1 billion, as corporate taxes jumped. (Ahval 16.03)

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6.2. Cyprus' Trade Deficit Widened in 2019 as Exports Fell

Cyprus' trade deficit widened to €5.09 billion in 2019, from €4.89 billion in the year before, due to a significant drop of €1.2 billion in exports. However, exports picked up marginally in the last month of the year, with re-exports more than doubled. The data suggest that there was a drop in both sales and purchases of mobile transport equipment for ships throughout the year.

Cystat said that total imports (covering total imports from third countries and from EU member states) in January-December 2019 dropped to €8.23 billion as compared to €9.20 billion in 2018. Total exports (covering total exports to third countries and to EU member states) were lower at €3.14 billion compared to €4.30 billion in January-December 2018. The trade deficit thus widened to €5.08 billion in 2019 from €4.89 billion in the same period of 2018.

According to Cystat, total imports in 2019 included the transfer of economic ownership of mobile transport equipment (vessels), with a total value of €1.09 billion from €1.87 billion in January-December 2018. Total exports in 2019 included the transfer of economic ownership of mobile transport equipment (vessels), with a total value of €995.2 million as compared to €1.45 billion in 2018. In December alone, total imports (covering imports from third countries and from EU member states) fell to €691.6 million, compared to €858.4 million in December 2018.

Total exports (covering total exports to third countries and to EU member states), including stores and provisions, rose to €253.7 million as compared to €167,5 million in December 2018. Exports of domestically produced goods, including stores and provisions in December 2019 were marginally up at €93.1 million as compared to €92.2million in 2018, while exports of foreign goods, including stores and provisions, more than doubled to €160.6 million from €75.3 million in December 2018. Total domestic exports of industrial products in December were flat at €83.8 million compared to €84.6 million in December 2018, and total domestic exports of agricultural products rose to €6.9 million from €5.1 million. (FM 11.03)

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6.3. Greece's Net Budget Revenues Miss Target by 5.9%

Greece's state budget has shown the first signs of derailment this year, as net revenues lagged their target in January-February by €476 million, or 5.9%, also partly due to the reduced revenues of the Public Investments Program. This development resulted in the primary surplus amounting to €823 million, against a budget target for €929 million. However, the Finance Ministry's attention is now focused on the performance of March, with the measures to suspend the operation of enterprises as well as tax and social security contribution payments. According to the figures published by the State General Accounting Office, the net revenues of the state budget came to €7.55 billion in the year to end-February. The Public Investments Program's revenues reached just €430 million, lagging their target by €343 million. (eKathimerini 16.03)

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7. GENERAL NEWS AND INTEREST

***ISRAEL:**

7.1. Israel's 23rd Knesset to See Record Number of Women & Arab Lawmakers

As a result of the 2 March elections, some 30 women lawmakers will soon take their seats in the Knesset, an increase over the previous Knesset, which had 28 female MKs. Women will thus make up 25% of the House, which numbers 120 seats. The elections in 2015 and in April 2019 saw 29 women elected to parliament but so far, it is the 20th Knesset that holds the record for female representation, with 35 women lawmakers. The 23rd Knesset also stands to see an increase in the number of Israeli Arab MKs, as the Joint Arab List, a faction comprising the Balad, Ra'am-Ta'al and Hadash parties, has increased its power from 13 to 15 seats.

Assuming no major changes take place in the distribution of mandates after Central Election Committee concluded its vote count, the 23rd Knesset will comprise 100 native Israeli lawmakers and 20 immigrants who came to Israel from Europe (11), Africa (8) and Asia (1). The 23rd Knesset will include only three new MKs, two from the Joint Arab List and one from Shas, the Sephardic ultra-Orthodox party. The 23rd Knesset is to be sworn in at a festive ceremony on 16 March. (IH 05.03)

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7.2. Pres. Rivlin Tasks Gantz with First Attempt to Form Government

Israel's President Reuven Rivlin has empowered Blue & White party leader Benny Gantz with the first attempt to form a government. President Rivlin said at the conclusion of the consultations he held with the parties, 61 members of Knesset expressed their wish that the task of forming a government should be given to MK Gantz. It is believed that the president will try to pressure Gantz and Netanyahu to form a national emergency government or a national unity government. The law stipulates a 28 day period for its formation. (Globes 16.03)

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***REGIONAL:**

7.3. UAE Tells All Students They Must Enroll in UAE National Service

The General Command of the UAE Armed Forces on 4 March announced that all high school students who graduate in the 2019-2020 academic year must enroll in the National Service Programme regardless of their grades. Students with grades of 90% or higher wishing to go to the university must attend a four-month basic training course and undertake the Emirates Standardised Test before the end of their course, in coordination with the Ministry of Education. Previously, students who achieved 90% of higher could delay service until the completion of their university studies.

Only those who pass this stage will be allowed to begin the university immediately after graduating from the basic training course. Students must then complete the remainder of a prescribed period of specialist training, active service and annual resuscitation training upon the completion of their university studies. Students who obtained a grade of 90% or higher but are not able to achieve the required EmSAT results must complete all stages of the program throughout the period prescribed by law, which is 16 months.

The General Command said that this announcement follows implementation of a federal decree which amended certain provisions of the federal law on national and reserve service in the UAE. The General Command invited students to visit the recruitment centers around the country to complete their registration and medical examination. (Various 04.03)

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7.4. Over 15,000 Women Murdered in Turkey Since Start of AKP Rule

Violence against women has seen a dramatic increase under Turkey's ruling Justice and Development Party (AKP), with over 15,557 women murdered in the country since the Islamist party came to power in 2002, Birgün newspaper reported. A total of 66 women were murdered in the country in 2002 with the figure increasing to at least 474 in 2019, it said citing a report prepared by main opposition Republican People's Party (CHP) on the occasion of 8 March, International Women's Day. At least 49 women were killed in the first two months of 2020, according to the report.

Most women who are murdered in Turkey in 2019 were killed in safe spaces by people they knew, while harassment of women took place in public places by people unknown to them, the CHP lawmaker's report also found. The number of women in Turkey who have been the victim of violence has surged by 50%, from 145,000 in 2015 to nearly 220,000 in 2018, according to Interior Ministry data. Nearly 40% of Turkish women face physical or sexual violence from a partner, according to the United Nations. (Ahval 08.03)

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8. ISRAEL LIFE SCIENCE NEWS

8.1. Ayala Pharmaceuticals Granted U.S. FDA Fast Track Designation for AL101 Treatment

Ayala Pharmaceuticals announced that the U.S. FDA has granted Fast Track designation to AL101 for the treatment of recurrent or metastatic adenoid cystic carcinoma (ACC). AL101, Ayala's lead product candidate, is a potent, selective, injectable small molecule gamma secretase inhibitor (GSI) and was granted Orphan Drug Designation in May 2019 for the treatment of ACC.

AL101 is an investigational small molecule GSI that is designed to potently and selectively inhibit Notch 1, 2, 3 and 4, and is currently being evaluated in the Phase 2 ACCURACY trial in patients with adenoid cystic carcinoma (ACC). AL101 is designed to inhibit the expression of Notch gene targets by blocking the final cleavage step by the gamma secretase required for Notch activation. Ayala obtained an exclusive, worldwide license to develop and commercialize AL101 from Bristol-Myers Squibb Company in November 2017.

Rehovot's Ayala Pharmaceuticals is a clinical-stage oncology company focused on developing and commercializing small molecule therapeutics through a combination of its bioinformatics platform and next-generation sequencing for patients suffering from rare and aggressive cancers. Ayala is developing AL101 and AL102, two investigational gamma-secretase inhibitors targeting the aberrant activation of the Notch pathway in a broad array of hematologic and solid tumor cancers including, ACC, TNBC, desmoid tumors and T-ALL. (Ayala Pharmaceuticals 03.03)

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8.2. INSIGHTEC Receives Investments Led by Koch Disruptive Technologies

INSIGHTEC announced the signing of definitive agreements for a Series F investment round of up to $150 million at a post-money valuation of $1.3 billion. Koch Disruptive Technologies (KDT), a subsidiary of Koch Industries, focused on finding and funding innovative and emerging companies, is leading the round and has committed to invest $100 million at an initial closing to follow shareholder approval. This is KDT's second direct investment in INSIGHTEC.

INSIGHTEC's Exablate Neuro incisionless neurosurgery platform is the first MR-guided focused ultrasound device approved by the FDA to treat certain movement disorders in patients suffering from essential tremor and tremor-dominant Parkinson's disease who have not responded to medications. The financing will support continued research to evaluate focused ultrasound to treat these and other disorders.

Haifa's INSIGHTEC is a global medical technology innovator transforming patient lives through incisionless brain surgery using focused ultrasound guided by MR imaging. The company's award-winning Exablate Neuro device is FDA-approved to treat medication-refractory essential tremor and tremor-dominant Parkinson's disease. Research for future applications in the neuroscience space is underway in partnership with leading academic and medical institutions. (INSIGHTEC 06.03)

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8.3. Canndoc and Super-Pharm Sign Long-Term Partnership Agreement

InterCure announced that its wholly owned subsidiary, Canndoc, has entered into a strategic partnership agreement with Super-Pharm, Israel's leading and largest drugstore chain. Under the terms of the agreement, Super-Pharm commits to acquire 10 tons of Canndoc's GMP medical cannabis products during a 3-year period. Canndoc's products will be securely transferred from its manufacturing facilities array to Super-Pharm's distribution center, who will be responsible for the distribution to its 41 medical cannabis authorized pharmacies.

As part of the partnership, Canndoc will provide Super-Pharm and its pharmacists with professional and clinical expertise gained throughout its 12 years of development and treatment thousands of patients with medical cannabis. Canndoc will begin supplying its products to Super-Pharm immediately.

Herzliya's InterCure is the first public company on the Tel Aviv Stock Exchange to hold a valid and permanent license for the medical cannabis value chain through its 100% ownership in Canndoc. Canndoc is a GMP medical cannabis producer. Licensed by the Israeli Ministry of Health since 2008, Canndoc is a leading pioneer in the research, cultivation, production and distribution of pharma-grade cannabis-based products to patients, hospitals, pharmacies, research and governmental organizations. Canndoc's clinical trials pipeline includes 9 advanced clinical trials in collaboration with leading researchers and hospitals, approved by the IMCA and the Ministry of Health - including an ongoing Phase 3 clinical trial for the treatment of children with autism spectrum disorder. (InterCure 05.03)

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8.4. V-Wave Receives CE Mark for the Ventura Interatrial Shunt System

V-Wave announced that its Ventura Interatrial Shunt System received CE Mark and is now approved to be marketed for use in the European Union. The Ventura Interatrial Shunt is being evaluated in a global, randomized, controlled, double-blinded, 500 patient U.S. Food and Drug Administration (FDA) IDE pivotal trial called RELIEVE-HF, which is designed to demonstrate safety and effectiveness of shunt therapy in reducing HF morbidity and mortality and improving functional status. The study is enrolling advanced HF patients with preserved or reduced left ventricular ejection fraction who remain symptomatic despite the use of guideline-directed medical and device therapies. Approximately 100 of the top hospitals in North America, Europe and Israel may be participating.

Caesarea's V-Wave is a privately held medical device company. In addition to developing interatrial shunt device technologies for the treatment of heart failure, V-Wave is exploring the use of such technologies for the treatment of Pulmonary Arterial Hypertension in an FDA IDE Early Feasibility Study. (V-Wave 05.03)

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8.5. FierceMedTech Names XACT Robotics as One of its "Fierce 15" Companies of 2019

XACT Robotics has been named by FierceMedTech as one of 2019's class of Fierce 15, designating it as one of the most promising private medtech companies in the industry. XACT Robotics is committed to advancing the field of radiology, while aiming to democratize percutaneous interventional procedures. XACT Robotics' technology is the first hands-free robotic system, combining image-based planning and navigation with insertion and steering of various instruments to a desired target across an array of clinical applications and indications. The technology is cleared to market in the U.S. for use during computed tomography (CT) guided percutaneous interventional procedures and has also received CE Mark clearance in the EU.

The Fierce 15 celebrates the spirit of being "fierce" - championing innovation and creativity, even in the face of intense competition. This is FierceMedTech's 8th annual Fierce 15 selection. An internationally recognized daily report reaching a network of over 90,000 medtech industry professionals, FierceMedTech provides subscribers with an authoritative analysis of the day's top stories.

Founded in 2013, XACT Robotics is a privately held company with offices in Hingham, MA and Caesarea, Israel. XACT Robotics is pioneering the first hands-free robotic system, combining image-based planning and navigation with instrument insertion and steering capabilities to democratize percutaneous interventional procedure. (XACT Robotics 09.03)

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8.6. New Israeli Patent Granted for Enlivex's Allocetra Immunotherapy Treatment

Enlivex Therapeutics announced that the Israel Patent Office granted a new patent covering ALLOCETRA, the company's immunotherapy candidate. This new patent adds intellectual property protection, including methods, uses and pharmaceutical compositions in Israel. ALLOCETRA is an experimental therapy being investigated for treatment of organ dysfunction and prevention of mortality associated with sepsis, and may potentially be an effective treatment to restore organ function and prevent mortality of coronavirus (COVID-19) patients that are admitted to the ICU.

Nes 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 09.03)

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8.7. RedHill Biopharma Announces U.S. Commercial Launch of Talicia for H. pylori Infection

RedHill Biopharma announced the U.S. commercial launch of Talicia (omeprazole magnesium, amoxicillin and rifabutin) delayed-release capsules 10 mg2/250 mg/12.5 mg for the treatment of Helicobacter pylori (H. pylori) infection in adults. RedHill's expanded U.S. sales force will promote Talicia nationwide to approximately 25,000 gastroenterologists, primary care physicians and other healthcare providers.

Talicia is the only rifabutin-based therapy approved for the treatment of H. pylori infection and is designed to address the high and growing resistance of H. pylori bacteria to clarithromycin-based standard-of-care therapies. The high rates of H. pylori resistance to clarithromycin have led to significant rates of treatment failure with clarithromycin-based standard-of-care therapy. No resistance to rifabutin, a key component of Talicia, was detected in RedHill's pivotal Phase 3 study.

Talicia is eligible for a total of eight years of U.S. market exclusivity under its Qualified Infectious Disease Product (QIDP) designation and is also covered by U.S. patents which extend patent protection until 2034 with additional patents and applications pending and granted in various territories worldwide.

Tel Aviv's RedHill Biopharma is a biopharmaceutical company primarily focused on the commercialization and development of proprietary drugs for the treatment of gastrointestinal diseases. RedHill promotes the gastrointestinal drugs Talicia for the treatment of Helicobacter pylori (H. pylori) infection in adults and Aemcolo for the treatment of travelers' diarrhea12. RedHill acquired rights to Movantik for opioid-induced constipation13, the acquisition remains subject to certain customary closing conditions and regulatory clearances. (RedHill Biopharma 09.03)

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8.8. Biosight Raises $19 Million to Support Clinical Stage Oncology Programs

Biosight announced the raising of a $19 million Series C financing. The investment is led by Israel Biotech Fund (IBF) with participation by SBI JI Innovation Fund, Arkin Bio Ventures and additional new and existing investors. The new capital will advance the clinical development of Biosight's lead asset BST-236 (aspacytarabine), currently being investigated in a Phase 2b study as a single-agent, first-line treatment of acute myeloid leukemia (AML).

BST-236 (aspacytarabine) is a novel proprietary anti-metabolite. It is composed of cytarabine covalently bound to asparagine, acting as a pro-drug of cytarabine. Cytarabine serves as the backbone of AML therapy for over 40 years due to its superior efficacy, however, it is associated with severe bone marrow, gastrointestinal, and neurological toxicities, which significantly limit its use, especially in older and medically compromised patients. Due to its unique kinetics and metabolism, BST-236 is designed to enable high-dose therapy with lower systemic exposure to free cytarabine and relative sparing of normal tissues. As such, BST-236 may serve as a superior therapy for AML and other hematological malignancies and disorders, including for older adults who are unfit for intensive therapy. BST-236 was granted Orphan Drug Designation from the FDA, which entitles Biosight to seven years of market exclusivity upon BST-236 marketing approval for the treatment of AML.

Airport City's Biosight is a private clinical-stage biotech company, developing innovative therapeutics for hematological malignancies and disorders, including acute myeloid leukemia (AML) and myelodysplastic syndrome (MDS). (BioSight 11.03)

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8.9. Can-Fite Demonstrates Inhibition of Fat Cell Expansion by Cannabis Derived CBD

Can-Fite BioPharma announced new pre-clinical data demonstrating that cannabis derived CBD enriched fractions, supplied by Univo Pharmaceuticals, inhibit the expansion of human fat cells (pre-adipocytes) by 60%, a result that points towards the potential anti-obesity effect of this agent. Although it is already documented that cannabis derived compounds possess anti-obesity effect, the novel data presented by the Company demonstrates the anti-obesity effect at low nano-molar concentrations. Low CBD concentrations are known to be safe and well accepted in humans.

Can-Fite experience in this field is based on the development of its NASH drug Namodenoson which recently completed enrollment in its Phase II study. The end points of this study include serum ALT levels, percentage change in liver fat, as measured by PDFF (proton density fat fraction), weight loss and additional serum parameters. Data are expected before the end of this quarter. The Company expects to release data from its Phase II NAFLD/NASH study of Namodenoson during Q1/20.

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. The Company's lead drug candidate, Piclidenoson, is currently in Phase III trials for rheumatoid arthritis and psoriasis. 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 11.03)

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8.10. Arkin Holdings Raises $140 Million in New Partnership - Arkin Bio-Ventures II

Arkin Holdings announced a new partnership, Arkin Bio-Ventures II, to be funded with $140 million in capital commitments, from Arkin Holdings as well as an investor group including Migdal and Phoenix Group. The fund plans to invest in 10 to 12 private companies developing groundbreaking therapies such as gene therapy, RNA/DNA-based therapy, and targeted therapies for indications with high unmet medical needs.

Herzliya Pituah's Arkin Holdings is the largest and leading Israel-based life sciences investor. Arkin Holdings has successfully made strategic investments in a number of private pharma and biotech companies, including public companies Solgel and Urogen and more than 10 private companies including: cCAM Biotherapeutics, Keros Therapeutics, Censa Pharmaceuticals and Oncorus. (Arkin Holdings 09.03)

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8.11. Biobeat Monitoring Platform Provides Solution in Caring for Coronavirus Patients

Israeli hospitals all over the country are now prepared with designated isolation units for Coronavirus patients. Biobeat, an Israeli company that developed a novel medical grade sensor for continuous monitoring of vital signs, has already installed their monitoring platform in 11 hospitals across the country, and will continue installing in several more over the coming week. Biobeat is also working closely with several authorities in the country to implement monitoring of home hospitalized patients, being the first company to provide a comprehensive and advanced tracking solution of their medical condition and deterioration as needed from afar.

The Biobeat platform allows continuous monitoring using a wireless, medical grade, non-invasive optical sensor. It measures 16 different vital signs including cuffless blood pressure, heart rate, blood oxygen saturation, respiratory rate, stroke volume, cardiac output, systemic vascular resistance and temperature – all in one small wearable device. The data is automatically transmitted in real time to the cloud and can be accessed from anywhere by the medical staff, providing relevant alerts when a change is detected. This dramatically reduces the direct contact between patients and health care providers, decreasing the risk for secondary exposure of the medical teams.

Petah Tikva's Biobeat is at the forefront of the medical response and efforts in combating this global pandemic. Their team is excited to see that this groundbreaking technology, used for routine monitoring of hospitalized and home-based patients, has a high impact on the way this situation is managed. (Biobeat 11.03)

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8.12. Cannabics Pharmaceuticals Study Finds Positive Anti-Tumor Effects

Cannabics Pharmaceuticals announced that it has completed a scan of selected RCKMC's cannabis strains. Results obtained have shown that two specific strains have demonstrated higher anti-tumor activity. The strains were examined at the company's High Throughput Screening (HTS) facility located in Israel, in which their anti-tumor properties were examined on a wide range of cancers. Analysis of the scans revealed specific cultivars which have a more significant necrotic effect on Gastric Adenocarcinoma cells. The results will be used to further breed the selected cultivars for specific cancers, focusing on Gastric cancers. The cultivars to be developed will be the source for active pharmaceutical ingredients (API's) for future clinical studies.

Ashkelon's RCK breeds tailor-made medical strains and repeatable & stable cannabis hybrid-seeds, being the first company to operate a methodological marker-assisted-breeding of cannabis, having cutting-edge proprietary technologies and led by professional team, RCKMC opens the gate to a new era of cannabis agriculture.

Cannabics Pharmaceuticals is a U.S public company that is developing a platform that leverages novel drug-screening tools to create cannabinoid-based therapies for cancer that are more precise to a patient's profile. By developing tools to assess effectiveness on a personalized basis, Cannabics is helping to move cannabinoids into the future of cancer therapy. The company's R&D is based in Israel, where it is licensed by the Ministry of Health to conduct scientific and clinical research on cannabinoid formulations and cancer. (Cannabics Pharmaceuticals 11.03)

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8.13. Lumenis Introduces Stellar M22, an Advanced, Intelligent Skincare Innovation

Lumenis launched its newest, innovative platform, the Stellar M22. This versatile multi-application platform builds on the heritage of the iconic M22 and is set to lead the category. This system offers everything users need in one platform, while making both the physician and patient experience more seamless and successful than ever before. This launch continues Lumenis' mission to improve the standard of care in the ever-growing, multi-billion-dollar energy-based skincare market. The Stellar M22 is built and based upon the gold standard of Lumenis' original M22, and continues to carry out all treatment capabilities (i.e. treatment of vascular lesions, skin texture, tone, and hair removal) but with upgrades that make for a further amplified experience.

The latest leaps of the sixth generation IPL, Stellar M22 include a dramatically improved user interface with a larger screen that enables a faster treatment time and more comfortable viewing from a distance. In addition, the Stellar M22 provides a new ergonomic IPL hand piece design and longer SapphireCool Lightguides for better visibility of the treatment area. The new Stellar M22 is now available in the USA and Europe.

Yokneam's Lumenis is a global leader in the field of minimally-invasive clinical solutions for the Surgical, Ophthalmology and Aesthetic markets, and is a world-renowned expert in developing and commercializing innovative energy-based technologies, including Laser, Intense Pulsed Light (IPL) and Radio-Frequency (RF). For 50 years, Lumenis' ground-breaking products have redefined medical treatments and have set numerous technological and clinical gold-standards. Lumenis has successfully created solutions for previously untreatable conditions, as well as designed advanced technologies that have revolutionized existing treatment methods. (Lumenis 09.03)

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8.14. Cannibble Food-Tech Opens Second Crowdfunding Round in Israel

Kfar Saba's Cannibble announced the opening of the second crowdfunding round in Israel by Pipelbiz platform. Cannibble's first successful crowdfunding round ended last March 2019, was to become the first company in Israel to raise from a crowdfunding platform more than $1 Million and to cross the 1,000 investors mark. This crowdfunding round is targeting a raise of NIS 4 Million. The first round offered the company's shares for a price of NIS 6.875 NIS ($1.90) per share. This presents a value raise of 36% for the first round investors.

Cannibble received the funds from the first round in April 2019 and until February 2020, Cannibble completed in just 6 months its first qualified production line in Miami, which manufactures 'The Pelicann' CBD and Hemp seeds products. Currently Cannibble has 32 products in stock and on the shelves out of 100 in its 'The Pelicann' portfolio. Cannibble has also invested and completed in this short time its branding, trademarks and packaging according to all food regulations. (Cannibble Food-Tech 09.03)

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8.15. Compugen Announces Updated Clinical Data from Ongoing COM701 Phase 1 Study

Compugen reported updated data from its ongoing Phase 1 dose escalation study of COM701 in patients with advanced solid tumors who have exhausted all available standard therapies. COM701 is a first-in-class investigational therapeutic antibody targeting PVRIG, a novel immune checkpoint discovered computationally by Compugen and part of the DNAM axis, which also includes the TIGIT inhibitory pathway.

COM701 was well-tolerated and with no reported dose-limiting toxicities in both treatment arms. With encouraging signals of preliminary antitumor activity in two patients with confirmed partial responses. A confirmed partial response in a patient from the COM701 monotherapy dose escalation arm with microsatellite stable primary peritoneal cancer, a type of challenging-to-treat ovarian cancer that was selected as a tumor type for the COM701 monotherapy expansion study based on their preclinical biomarker prediction of likely response to treatment with COM701, confirmed a partial response from the dose escalation arm of COM701 in combination with nivolumab with microsatellite stable colorectal cancer (MSS-CRC); the patient is continuing on study treatment (more than 36 weeks).

Holon's Compugen is a clinical-stage therapeutic discovery and development company utilizing its broadly applicable, predictive computational discovery platforms to identify novel drug targets and develop therapeutics in the field of cancer immunotherapy. The Company's lead product candidate, COM701, a first-in-class anti-PVRIG antibody, for the treatment of solid tumors, is undergoing a Phase 1 clinical study. In addition, COM902, Compugen's antibody targeting TIGIT, is expected to enter the clinic in early 2020. (Compugen 09.03)

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8.16. Can-Fite & Temple University Explore Anti-Coronavirus Effects of Piclidenoson

Can-Fite BioPharma is entering into a collaborative research agreement with the Lewis Katz School of Medicine at Temple University, Philadelphia, Pennsylvania. The agreement will support research aimed to explore anti-viral activity of Piclidenoson on Coronaviruses viral load in a mammalian cell model system as a first step.

In some patients, coronaviruses create uncontrolled immune response and rheumatoid arthritis drugs may be used for treatment. Recently, China has approved the use of Roche’s Actemra, approved by U.S. FDA to treat rheumatoid arthritis, to treat coronavirus patients with serious lung damage. Moreover, Gilead is conducting a clinical study in China combining its rheumatoid arthritis drug chloroquine with its anti-viral candidate in the treatment of coronavirus. Can Fite’s drug Piclidenoson is currently in Phase III study for the treatment of patients with rheumatoid arthritis and on top of it has been shown to possess anti-viral effects against 2 single stranded RNA viruses HIV and HCC. The Coronaviruses are also single stranded RNA viruses.

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. The Company's lead drug candidate, Piclidenoson, is currently in a Phase III trials for rheumatoid arthritis and psoriasis. (Can-Fite 13.03)

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8.17. Beyond Air Submits IDE to the FDA for the Treatment of COVID-19 Patients

Beyond Air announced the submission of an Investigational Device Exemption (IDE) to the U.S. FDA for use of its LungFit BRO system in the treatment of COVID-19 patients. Typically, the FDA responds within 30 days of an IDE submission.

The LungFit BRO system weighs 20 lbs. and is easy to transport. All that is required to power the unit is an electrical outlet. The system is designed to handle up to 240 volts. Since Nitric Oxide (NO) is generated from ambient air, there is an unlimited supply. For patients who may need supplemental oxygen, the system is designed to accommodate this with a port in the rear of the device. Nitrogen dioxide (NO2) filters are needed for the system to generate and deliver NO for safety reasons. Toxic levels of NO2 can be a consequence of high concentration NO without proper filtration. The filters also program the system. This provides flexibility for NO administration. The Company is confident that patients can easily be trained to self-administer or if multiple patients are treated in the same facility, one respiratory therapist (RT) can manage at least 10 systems at the same time and each system could treat 4 patients per day. Each patient would receive 4 administrations of NO per day each lasting 40 minutes separated by 4 hours. Alarms monitor system performance. Filters are single-use and there are no special requirements for disposal. Each patient would use their own breathing circuit to avoid contamination.

Rehovot's Beyond Air is a clinical-stage medical device and biopharmaceutical company developing a revolutionary NO Generator and Delivery System, LungFit that uses NO generated from ambient air to deliver precise amounts of NO to the lungs for the potential treatment of a variety of pulmonary diseases. The LungFit can generate up to 400 ppm of NO for delivery either continuously or for a fixed amount of time and has the ability to either titrate dose on demand or maintain a constant dose. The Company is currently applying its therapeutic expertise to develop treatments for pulmonary hypertension in various settings, in addition to treatments for lower respiratory tract infections that are not effectively addressed with current standards of care. Beyond Air is currently advancing its revolutionary LungFit in clinical trials for the treatment of bronchiolitis and severe lung infections such as nontuberculous mycobacteria (NTM). Additionally, Beyond Air is using ultra-high concentrations of NO with a proprietary delivery system to target certain solid tumors in the pre-clinical setting. (Beyond Air 16.03)

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8.18. RSIP Vision Breakthrough for 3D Reconstruction of Knees from X-ray Images

RSIP Vision announced a new innovative AI-based solution for 3D Reconstruction of Knees from X-ray Images. This technology provides physicians with a rich 3D modelling of each bone, which could provide critical data for surgery planning and implants fitting, improving physicians' workflow and reducing the need for high-cost and high-radiation currently used methods. Physicians will receive a precise 3D anatomical model of the patient knee, enabling optimal pre-op planning and precise implant tailoring.

The model is based on convolutional neural networks, a recent technique which have been proven to be very effective for various types of tasks. In particular, deep neural networks-based models outperform all previous approaches for image segmentation. However, 3D reconstruction from 2D images is still challenging for neural networks, due to the difficulty of representing a dimensional enlargement with standard differentiable layers. Reconstruction of bone surfaces in particular is extremely challenging, due to the transparent nature of the X-ray images. RSIP Vision addresses these challenges by introducing a special dimensional enlargement layer.

The results show that this new technology is very effective for reconstructing 3D models of knee bones from two standard bi-planar X-ray views. The deep neural network model, together with synthetic data creation and effective training process, proves to be a powerful technique to create a rich 3D modelling of each bone with low-cost, widely available and low-radiation imaging modality.

Jerusalem's RSIP Vision is a global leader in artificial intelligence and computer vision technology. The company draws on a depth of knowledge and experience to provide customized development services, of sophisticated algorithms and deep learning technology, to the Healthcare companies. RSIP Vision develops practical AI modules that ensure precision, reduce time to market, cut costs, and free the core R&D team staff for other endeavors, saving significant time and money and giving businesses a real edge over the competition. RSIP Vision 16.03)

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8.19. Protalix Raises $43.7 Million in Financing to Advance Fabry Disease Programs

Protalix BioTherapeutics has successfully secured securities purchase agreements to raise $43.7 million through a private equity investment (PIPE) in the Company. Participating in the financing were a number of leading Israeli and U.S. based investors including Psagot Investment House, More Investment House, Highbridge Capital, UBS O'Connor, Rosalind Capital and Alrov Properties, among others. Rosario Capital and Houlihan Lokey served as financial advisors in the private placement. Net proceeds from the financing will be used to advance the Company's clinical programs and commercialization of PRX-102 for the treatment of Fabry disease, as well as to further develop its early stage pipeline of therapeutics, and for general corporate purposes.

Carmiel's Protalix is a biopharmaceutical company focused on the development and commercialization of recombinant therapeutic proteins expressed through its proprietary plant cell-based expression system, ProCellEx. Protalix was the first company to gain U.S. FDA approval of a protein produced through plant cell-based in suspension expression system. Protalix's unique expression system represents a new method for developing recombinant proteins in an industrial-scale manner. (Protalix BioTherapeutics 12.03)

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9. ISRAEL PRODUCT & TECHNOLOGY NEWS

9.1. Tower's SiGe Technology Adopted by Renesas for its Market Leading SATCOM RFICs

Tower Semiconductor announced that their SiGe BiCMOS platform was selected for the development and production of Renesas Electronics’ market-leading beamforming and amplifier RFICs for phased array antenna applications.

By leveraging Tower Semiconductor’s high-performance SiGe BiCMOS technology, Japan's Renesas is able to achieve unprecedented levels of integration. For example, the Renesas 8-ch transmit IC has a footprint of only two square millimeters per transmit channel and consumes less than 100 mW, while delivering 10 dBm of output power. Several design parameters had to be pushed to their limits to achieve these results and required a close collaboration between the companies to ensure the accuracy of design models and first-pass success. During early development, the Renesas design team also took advantage of the flexibility and customization of the Tower Semiconductor process offerings to identify the optimal compromise between cost and performance.

Migdal HaEmek's Tower Semiconductor, the leading foundry of high value analog semiconductor solutions, provides technology and manufacturing platforms for integrated circuits (ICs) in growing markets such as consumer, industrial, automotive, mobile, infrastructure, medical and aerospace and defense. Tower Semiconductor’s focuses on creating positive and sustainable impact on the world through long term partnerships and its advanced and innovative analog technology offering, comprised of a broad range of customizable process platforms such as SiGe, BiCMOS, mixed-signal/CMOS, RF CMOS, CMOS image sensor, non-imaging sensors, integrated power management and MEMS. (Tower Semiconductor 04.03)

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9.2. Votiro Receives Industry Recognition for Content Disarm and Reconstruction Technology

Votiro announced their receipt of two awards, attesting to the company's proven ability to proactively defend against file-borne malware. Votiro was named Best CDR Provider by the 2020 Cybersecurity Excellence Awards, and also received the 2020 bronze award for Hot Security Technology of the Year by the industry's leading information security research and advisory guide, Info Security Product Guide's (ISPG) Global Excellence Awards. Companies rely on the ability to share electronic files when communicating with their employees, customers and vendors. Yet today, nearly 90% of cyber-attacks are carried into companies through the inadvertent receipt of malicious files. Votiro's proprietary, next-generation CDR technology disassembles a document, and then reconstructs a perfect replica of that document—leaving out viruses and malware in a fraction of a second.

Votiro holds more patents, 16 for CDR technology, and more customers than any competitors in the category. To date, the company has over 400 customers and 1.5 million users worldwide, many of them government agencies in Japan and Singapore that have mandated the use of Votiro Disarmer. Disarmer acts as a secure file gateway for email attachments, download and transfer files, shared content and removable media, while keeping performance and functionality intact. The technology can handle complex file structures, such as embedded macros - one of the most common exploitables - as well as .zip and password protected files.

Tel Aviv's Votiro is an award-winning cybersecurity company with a mission of securing organizations throughout their digital transformation journey. Its proprietary next-generation CDR technology allows users to safely open email attachments, download and transfer files, share content, and use removable media, while keeping performance and functionality intact. (Votiro 05.03).

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9.3. SolidRun Announces Low Power COM Express Module to Simplify SDN Development

SolidRun introduced the first platform based on Marvell's OCTEON TX2 CN9132 SoC, including the CEx7 CN9132 COM Express type 7 module and ClearFog CX CN9K evaluation carrier board. The new platform offers a high performance, energy efficient and flexible solution designed for demanding network and security applications and is a latest addition to SolidRun's family of Arm®-based COM Express type 7 modules. With full virtualization capabilities, range of connectivity options and high-end networking, the CEx7 CN9132 module is well-positioned to support SDN and NFV solutions, including virtualized security, SDWAN, SDN switch control plane, mini edge server and more. CEx7 CN9132 offers a highly optimized performance-power-price ratio in comparison with competing x86 based COM Express modules on the market.

CEx7 CN9132 is a feature-rich network-centric module, based on the Marvell OCTEON TX2 infrastructure processor family with an Arm Cortex-A72 quad core 2.2GHz processor. It features powerful networking connectivity including high throughput network, storage and security accelerators, 7x PCIe ports, 3x 10GbE ports, 2x USB 3.0, 2x SATA 3.0 and more. It supports mainline Linux, UBoot, Linux Kernel, UEFI and offers full network virtualization.

Yokneam Illit's SolidRun is a global leading developer of embedded systems and network solutions, focused on a wide range of energy-efficient, powerful and flexible products. Their innovative compact embedded solutions are based on ARM and x86 architecture and offer a variety of platforms including SOMs (System-on-Module), Single Board Computers, industrial switch routers, cutting-edge AI inference devices, and state-of-the-art edge computing platforms. (SolidRun 04.03)

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9.4. Infinidat Extends Ecosystem with InfiniBox Active-Active Support

Infinidat announced support for VMware vSphere Metro Storage Cluster (vMSC) with Infinidat InfiniBox Active-Active Replication, providing 100% application and data availability for virtualized environments. VMware vMSC allows a single cluster of physical host resources to operate across geographically separate data centers. Deploying vMSC with InfiniBox Active-Active replication enables high availability of applications and data across geographically distinct storage environments.

InfiniBox Active-Active replication achieves zero RPO and zero RTO – enabling mission-critical business services to keep operating even through a complete site failure. InfiniBox Active-Active replication is not only faster from a latency perspective than other vendors that offer true active-active synchronous replication capability – it also provides highly predictable performance for mission-critical workloads. For applications that are essential to businesses, predictable performance is almost as critical as high availability – and Infinidat is able to provide both.

Founded in 2011, Herzliya Pituah's Infinidat helps customers empower data-driven competitive advantage. Infinidat's software-focused architecture, an evolution and revolution in data management design over 30 years in the making, solves the conflicting requirements of bigger, faster, less expensive storage. Infinidat technology simultaneously delivers sub-millisecond latency, 100% data availability, and multi-petabyte capacity with a significantly lower total cost of ownership than incumbent storage technologies. (Infinidat 09.03)

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9.5. Perimeter 81 Closes $4.5 Million Series A Extension Round

Perimeter 81 has completed a $4.5 million Series A extension round, bringing the company's total funding to $19.5 million raised in under twelve months. The round was led by Toba Capital, a US-based early-stage investment firm focused on high-growth technology companies. Existing investors also participated. The financing will help support Perimeter 81's rapid growth and accelerate the development and go-to-market strategy of its holistic, cloud-agnostic Zero Trust Secure Network as a Service.

Perimeter 81 simplifies network security for the modern and increasingly remote and mobile workforce. Since its 2018 inception, the company has emerged as a SASE leader and grew 450% in 2019. Named a Deloitte Technology Fast 500 for EMEA and a Gartner Cool Vendor, Perimeter 81 has gained immediate market traction and quickly acquired more than 620 clients — including Fortune 500 companies and some of the most prominent organizations in government, entertainment, technology and AI.

Perimeter 81's user-centric and highly intuitive Secure Network as a Service enables businesses to more easily secure access to local network resources, cloud environments, and business applications using a 100% cloud service. Over the next few months, Perimeter 81 will add user and branch internet security, branch interconnectivity and endpoint security to its offering. In February 2020, the company unveiled a new Secure Access Service Edge (SASE) platform that combines its Network as a Service offering with advanced cloud security capabilities licensed from SonicWall.

Tel Aviv's Perimeter 81 is a Zero Trust Secure Network as a Service that is simplifying network security for the modern and distributed workforce. Perimeter 81 was founded by two IDF elite intelligence unit alumni. Perimeter 81's clients range from small businesses to Fortune 500 corporations across a variety of sectors, and its partners are among the world's foremost integrators, managed service providers and channel resellers. (Perimeter 81 11.03)

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9.6. Superwise.ai Secures $4.5 Million in Seed Funding

Superwise.ai has secured $4.5 million in seed funding, led by Capri Ventures and F2 Capital, to further expand the availability of its AI Assurance platform in the U.S. market. The SaaS platform allows business and operational teams to take ownership of the health of AI models, giving them the ability to completely trust the operation and conclusions of their AI-driven processes. Superwise.ai's platform is already being used by several customers, who are now able to detect and solve any issues in their AI models in real-time, revolutionizing the current reactionary approach that's triggered by dropped business KPIs, which only occur after an error has become an issue.

Superwise.ai's AI Assurance platform includes performance management, bias detection, explainability and AI analytics capabilities. It gives business leaders a direct view into what's happening in their AI models and why, and also offers proactive actions and recommendations to optimize the model's behavior for better performance and outcomes. The platform helps protect businesses from the harmful, unintended consequences of biased AI models. By handling issues in real-time, the platform allows the business and operational teams to own the ongoing performance of the models, reducing their dependency on the data science team who can then focus on new initiatives. Superwise.ai's AI Assurance platform integrates seamlessly into whatever AI platform is already in use, including AWS SageMaker, Google AI Platform, Azure Machine Learning, Kubeflow, H20.ai and custom-built platforms.

Tel Aviv's [Superwise.ai](#) enables business and operational teams to take ownership of the health of their AI environments. The company's AI Assurance platform monitors AI models and can detect and solve issues in real-time, rather than taking the reactionary approach triggered by dropped business KPIs, which only occur after an error has become an issue. It bolsters trust for business leaders and operational teams who no longer need to rely on data science teams to ensure that AI models are functioning properly. (Superwise.ai 10.03)

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9.7. Mellanox Delivers Spectrum-3 Based Ethernet Switches

Mellanox Technologies announced that customer shipments of SN4000 Ethernet switches have commenced. The SN4000 family is powered by Mellanox Spectrum®-3 - the world's best performing, most scalable, and most flexible 12.8 Tbps Ethernet switch ASIC, which is optimized for Cloud, Ethernet Storage Fabric and AI interconnect applications. SN4000 platforms come in flexible form-factors supporting a combination of up to 32 ports of 400GbE, 64 ports of 200GbE and 128 ports of 100/50/25/10GbE. The SN4000 platforms complement the 200/400GbE SN3000 leaf switches to form an efficient and high bandwidth leaf/spine network.

Spectrum-3 supports unprecedented scale, tunneling, and network virtualization capabilities with its advanced FlexFlow packet processing technology and WJH (What Just Happened) based real-time telemetry. Spectrum-3 is ideal for building massive, high performance layer-2 and layer-3 fabrics, for both virtualized and non-virtualized use cases.

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 09.03)

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9.8. Ethernity Networks Launches New ENET-D Ethernet Controller FPGA Engine

Ethernity Networks introduced its ENET-D, an add-on Ethernet Controller technology to its ACE-NIC100 SmartNIC that efficiently processes millions of data flows and offers performance acceleration for networking and security appliances. ENET-D is an Ethernet adapter and DMA (direct memory access) engine that eliminates the need for proprietary hardware on a network interface card. By fitting into various FPGAs and enabling customers to further avoid ASIC-based components, ENET-D advances complete disaggregation at the edge of the network.

ENET-D can be combined with Ethernity's ENET Flow Processor and run on Ethernity's cost-optimized and affordable ACE-NIC100 FPGA SmartNIC to deliver a complete Router-on-a-NIC with integrated Ethernet controller. It is capable of connecting to multiple virtual machines, containers, or virtual networking functions.

Lod's Ethernity Networks provides innovative, comprehensive networking and security solutions on programmable hardware for accelerating telco/cloud networks. Ethernity's FPGA logic offers complete Carrier Ethernet Switch Router data plane processing and control software with a rich set of networking features, robust security, and a wide range of virtual function accelerations to optimize telecommunications networks. (Ethernity Networks 17.03)

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9.9. Argus & NXP Strengthen Vehicle Cyber Security With Joint Solution

Argus Cyber Security and the Netherlands' NXP Semiconductors, the world's largest supplier of automotive semiconductors, announced a new integrated solution that allows car makers to protect Ethernet network communications based on the NXP S32G vehicle processor.

Argus' Ethernet Intrusion Detection System (IDS), which detects malicious activity at the network and application layers to keep drivers connected and protected. With an engine built on the knowledge gained from extensive cyber research of in-vehicle network behavior, Argus' Ethernet IDS identifies behavior that would otherwise go amiss. The solution reports intrusions to the automaker's Automotive Security Operation Center (ASOC), allowing the event to be analyzed and managed across the fleet with solutions like Argus Fleet Protection. NXP's S32G processor, a key building block for future vehicles by providing more than 10 times the performance and networking of NXP's previous family of automotive gateway devices, which creates new opportunities with service-oriented gateways.

The combined solution enables car makers to comply with current guidelines and upcoming UNECE regulations on vehicle type approval with regard to cyber security, equipping vehicle systems with the ability to detect and respond to cyber security incidents.

A global leader in automotive cyber security, Tel Aviv's Argus provides proven in-vehicle solutions professional services, and an automotive security operation center (ASOC). Currently in production, Argus products and services help protect, detect, and respond to cyber-attacks targeting any vehicle component, network, or post-production fleet. (Argus 12.03)

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10. ISRAEL ECONOMIC STATISTICS

10.1. Israel's CPI Falls by 0.1% in February

On 15 March, the Central Bureau of Statistics announced that Israel's Consumer Price Index (CPI) fell by 0.1% in February. Pundits called for a fall of 0.2 - 0.3%. In January, the CPI fell by 0.4%. The annual rate of inflation is currently 0.1%.

In February, there were notable falls in prices of clothing and footwear (3.8%) and communications (1.1%). Fresh produce prices rose 4.6%. Nevertheless, the February CPI reading does not reflect the impact of the coronavirus outbreak and the drop in the price of oil.

Housing prices (which do not form part of the CPI) have continued to rise. In comparison with transaction prices in the period November-December 2019, prices in December 2019 to January 2020 were 0.8% higher, and they were 4% higher than in the corresponding period twelve months earlier (December 2018 - January 2019). Prices of new homes rose by 1.1% between November - December and December - January, but were down 1.6% in comparison with December 2018 - January 2019. In December - January, 40.6% of transactions in new homes were with government support, which compares with 43.6% in November-December. (CBS 15.03)

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10.2. Israel's Budget Deficit Narrows Further

Israel's budget deficit has narrowed further to 3.1% over the past 12 months due to the temporary budget. According to figures published by the Ministry of Finance, government expenditure fell 5.5% in the first two months of the year compared with the corresponding period in 2019. At the end of January the budget deficit had narrowed sharply from 3.8% at the end of December 2019 to 3.2% after the temporary budget, due to the lack of a government, had kicked in and a budget surplus was reported.

In January-February 2020 government revenues totaled NIS 58.2 billion compared with NIS 53.8 billion in the first two months of 2019. Overall tax revenues rose 9% - revenues from direct taxes rose 13% and revenues from indirect taxes rose 5%. The influence of the coronavirus outbreak would only have been felt towards the end of February. There was an 89% jump in tax revenues from the capital market to NIS 477 million in January. (Globes 05.03)

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10.3. Israel's High-Tech Exports Fall

According to the Central Bureau of Statistics, Israel's technology exports fell by an annualized 13.9% in the period December 2019 - February 2020, following a 7.8% decline in September - November 2019. A segmented analysis of technology exports, which account for a third of the value of Israel's industrial exports, shows that exports of drugs were down by an annualized 42.6%, and exports of computers, electronic and optical products, and medical supplies fell by 37.5%. Exports of goods were down by an annualized 0.9% in December 2019 - February 2020, after falling by 6.6% in September - November 2019. Trend figures also showed an annualized 5.2% drop in imports of goods.

Trend figures for medium-high tech exports, which account for 45% of all industrial exports, show a 1.6% annualized increase in December 2019-February 2020, after an annualized 7.4% decline in September-November 2019. Exports by sector show an annualized 6.5% rise in chemicals and chemical products. Medium-low tech exports, which account for 15% of all industrial exports, jumped by an annualized 30.4% in December 2019 - February 2020, after dipping by an annualized 3.9% in September - November 2019. Export figures by branch show a 21.0% increase (an average 1.6% monthly increase) in exports of basic metals manufactures. (Globes 15.03)

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11. IN DEPTH

11.1. LEBANON: Lebanon Downgraded to Selective Default on Suspended Eurobond Payments

On March 11, 2020, S&P Global Ratings lowered its foreign currency sovereign ratings on Lebanon to 'SD/SD' from 'CC/C'. We affirmed our local currency long- and short-term ratings at 'CC/C' and maintained the negative outlook on the long-term rating. The transfer and convertibility assessment on Lebanon remains at 'CC'.

Outlook

The negative outlook on the local currency rating reflects the risk to commercial debt repayment in the context of ongoing political, financial, and monetary pressures. We could lower the rating to 'SD' if the government signals that it will restructure local currency debt in addition to the Eurobonds.

We could raise the rating if we perceived that the likelihood of a distressed exchange of Lebanon's local currency commercial debt had decreased. This could be the case if, for example, significant donor funding support were to materialize, allowing the government a small window to implement immediate and transformative reforms, or if significant reforms led to sustained strong economic growth.

Rationale

Following rising funding pressures, alongside widespread social and political protests and opposition to debt repayment, the Lebanese government has decided to stop paying its commercial foreign currency debt obligations, including a $1.2 billion Eurobond that matured on 9 March 2020. We understand that there is a grace period of seven days on the maturing bond, but the government has announced its intention to restructure the debt. Lebanon has total outstanding Eurobonds of about $31 billion, with other short-term maturities of $700 million in April and $600 million in June.

The Lebanese government under Prime Minister Hasan Diab will engage in debt re-profiling negotiations with creditors over the coming months. Potential options include haircuts on principal and coupon payments, as well as an extension of maturities. The government has hired Lazard and Cleary Gottlieb as financial and legal advisors on the debt restructuring.

We would likely remove the foreign currency ratings from 'SD' once any debt exchange or restructuring agreement between Lebanon and its creditors became effective. We could also raise the sovereign credit rating from 'SD' if, over time, we expect no further resolution to occur and we believe a revised rating better reflects our forward-looking opinion on the creditworthiness of Lebanon.

The restructuring negotiations could be complicated and drawn out due to three reasons. First, as per official statements, we do not expect a funded program from the IMF that could provide a policy anchor and encourage other international donor financial support. Second, one investment fund holds more than 25% of the Eurobonds maturing in 2020, which gives it the ability to block restructuring terms it may consider unfavorable. Third, domestic banks and the central bank (Banque du Liban) hold more than 60% of the outstanding Eurobonds. Depending on the severity of the restructuring terms, haircuts on nominal payments could have ripple effects across the domestic financial system, including depositors, and the economy. Transforming the economy will be an even more challenging task in the context of Lebanon's fragmented political environment, organized along confessional lines, and high regional security risks.

We understand the government intends to continue paying its local currency debt obligations for now. Our 'CC/C' ratings on Lebanon's local currency debt reflect ongoing severe economic and monetary pressures. Although the central bank can technically print Lebanese pounds for upcoming local debt payments to domestic banks, this could result in sharp inflationary pressures and further diminish the value of the local currency vis-à-vis the U.S. dollar, threatening to end the official currency peg. (S&P 11.03)

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11.2. JORDAN: Jordan Economic Report for 2020

On 11 March, the Group Research Department at Bank Audi issued a Jordan Economic Report for 2020, saying that amid the trade-off between growth enhancement needs and fiscal consolidation requirements, Jordan has suffered from sluggish growth dynamics.

The Jordanian economy continues to be constrained by sluggish growth dynamics. Real GDP grew by 2.2% in 2019 – an almost similar pace to that of 2018. While economic growth benefits from rising net exports amid the partial rebound in tourist arrivals, it is constrained by weak domestic demand. Furthermore, economic growth has been insufficient to alleviate pressures on the domestic labor market. As a result, unemployment continues to rise, reaching 19.1% in June 2019, up from 18.6% at September-end 2018.

Current account deficit tangibly slashed on the back of reinforced external position

Jordan's external position has witnessed a tangible improvement over the past year, as the current account deficit has been cut significantly, from a deficit of $2.9 billion over the first nine months of 2018 to a deficit of $1.1 billion over the first nine months of 2019, mainly on the back of a contraction in trade deficit supported by increasing exports and retreating imports, and amid higher receipts from tourism activity boosting the services account.

Shy fiscal performance setting indebtedness ratio on a gradually increasing path

Fiscal performance has been somewhat under pressure in 2019. In fact, the authorities continued to rely on capital spending cuts given the difficulty of cutting politically contentious current spending, on the one hand, and given lower-than-expected revenue collection since sales tax receipts declined in light of the weak economic activity, on the other hand, despite the recently enacted tax reform which relatively improved income tax collection. This situation reinforced downside risks to growth and pressured fiscal accounts further. As such, central government fiscal data for the first ten months of 2019 pointed to a tiny growth in public revenues compared to a higher growth in public expenditures. Therefore, the overall budget deficit reached 4.3% of GDP over the period (the highest since 2013), up from 3.4% of GDP a year ago.

Easing monetary policy amid subdued inflationary pressures

Jordan's monetary conditions were marked in 2019 by receding inflationary pressures, the first growth in the Central Bank of Jordan's gross official reserves since 2014 and an expansionary monetary stance, which has followed the lead taken by the US Federal Reserve in easing policy. In details, inflation was subdued in Jordan in 2019, as shown by a 0.3% increase in the Consumer Price Index. The CBJ main rate was reduced three times over the year by a cumulative 75 bps to reach 4% by the end of 2019. The broader money supply (M2) widened by 4.8%, following a smaller expansion of 1.2% in 2018 (the equivalent of $567 million).

Healthy activity growth for a sound banking sector

Jordanian banks witnessed a year of healthy activity growth in 2019, marked by a relative pick-up in economic growth across the Hashemite Kingdom and ensuing additional liquidity at hand for banks, which extended new waves of credit facilities to clients. Measured by the aggregated assets of banks operating in Jordan, banking sector activity grew by 5.3% year-on-year in 2019 to reach the equivalent of $75.7 billion at end-December 2019, comparing to a lower growth of 3.7% in the year before.

Extended equity price falls, bond prices on the rise tracking US Treasuries move

Jordan's equity market continued to operate in negative territory in 2019 despite relatively attractive market valuations, mainly weighed down by sluggish growth dynamics. In contrast, the fixed income market witnessed healthy price gains over the year 2019, mainly tracking US Treasuries move following three rate cuts by the US Federal Reserve.

Both opportunities and challenges looking ahead

Going forward, real GDP growth is forecasted to rise slightly to 2.4% in 2020 and 2.6% in 2021 as further increases in net exports of goods and services are expected while at the same time domestic demand is expected to remain weak. Trade and investment opportunities in what were traditionally Jordan's two largest markets – Iraq and Syria – will slowly increase looking ahead, especially in Syria owing to reconstruction efforts. In a bid to boost growth and employment prospects, the Jordanian government is trying to balance its aspiration to modernize the economy and drive stronger economic growth and job creation with the need to consolidate the Kingdom's public finances, while maintaining political stability. (Bank Audi 11.03)

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11.3. OMAN: Moody's Downgrades Oman's Rating to Ba2, Changes Outlook to Stable

On 5 March, Moody's Investors Service downgraded the long-term issuer and senior unsecured ratings of the Government of Oman to Ba2 from Ba1 and changed the outlook to stable.

The key driver for the downgrade is Oman's lower fiscal strength, evident in higher government debt and weaker debt affordability metrics than Moody's expected at the time of the previous rating action. Debt will continue to increase in the next two years, despite Moody's expectation that the government will begin in the next few months implementing a significant medium-term fiscal adjustment program to slow, and eventually arrest, the increase in the debt burden.

The stable outlook reflects Moody's assessment that Oman's credit metrics are resilient to moderately negative fiscal and oil price shocks at the Ba2 rating level. The outlook also takes into account balanced risks around the implementation of the fiscal adjustment program. The government has a limited track record of implementing similar programs and implementation will be challenging given the government's economic and social stability objective. Moreover, a significantly slower pace of fiscal consolidation could exacerbate the sovereign's external vulnerability and raise government liquidity pressures. That notwithstanding, the commitment evident at the highest levels indicates a possibility of significantly faster economic and fiscal reforms which could ensure that government debt peaks earlier and at a lower level than currently expected.

Moody's has also downgraded the Government of Oman's senior unsecured medium-term note program rating to (P)Ba2 from (P)Ba1. This rating action also applies to Oman Sovereign Sukuk S.A.O.C, a special-purpose vehicle domiciled in Oman and whose debt, in Moody's view, is ultimately the obligation of the Government of Oman. The entity's backed senior unsecured rating was downgraded to Ba2 from Ba1 and the backed senior unsecured medium-term note program rating was downgraded to (P)Ba2 from (P)Ba1.

Oman's long-term local- and foreign-currency bond ceilings and its long-term local currency deposit ceilings are unchanged at Baa3. Oman's long-term foreign currency deposit ceilings were lowered to Ba3. Its short-term foreign-currency bond and deposit ceiling are unchanged at Prime-3 and Not Prime respectively.

Ratings Rationale

Rationale for the Downgrade to Ba2: weaker fiscal strength despite forthcoming fiscal policy adjustment

The key driver for the downgrade is Oman's weaker fiscal strength, evident in a higher debt burden and weaker debt affordability metrics than anticipated at the time of the last rating action and that are no longer consistent with a Ba1 rating level. Moody's expectation is that, over the next few years, government debt and debt affordability metrics will continue to weaken despite the implementation of some measures aimed at reducing spending and raising revenue.

Whereas last March Moody's expected Oman's government debt to peak under 60% of GDP by 2021, this level was nearly reached already in 2019 as the government used a lower proportion of non-fiscal resources (privatization receipts and surplus funds from earlier years' borrowing) to reduce its 2019 borrowing requirement and debt burden. Taking into account some, gradual, fiscal consolidation, Moody's now expects government debt to stabilize at around 67% of GDP in the next few years, contributing to a weaker fiscal strength assessment.

The 2020 budget law that was approved by late Sultan Qaboos bin Said on 1 January 2020 contains no significant new measures that would durably stop or reverse the fiscal deterioration in an environment of moderate oil prices. However, Moody's expects the government to announce and start implementing a medium-term adjustment program in the next few months.

The fiscal adjustment program was foreshadowed by the formation of the National Program for Fiscal Balance (Tawazun) in September 2019, while the 2020 budget statement confirmed development of a multi-year budget framework for 2020-24 that would be supported by a range of public finance management reforms. These reforms include accelerating the implementation of the Government Financial Management Information System to support budget preparation, execution, and financial reporting; Program and Performance Budgeting to strengthen financial management functions of line ministries; a drive to increase efficiency and effectiveness of public spending; and the activation of a Treasury Single Account to improve spending controls by consolidating all inflows and outflows of government funds, which are currently spread across the banking system.

A recent speech by Sultan Haitham bin Tariq indicated strong official support for measures that would reduce government debt and increase non-oil revenues.

Taking into account Oman's sluggish economic growth environment, a limited track record of achieving significant fiscal consolidation and ongoing social stability and welfare objectives for the government, Moody's expects that the budget deficit will narrow to about 5% of GDP in 2022 from an estimated 7.7% in 2019, driven by a narrowing in the primary deficit. Under this scenario, interest payments will stabilize at just under 10% of revenue.

Moody's assumes that the government will implement the 5% VAT in 2021, slightly strengthen tax collection and reduce nominal non-interest spending by around 3% relative to the 2019 level. Moody's baseline scenario, which assumes that oil prices average $62-63/barrel in 2020-23, also includes the expectation that the government will sell assets worth around 1-1.5% of GDP per year while continuing to draw down its wealth fund assets by a similar amount, both of which will be used to reduce the sovereign's borrowing requirement and debt burden.

Rationale for the Stable Outlook

The stable outlook reflects some resilience of the credit profile to possible negative shocks, at the Ba2 rating level. It also takes into account balanced risks around the implementation and effectiveness of the fiscal adjustment program.

While Moody's has revised downward its assessment of fiscal strength, it also estimates that at this level, fiscal strength is resilient to possible negative shocks, from somewhat slower fiscal consolidation than currently assumed and/or somewhat lower oil and gas prices.

The downside risks to Oman's credit profile stem primarily from a limited track record of implementing similar fiscal adjustment and from a history of overspending relative to budget targets, partly the result of the government's economic and social stability objectives. Although the government has cut nominal spending between 2015 and 2019 by 4.6% (and wages and benefits by close to 8%), during the same period its spending has exceeded budgeted amounts on average by 5.5% each year, albeit the overspending declined somewhat to around 3% in 2019 (accounting for the accumulation of arrears). While the government raised corporate income tax to 15% from 12% in 2017, the special excise taxes on alcohol, tobacco and sugary beverages and the 5% VAT were both delayed by several years from the original implementation target date agreed among the members of the Gulf Cooperation Council, with the VAT likely to be implanted only in 2021.

Should fiscal adjustment be significantly slower and less effective at slowing and eventually arresting the rise in the debt burden, liquidity and external vulnerability risks may rise. The sovereign's external and government liquidity risks are intertwined with the government's net external borrowing accounting for a large part of Oman's current account deficit financing over the past four years.

The government's debt trajectory is also sensitive to a potential sustained and marked fall in oil and gas prices, possibly in the context of a marked global slowdown exacerbated by the coronavirus outbreak. Should oil prices stabilize close to the bottom of Moody's medium-term oil price range of $50-70/barrel, in the absence of further adjustment of fiscal policy, the government's debt would increase faster and further than currently expected.

On the positive side, there is a possibility that fiscal adjustment proceeds faster than Moody's currently expects, supported by an acceleration of economic and fiscal reforms, including in an event that the external environment weakens more than currently anticipated. Larger asset sales than currently assumed could also limit the pace and extent of the increase in the debt burden. Following the sale of a 49% stake in Oman Electricity Transmission Company (Ba1 negative) in December 2019 and a 10% stake in the BP-Khazzan gas project, the government is preparing further sales in the electricity transmission and distribution sector to be completed during the next two years. However, there is a possibility that privatization will also include further significant oil and gas assets that are currently not reflected in Moody's baseline scenario.

Environmental, Social and Governance Considerations

As an oil exporter, Oman's environmental risks derive from carbon transition. Oman's credit profile would face downward pressure in a scenario of rapid global transition to lower reliance on hydrocarbons that would depress global hydrocarbon demand and prices. However, in light of the measures against climate change taken so far, this is not Moody's baseline.

Social risks currently have a moderate impact on Oman's credit profile. Oman is vulnerable to social pressure that would arise from expenditure cuts and tax increases as part of fiscal consolidation efforts by the government. Prioritization of social goals has contributed to slow fiscal policy response to the structural oil price shock since 2014. Exposure is mitigated by high income levels and the government's financial buffers, although the latter are diminishing.

Governance considerations are material for Oman's credit profile. They relate to the limited scope and lack of timeliness in the publication of financial and economic data. Absence of key statistics such as quarterly real GDP typically weakens policy effectiveness and reduces timeliness of policy responses to shocks.

What Could Change the Rating Up

Prospects of greater prioritization and acceleration of measures that would durably and significantly reduce Oman's fiscal and external imbalances would likely put upward pressure on the rating. This would likely take the form of a stronger than expected implementation of the fiscal adjustment program, possibly accompanied by faster economic reforms and diversification.

What Could Change the Rating Down

Moody's would likely downgrade the rating should delays in implementing the fiscal adjustment program point to an increased likelihood that government debt does not peak in the medium term as currently expected. Prospects of steadily growing debt burden in the medium to long term could weaken the government's ability to finance its debt at affordable costs and long maturities, raising government liquidity and external risks. (Moody's 05.03)

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11.4. EGYPT: Why is the Steel Industry in Egypt Declining?

Mohamed Saied posted on 4 March in Al-Monitor that Egypt's steel industry has generally been lowering prices as a result of an oversupply in inventories and lower raw material prices just as a new steel factory comes online.

The prices of reinforcing bar, also known as rebar, have been generally falling on the Egyptian market since the last quarter of 2019, hitting a low point in February before moving up again. The largest rebar companies in Egypt had been repeatedly reducing their prices, which dropped to as low as EGP 9,300 ($598) in February, said Mohammad Hanafi, director general of the Chamber of Metallurgical Industries of the Federation of Egypt Industries.

“The decline in steel prices in the market is due to the low prices of raw materials globally — pallet, iron ore and scrap — in addition to the reduced price of the dollar against the pound,” Hanafi told Al-Monitor. Another factor has been an oversupply of steel. Also hurting Egypt's steel industry is that it pays above-average energy prices while trying to cope with other market forces.

The Egyptian pound has been trading strong against the dollar for the first time since the liberalization of the exchange rate at the end of 2016 within the framework of an economic reform plan supported by the International Monetary Fund. At that time, the exchange rate for the Egyptian currency went from roughly 9 pounds to the dollar to roughly 18. This year, the pound has strengthened. On 3 March, the pound was trading at around 15.65 to the dollar; it is expected to strengthen to 15 pounds to the dollar by the end of 2020.

In October 2016, a month before the Egyptian pound was floated against the US dollar, the price of a ton of steel was about EGP 6,300 ($715 at the exchange rate then). In the first quarter of 2018, the price of rebar stood at EGP 13,000 ($839) per ton in the wake of the high prices of raw materials resulting from the trade war between the United States and China and the US decision to impose 25% tariffs on all imports of steel products, Hanafi said. But by the beginning of this year, the price of a ton of rebar had fallen to EGP 10,450 ($674), before its even further decline in February.

The price of steel in Egypt is linked to the prices of raw materials on international exchanges. In the second week of February, scrap prices had fallen to $260 per ton, compared with $310 at the end of 2019, while the international price of iron ore had dropped to around $81 a ton, down from around $93 in December 2019. The dwindling prices were the result of the decrease in demand for steel by manufacturers in China against the background of the coronavirus outbreak.

China is a major source of iron ore and steel precursor products for Egypt. From January to May 2019, the iron ore import bill from China reached nearly $270 million, compared with $168 million during the same period of 2018. Hanafi said some Egyptian companies reduced their prices in a bid to increase their sales, given the increase in supply and the accumulation in inventories. Other companies offered incentives to sales agents to encourage them to market larger quantities at prices that were lower than the declared ones. However, a number of major steel companies increased their prices as of 23 February, with prices ranging between EGP 9,900 ($639) and EGP 10,250 ($661) per ton.

Steel traders who spoke to Al-Monitor said companies linked their move to the increase in global prices of raw materials since mid-February. For example, in the third week of February, global scrap prices rose to $275 per ton, while the global price of iron ore rose to over $90 a ton. Ahmed Al Zaini, head of the General Division of Building Materials at the Federation of Chambers of Commerce, was surprised that prices of steel had gone up again and accused steel companies of trying to manipulate market prices. In a 23 February statement, Zaini warned against increasing prices, saying such a move could backfire since there is an oversupply in the market. He expected the companies to rescind their decisions to raise prices because of low sales.

During the period from January through November 2019, Egypt produced more than 6.6 million tons of rebar, which is a 10.5% decline compared with the same period of 2018, which had a production of more than 7.4 million tons. Egyptian steel factories consume 7.9 million tons of iron ore pellets per year, 4.4 million tons of which are provided locally and 3.5 million are imported mainly from China, Turkey, and Germany, according to the CAPMAS.

In a bid to protect the iron industry, in October the Ministry of Trade and Industry imposed progressive duties on imports of some iron and steel products, with 25% duties on rebar and 16% on iron ore that are to be lifted by April 2022. On 11 October, the ministry said in a statement that the decision came as a result "of investigation showing a significant increase in imports, which caused great damage to the local industry."

The iron market in Egypt suffers from stagnation, with surplus production ranging between 600,000 to 1 million tons annually. Egypt's iron and steel exports fell by 34%, recording $635 million in sales from January to November 2019, compared with $968 million in the same period of 2018. Still, Egypt's iron production is expected to increase in 2020 after the opening of a new factory in November 2019 affiliated with Suez Steel; the state owns 82% of the company's shares. The factory has a production capacity of 1.4 million tons annually.

Zaini praised the state's intervention in the iron industry to prevent what he called monopolistic practices. He told Al-Monitor that the state's national projects and infrastructure projects, which consume at least 30% of the country's iron production, saved iron factories from closure. Zaini called on the government to reduce the prices of natural gas for steel factories. He told Al-Monitor that because the government sells natural gas to steel companies at high prices, the cost of production is high, and thus these local companies have difficulty competing with imports from foreign companies that have lower energy costs.

The government sells gas to iron and steel factories at a price of $5.50 per million British thermal units. But the price of natural gas in Egypt is twice as high as global prices (on average) that dropped to less than $2 per million British thermal units at the end of January. In 2019, the global price of gas was around $2.57 per million BTU. The Egyptian government issued a decision in October to form a committee to review the prices of natural gas in Egypt every six months and take into account global prices. Zaini said he believes that the overall decline in iron prices, while it may ensure that real estate prices do not rise, won't be enough of a factor to reduce the prices of housing units.

Mohamed Saied is an Egyptian journalist based in Cairo and a graduate of Cairo University's Faculty of Mass Communication. (Al-Monitor 04.03)

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11.5. EGYPT: Egypt Boosts Local Weapons Production

George Mikhail posted in Al-Monitor on 4 March that Egypt announced a plan to boost local manufacturing of weapons to boost the capacities of its army and with the ultimate aim to export them to Africa.

Egypt has announced the launch of a three-year Egyptian weapons manufacturing plan to achieve self-sufficiency and export Egyptian weapons abroad. On 25 February, Minister of State for Military Production Mohamed al-Assar announced a plan to develop the arms and ammunition production of the companies affiliated with the ministry, with a total investment of about EGP 7.5 billion ($479 million). Assar said in the statement, "The plan includes the modernization and addition of 84 production lines. After its implementation, Egypt will not import a single round of ammunition. Egypt wants Egyptians to manufacture their own weapons and the plan needs three years to be properly implemented."

On 17 February, Egyptian President Abdel Fattah al-Sisi inaugurated Military Factory 300 operating under Abu Zaabal Company for Specialized Industries, which manufactures multiple small- and medium-caliber weapons ammunition and missiles. Sisi opened a number of other new projects for military production in the military factories of Banha Company for Electronic Industries (Factory 144), Kaha Company for Chemical Industries (Factory 270) and Helwan Machinery and Equipment Company (999 Military Factory). Sisi also inspected the manufacture of an Egyptian armored vehicle, dubbed the Sinai 200.

Egypt is currently working to develop the arms industry and locally produce weapons to export them. In December 2018, Egypt organized the International Defense Exhibition (IDEX), during which the Egyptian armored vehicle, Temsah-3 (Arabic for crocodile) was presented to the participants. The vehicle consists of six seats so the driver, the commander of the vehicle and four soldiers can fit in, making it easier to carry out combing operations and raids.

IDEX 2018 also showcased drones made by the Egyptian army's Arab Organization for Industrialization, in an attempt to enter the world market for the manufacture of drones, where Turkey occupies an important position.

In December 2018, the Egyptian naval forces announced the first Egyptian naval weapon, the Egyptian Gowind corvette. The Egyptian army stated back then that it aims to strengthen capabilities in achieving maritime security, border protection and economic interests in the Red Sea and Mediterranean.

On 19 December 2019, the Egyptian army released a video of a number of weapons manufactured in the factories affiliated with the Ministry of Defense and Military Production, such as Temsah-3 and vehicles ST-100/ST-500, the armored vehicle Fahd-300 and the modified Egyptian 13 mm gun M-46.

Meanwhile, Egypt plans to hold IDEX 2020 in December. The Ministry of Defense and Military Production announced that new Egyptian weapons will be showcased at this exhibition, and also revealed a plan to produce the M1A1 Abrams tank. The Egyptian government's plan to develop the arms industry includes exporting Egyptian weapons to African countries in order to further extend Egyptian influence in the continent. In this context, an exhibition of arms and military products was organized in the presence of Egyptian military industries companies in December 2019 with the participation of defense ministers, chiefs of staff and military experts of African countries.

On 19 February, Assar announced a cooperation agreement with the Senegalese minister of armed forces, Sidiki Kaba, during his visit to Cairo for the supply to Senegal of military equipment, weapons and ammunition. Yahya al-Kadwani, member of the Defense and National Security Commission in the Egyptian parliament, said, "The state is seeking to achieve self-sufficiency in the field of weapons since it has to import large amounts of weapons to build an army capable of addressing terrorism risks."

Kadwani told Al-Monitor, "Proposing a self-sufficiency plan to manufacture weapons is part of challenges facing Egypt, especially Turkish threats to build military bases in Libya." He noted, "The African market is ready to benefit from Egyptian weapons, as Cairo is interested in being present in Africa politically and through military cooperation. African states need Egyptian weapons because of their good quality and low price and because they suit the nature of African people and Africa's geography." He added, "The parliamentary Defense and National Security Commission is coordinating with the Ministry of Defense and Military Production to draft plans that can hone the skills of the Egyptian army and boost local production of weapons."

Former Assistant Interior Minister Maj. Gen. Mohamed Nour al-Din told Al-Monitor, "Egypt is in dire need of a plan to manufacture weapons locally, in light of the state policy to develop the capacities of the Egyptian army and supply it with weapons and equipment." He said, "The weapons manufactured in Egypt are in line with the needs of the police and army in their operations. The Egyptian armored vehicles suit the desert geography of the areas of operations in the Sinai Peninsula and meet the requirements of the security forces that might not be available in imported weapons."

Nour al-Din added, "Developing the manufacture of weapons in Egypt will add a source of national income through exports to neighboring countries, be they Arab or African." He noted, "The plan to manufacture weapons will benefit African countries facing weapons shortages due to the high prices of weapons imported from the West. Egyptian arms will meet their needs and cater to their circumstances, given the African challenges to confront terrorist and extremist groups."

He said that "funding was [in the past] the main obstacle facing the Egyptian plan to produce weapons. But today the country has a clear political will to direct the required funding to the army and to the production of weapons, especially in light of the internal and external terrorism threat and the neighboring [crises].” Nour al-Din concluded, “The biggest accomplishment in the plan to develop Egyptian arms was the opening of the Military Factory 300 to produce ammunition. When we trained [armed] forces, we suffered from a lack of ammunition, which limited the scope of training. But local ammunition production will secure large quantities of products and boost the training of forces with the needed ammunition.”

George Mikhail is a freelance journalist who specializes in minority and political issues. He graduated from Cairo University in 2009 and has worked for a number of Egyptian newspapers. (Al-Monitor 04.03)

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11.6. MAURITANIA: IMF Staff Completes Review Mission to Mauritania

An International Monetary Fund (IMF) team visited Nouakchott from 27 February to 11 March 2020 to discuss the fifth review of the economic and financial program supported by a three-year arrangement under the IMF’s Extended Credit Facility (ECF) for a total amount of SDR 115.92 million (about $161.4 million at current exchange rates).

“The IMF team and the Mauritanian authorities had constructive discussions on economic policies and reforms to ensure macroeconomic stability, foster inclusive growth and reduce social inequalities and poverty. We reached a staff-level agreement on the fifth review of the economic program supported by the IMF’s ECF. Completion of the review is subject to the approval of the IMF’s management and Executive Board. Mauritania will benefit from a sixth disbursement of SDR 16.56 million (about $23.1 million) following the Executive Board’s review scheduled for June 2020.

“Mauritania’s performance under the program continues to be strong. The authorities are implementing prudent policies and advancing with reforms. Economic growth accelerated last year to close to 6 percent, driven by buoyant activity in both extractive and non-extractive sectors and favorable terms of trade. Macroeconomic stability was maintained and debt sustainability was strengthened. Inflation remained low at 2.3% on an annual average in 2019. International reserves of the central bank reached $1.136 billion at end-December (about 5.3 months of non-extractive imports), up from $918 million a year earlier. The budget yielded a sizable surplus and as a result the external public debt-to-GDP ratio declined.

“However, the current international environment marked by the coronavirus outbreak is expected to weigh on Mauritania owing to commodity price volatility and a slowdown in global growth. As a result, growth is expected to slow in 2020. Moreover, further downside risks related to these global developments and security threats in the Sahel are elevated. The IMF encourages Mauritanian authorities to continue to prepare for a possible outbreak of the coronavirus in the country. The IMF stands ready to help Mauritania respond to the economic impact of the coronavirus, through its rapid-disbursing emergency financing facilities, in case such risks materialize.

“In this very uncertain context, continued prudent policies, implementation of structural reforms, and increases in priority social and infrastructure spending will be important for achieving more inclusive growth and reducing poverty and inequality, entrenching macroeconomic stability and debt sustainability, and building reserves to respond to possible shocks.

“The program continues to support the use of the available fiscal space to increase priority social (education, health, and social protection) and infrastructure spending while maintaining prudent fiscal and borrowing policies to preserve debt sustainability. It accommodates potential additional spending related to preventing and responding to a possible outbreak of coronavirus in the country.

“The program supports institutional reforms aimed at improving budget preparation and execution to efficiently expand social spending and public investment. It also supports continued improvements in tax and customs compliance and broadening of the tax base.

“Under the program, the central bank is progressing in setting up its new monetary and exchange rate policy framework to support economic activity, address external shocks, and preserve official reserves. New prudential requirements and stronger supervision seek to improve banks’ financial soundness, with a view to increasing their ability to finance economic growth and SMEs.

“The authorities will press ahead with reforms aimed at improving the business environment, strengthening economic governance, and fighting corruption. Establishing robust macro-fiscal and institutional frameworks will be important to manage future gas revenues efficiently. (IMF 12.03)

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11.7. CYPRUS: Cyprus 'BBB-/A-3' Ratings Affirmed; Outlook Stable

On 6 March, S&P Global Ratings affirmed its 'BBB-/A-3' long- and short-term foreign and local currency sovereign credit rating on Cyprus. The outlook is stable.

Outlook

The stable outlook incorporates our view of Cyprus' robust growth prospects, improving public debt dynamics, and track record of running budgetary surpluses. It also takes into account Cyprus' high stocks of public and private debt and the inherent vulnerability of a small open economy, with an important tourism sector, to rising external shocks, including from the recent coronavirus outbreak.

We could consider raising the ratings on Cyprus over the next two years if external risks abated significantly or the banking sector materially reduced its nonperforming exposures (NPEs) and financial conditions improved. We could also raise the ratings in the case of faster-than-expected deleveraging in the economy or improved external performance.

Alternatively, the ratings could come under pressure if economic growth is markedly lower than our projections, endangering private debt servicing and further financial sector improvements. With external risks on the rise, ratings pressure could also stem from deteriorated fiscal performance or a substantial increase in the general government debt burden.

Rationale

The ratings are supported by Cyprus' wealthy economy, solid growth prospects, and policymakers' commitment to operating budgetary surpluses. We also see positively the ongoing progress in restoring the banking sector's health.

Constraints to the ratings include Cyprus' elevated public and private debt levels and the still-high proportion of NPEs in the banking system. Rising external uncertainties also pose a risk to Cyprus' small open economy, particularly its tourism sector, which has been a key pillar of economic growth.

Excluding a one-off deficit in 2018 due to support granted to the Cyprus Cooperative Bank (CCB), consistent budgetary surplus has put Cyprus' government debt-to-GDP ratio on a rapid downward trajectory. Although public debt levels remain high, proactive debt management has considerably improved the country's public debt profile, as has the highly supportive monetary policy measures introduced by the ECB since 2012. Average maturity has been lengthened beyond eight years, while debt-service costs have been falling. This is notably thanks to the early repayment of a bilateral loan to Russia in 2019 and a loan from the IMF in early 2020, as well as the issuances of long maturity euro medium-term notes (EMTNs) at lower yields. Furthermore, authorities hold a significant cash buffer, equivalent to at least nine months of financing needs, reducing short-term refinancing risk.

Institutional and Economic Profile

Solid growth prospects, despite external turbulence, should facilitate continued deleveraging through 2023:

- We expect external headwinds to pose downside risks to growth during 2020.
- High private indebtedness, although declining, is still a key economic vulnerability.
- We anticipate policymaking will remain geared toward the reduction of macroeconomic vulnerabilities and improving the financial sector's health.

Growth in Cyprus has been resilient at 3.2% in 2019, partly due to the economy's ability to attract a steady flow of net immigration. We project the economy will expand at a slower, but still solid, 2.5% over 2020-2023. The labor market has been dynamic, with a continuously declining unemployment rate after it peaked in 2014. We forecast further declines to around 5.0% in the coming years, from 7.1% in 2019 and around 13.0% in 2016.

We anticipate consumption will remain supportive of growth. Gradual increases in public sector wages and a healthy labor market should boost households' disposable income. However, we expect households to gradually channel a larger share of disposable income gains toward debt servicing. Foreign-financed investment activity is also likely to remain strong, supported by ongoing projects, particularly in residential properties, education, health, and tourism infrastructure.

Despite a slight increase in arrivals, tourism revenue inched back by around 1% in 2019. Visitors from the U.K. represented one-third of total tourist arrivals in Cyprus last year. The tourism industry has been a key driver of the economy in recent years, but we expect its contribution to decrease in the short term. We understand authorities are working to diversify tourism source markets, and important infrastructure projects could boost the industry's prospects.

Cyprus is, like most small open economies, highly vulnerable to external risks. Therefore, rising protectionism, lingering Brexit-related uncertainties, or a slowdown in EU or global growth could also affect our economic outlook for Cyprus. In that context, we expect the current external turbulences linked to the coronavirus health emergency to weaken external demand and weigh on prospects in the short term.

Furthermore, economic vulnerabilities from high levels of private-sector debt persist. Despite solid economic growth, private-sector debt is likely to remain high over the medium term, although tapering slowly via repayments. These are currently financed by savings, restructuring, ongoing write-offs and debt-for-asset swaps with banks.

Any potential economic benefits from the discovery of natural gas in Cyprus' Mediterranean waters are only likely to materialize outside our 2020-2023 forecast horizon. Earlier this year, Cyprus signed a deal with Israel and Greece to construct an undersea pipeline to carry natural gas from the eastern Mediterranean to Europe, and provide around 10% of the EU's natural gas needs; target completion is only by 2025.

This has resulted in greater tensions with Turkey, which has continued drilling operations in Cypriot waters despite the imposition of EU sanctions. The situation further deteriorated when Turkey and the internationally recognized government of Libya agreed to create an exclusive economic zone from Turkey's southern Mediterranean shore to Libya's northeast coast. Cyprus, Greece, Israel, Egypt, France and Italy have deemed this accord contrary to international law. In December 2019, the U.S. lifted its arms embargo on Cyprus, which had been in place since 1987.

Although we assume tensions will remain high, we do not anticipate an outright confrontation between Turkey and Cyprus. Over our forecast horizon, we anticipate that the Cypriot authorities will continue to focus on shoring up the economy's resilience, maintaining a public-finance surplus, pursuing government debt reduction and aiding the banking sector's recovery. Talks surrounding the reunification of Cyprus appear to be at a standstill.

Flexibility and Performance Profile: Government policies will likely continue to support debt and NPE reduction, improving the banking sector's health

- We expect public debt to steadily decrease over our rating horizon on the back of recurrent budgetary surpluses.
- Cyprus' public debt profile has strengthened, thanks to better market conditions and proactive debt management.
- The decline in the still-high stock of NPEs should be mainly driven by potential sizable sales to credit-acquiring companies as well as a favorable environment and the implementation of the Estia scheme.

After a pronounced improvement between 2008 and 2017, Cyprus' current account deficit has widened in recent years because of rising imports linked to robust domestic demand. Furthermore, we expect the current external uncertainties to weigh on export prospects, especially linked to tourism, in the short term. The completion of important infrastructure projects in 2021, related notably to casinos and marinas, should energize the tourism industry while reducing the need for capital imports.

Cyprus' external financial position, adjusted for the impact of special-purpose entities (SPEs) from 2014, exhibits a discernible deleveraging trend and an increasing reliance on foreign direct investment. Still, we estimate that short-term external debt by remaining maturity will be above 100% of current account receipts in 2020. Therefore, despite continuous and rapid improvements, we continue to consider external liquidity measures very weak. We removed the impact of SPEs from all external data as of 2014.

Following a data revision by the authorities in October 2019, we have revised upward our estimation of Cyprus' external liabilities. However, this revision has considerably improved the coverage and details of available data related to SPEs, in our view.

Over 2015-2019, fiscal receipts have outstripped expenditure and increased by an estimated €2.2 billion, or around 9% of GDP. A strong economic recovery following three years of recession, alongside very dynamic domestic demand, bolstered indirect taxes, notably VAT, and has pushed up social security contributions. To a lesser extent, and while the corporate tax rate is lower than the EU average at 12.5%, corporate tax receipts were also a major contributor to this increase in revenues. This, teamed with constrained expenditures, allowed Cyprus' government to post regular budgetary surpluses and reduce public debt, or support the banking sector recovery with the CCB transaction in 2018. The high speed of VAT receipts growth concentrated in a few sectors, which contributed to over half of total revenue growth in the last few years, does not appear sustainable in the medium term. Therefore, we expect government revenue to increase at a slower rate, in line with economic activity settling at a lower, more sustainable, level.

Following a one-off general government deficit in 2018 caused by the CCB transaction, government debt resumed its downward trend in 2019 thanks to a budgetary surplus of 2.8% of GDP and a primary surplus above 5.3% of GDP. We anticipate the government will keep running surplus over the forecast horizon, albeit at a decreasing level due to spending pressures from an increase in the wage bill notably. In that context, general government debt should keep decreasing steadily through 2023.

Moreover, proactive debt management has led to a substantial improvement in the public debt profile. Average maturity has increased to over eight years and costs have dropped sharply. Furthermore, authorities now hold cash buffers equivalent to nine months of financing needs, reducing refinancing risk. Authorities have been taking advantage of very favorable market conditions to issue on the international market at low yields and long maturities. Parts of these proceeds were used to pay down early more expensive official debt. After repaying ahead of schedule, the remaining €1.58 billion of a €2.5 billion loan from Russia in 2011, the authorities paid back in advance the IMF bailout loan, worth $710 million, in early 2020. At this stage, official loans are mainly owed to the European Stability Mechanism.

Downside risks to public finances exist following an Administrative Court ruling against the government in relation to public sector wage cuts introduced in 2011-2012. This decision could imply retroactive payments estimated at €844 million (3.8% of estimated 2019 GDP). The government appealed the decision to the Supreme Court, and we believe it will seek offsetting measures should the ruling be upheld. Indeed, the Council of Ministers has already decided to propose that the wage cuts be simultaneously re-imposed, neutralizing the fiscal effect through new legislative action backed by an amendment to the constitution. A change in the international corporate tax framework could also negatively affect revenue growth, as corporate tax receipts have been an important driver of revenue growth in the past few years and companies might decide to relocate.

Conversely, upside potential exists since we do not include any future revenue windfall from the Cyprus Asset Management Company (Kedipes) in our projections. We understand that this revenue, which will be repaid quarterly to the state, would be used to pay down debt or meet any potential obligation from the Asset Protection Scheme granted to the portfolio of performing loans transferred to Hellenic Bank during the CCB transaction, as included in Kedipes' business plan. We note that a first €60 million repayment of state aid took place in October 2019, and a second in December 2019 for the same amount.

We estimate the banking system's NPEs dropped to around 29% of total loans (around €9.6 billion) in September 2019, from 43% at year-end 2017. We believe the implementation of the Estia debt relief scheme, while slower than expected, and potential further substantial sale of loans to credit acquiring companies in the coming months could help lower NPEs in the short term. We note that loans restructured and currently performing are kept as NPEs for 12 months. According to the authorities, €4.3 billion of restructured facilities, or 13% of gross loans, are still classified as NPEs as of September 2019. However, the material increase in re-defaulted restructured loans, which represented 27% of total restructured loans as of end-September 2019 highlights that improving payment culture remains a challenge, despite tremendous efforts by policymakers and banks. Additionally, legal uncertainties remain over potential amendments to the foreclosure law that could increase foreclosure times and, more importantly, pose challenges for banks' abilities to sell NPEs in the market. Therefore, we consider banks' contingent liabilities in the context of our sovereign rating methodology to be moderate.

Banks have been reducing their reliance on foreign deposits, and liquidity in the system is comfortable. The system's reported total solvency ratio of 19% and CET1 ratio of 16.6% are also well above regulatory minimums. We note that while the sovereign enjoys good market access, banks can still access debt capital markets, only at much higher costs. This, coupled with limited new-loan origination, low interest rates, investment demands for technological transformation and a still-high cost of risk, means the financial sector's operating conditions remain difficult. (S&P 06.03)

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