The FORTNIGHTLY

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

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1. ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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1.1. Israel Innovation Authority to Fast Track NIS 500 Million to Startups Pressed for Cash

Israeli innovators who are encountering financial problems due to the Covid-19 pandemic will be receiving some relief after the Israeli Innovation Authority (IIA), the government's tech investment arm, announced on 29 April an immediate infusion of NIS 500 million (approximately $141 million). The new fast-track is part of the Israeli Ministry of Finance's NIS 1.2 billion (approximately $340 million) stimulus package to support the country's struggling tech sector. The IIA will work in collaboration with venture capital firms and invest in companies that are deemed to have a good chance of succeeding in the long run but are currently suffering from a shortage in funding and require immediate investment. Companies that apply for funds will receive replies within four weeks. The goal of this fast track is to invest in excellent companies with significant assets and good chances of success in the long term, but with a short runway at this time. (Calcalist 22.04)

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1.2. Israel Raises $5 Billion in its First-Ever Bond Issue in Asia

The Ministry of Finance announced on 29 April that Israel completed its first bond issue in Asian markets with resounding success, raising $5 billion. The ministry noted that the issue sought to help the government decrease the deficit created by the coronavirus crisis. The amount raised is equal to the record set on 31 March, when Israel raised $5 billion in a bond issue mainly from US and European investors, to fund the country's emergency bailout program for the economy. This was the first time Israel has issued bonds in Asian markets, in a move that followed studious planning as part of the country's efforts to attract diverse international investors.

The Finance Ministry said that the bond issue saw good response from some 300 high-quality investors from over 30 countries, not just from Asia, totaling over $10 billion. The bonds were issued for a period of 40 years, with a 3.8% interest rate.

Finance Ministry added that Israel's fiscal deficit as a proportion of GDP will climb to 11% in 2020, placing it third among the member-states of the Organization for Economic Cooperation and Development, after the US and Canada. The Finance Ministry expects the Israeli economy to shrink by 5.4%, a projection similar to that of the Bank of Israel, which forecast a 5.3% contraction. (Israel Hayom 30.04)

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1.3. Israel Extends Coronavirus Cell Phone Surveillance by Three Weeks

On 5 May, a Knesset panel authorized Israel’s Shin Bet security service to continue using mobile phone data to track people infected by the coronavirus until 26 May, despite privacy concerns, Prime Minister Netanyahu had sought a longer, six week, extension, as his government advanced legislation to regulate the practice in line with the demands of the Supreme Court, which is worried about dangers to individual liberty.

In a few weeks, PM Netanyahu’s cabinet should present a draft bill to regulate the use of Shin Bet surveillance of citizens. The public will have one week to comment on the bill before it is submitted to parliament for approval. Proponents of the surveillance believe it is crucial more than ever as lockdown measures are gradually being lifted.

Data presented to parliament's intelligence subcommittee showed more than 5,500 of the over 16,200 people who have contracted the coronavirus in Israel were found to be infected because of Shin Bet surveillance. Opponents say such tracking is not needed because the number of new patients continues to drop, though the death toll reached 258. The Supreme Court last week ruled the government must legislate the use of mobile phone tracking, saying "a suitable alternative, compatible with the principles of privacy, must be found".

In March, Israel's Ministry of Health launched a voluntary app for contact tracing called HaMagen — the Shield in Hebrew — which quickly reached 1.5 million downloads. Some feel the app is not sufficiently accurate because it is based only on GPS and information provided by coronavirus patients. The ministry is planning to launch a version with Bluetooth capabilities in coming weeks, but this cannot replace Shin Bet surveillance because not everyone has a smartphone to download the app. It is hoped that the new version will enable the ministry to reach at least 4 million users out of a population of 9.3 million. (Various 05.05)

2. ISRAEL MARKET & BUSINESS NEWS

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2.1. Otonomo Raises $46 Million in Series C Funding to Expand Its Services Platform

Otonomo announced $46 million in series C funding. The round includes investments from SK Holdings, Avis Budget Group, and Alliance Ventures as well as participation from existing investors such as Bessemer Venture Partners. This round brings the company's total funding raised to $82 million. Otonomo is currently onboarding seven new OEMs and ingesting over 2.6 billion data points a day. To accommodate this increased demand, Otonomo will use the funds from its Series C to further scale its business, with R&D and the full-service customer support resources needed to facilitate OEM onboarding and data access by partners. The company also plans to expand into additional geographies.

Otonomo has developed a car data services platform that securely ingests automotive OEM data, then reshapes, enriches and protects it so companies can use the data to develop a host of apps and services for fleets, smart cities and individual consumers. The platform has data from over 20 million vehicles, and the company is partnering with more than 25 automotive OEMs, fleets, and farm and construction equipment OEMs. Publicly announced partners include Daimler, BMW, Mitsubishi Motor Company and Avis Budget Group.

Herzliya's Otonomo ecosystem includes more than 100 partners who provide a rich diversity of offerings, including emergency services, traffic and mapping, on-demand fueling, parking, predictive maintenance, usage-based insurance, media measurement, concierge services and dozens of smart city services. Otonomo Automotive Data Services Platform fuels an ecosystem of OEMs, fleets and more than 100 service providers. Their neutral platform securely ingests more than 2.6 billion data points per day from over 20 million global connected vehicles, then reshapes and enriches it, to accelerate time to market for new services that delight drivers. (Otonomo 30.04)

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2.2. Nexar Announces $52 Million Series C Funding Amid Rapid U.S. Growth

Amid rapid U.S. growth, Nexar announced $52 million in Series C funding and the launch of a new data product called Nexar Virtual Camera. This brings the vision-based software company's total raised to date to nearly $100 million. The round is led by Corner Ventures with participation from Samsung NEXT, La Maison, Micron Ventures, Sompo, Atreides Management, and previous investors Aleph, Mosaic Ventures, Ibex Investors and Nationwide.

Nexar's U.S.-based network of drivers using the company's vision-powered dash cameras has grown tenfold since late 2018 and spans more than 70 million miles every month across more than 1,000 cities.

As a result, Nexar now covers more than 90% of freeways and more than 50% of non-residential U.S. roads every week. The data generated from this user growth has allowed Nexar to build a robust portfolio of vision-based data services for cities and the private sector.

To support public officials monitoring the impact of COVID-19, Nexar is launching a new data product called Nexar Virtual Camera, which pulls a feed of frames from any location on the Nexar network. This allows users to get on-demand visual insights into what's happening with key areas of interest, including monitoring traffic at hospital entrances or observing crowd levels in park spaces, as well as a number of products for private sector users. Nexar is making this product available for free for the duration of the crisis. Nexar's Series C funding will support the growth and development of data services like these, as well as fuel the company's global expansion.

Tel Aviv's Nexar is a vision-based software company building the world's first safe-driving network. When drivers pair Nexar-powered smart dash cams with the Nexar app, they join a connected vehicle network that uses computer vision and sensor fusion to see hazards on the road, and alert those in the surrounding area. Using anonymous, aggregated data captured from this network, Nexar has developed a portfolio of vision-based data services for public and private sector partners to make roadways safer and more efficient. This includes the Nexar CityStream platform, which supports construction zone and road inventory monitoring, and now Nexar Virtual Camera. (Nexar 30.04)

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2.3. Secret Double Octopus Raises $15 Million to Secure Remote Workforces

Secret Double Octopus announced the closing of a $15 million Series B round to address the rapidly growing need for Passwordless Authentication and remote-access security in enterprise environments. The financing round included Sony Financial Ventures, KDDI, and Global Brain as well as prior investors Jerusalem Venture Partners (JVP) ,the company's largest investor and one of the world's most experienced cybersecurity investors, Benhamou Global Ventures (BGV), Liberty Media, Iris Capital and Yaniv Tal. Secret Double Octopus offers a rare combination in the cyber security domain of increased security, lower total cost of ownership and improved employee user experience and productivity.

Secret Double Octopus is considered a global leader in password elimination solutions. Its proprietary phone-as-a-token tech prevents unauthorized use of a system and prevents identity theft. The company specializes in passwordless authentication for the enterprise, delivering security solutions that allow companies to leverage biometrics, mobile devices, and FIDO security keys to protect company assets. The Octopus Authentication Server allows employees to forego a password when logging into workstations, cloud services, legacy applications, and other common workplace tools. It also offers similar support for on-premises Active Directory systems.

Tel Aviv's Secret Double Octopus delights end-users and security teams by replacing passwords across the enterprise with the simplicity and security of strong passwordless authentication. Its unique, innovative approach provides users with a simple experience and a consistent way to access applications while providing stronger protection against cyber-attacks. (Secret Double Octopus 30.04)

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2.4. Cheetah Group Raises $36 Million

Cheetah Group has announced the completion of a $36 million Series B financing round led by Eclipse Ventures, with participation from ICONIQ Capital, Hanaco Ventures and Floodgate Fund. This investment brings the company's total funding to $66 million.

Founded in 2015, Cheetah has developed an e-commerce platform offering contactless pickup and delivery of food and supplies. Initially focusing on the wholesale restaurant market, in the current Covid-19 lockdown, the company has extended activities to serve the consumer market. The company has offices in San Francisco and an Israel development center in Netanya.

Petah Tikva's Cheetah Group has been transforming the wholesale food industry, offering transparent pricing to consumers, independent restaurants and small businesses with next-day, contactless delivery for orders placed through its mobile application. Using its fleet of refrigerated trucks, Cheetah delivers everything from bakery items to beverages, dairy, meat, poultry, seafood, fresh produce, condiments, snacks and cleaning supplies.

Originally launched as a wholesale delivery service for restaurants and small businesses, Cheetah built on its existing technology to launch a direct-to-consumer service called Cheetah for Me. This service gives residents and small businesses in the San Francisco Bay Area safe access to essential food and supplies at competitive wholesale prices. Consumers order through the mobile app and pick up the next day from one of Cheetah's designated drive-through locations. (Globes 01.05)

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2.5. Intel Acquires Moovit to Accelerate Mobileye's Mobility-as-a-Service Offering

On 4 May, Intel Corporation announced it has acquired Moovit, a mobility-as-a-service (MaaS) solutions company, for approximately $900 million ($840 million net of Intel Capital equity gain). Moovit is known for its urban mobility application that offers travelers around the world the best multimodal trip planning by combining public transportation, bicycle and scooter services, ride-hailing, and car-sharing. The addition of Moovit brings Intel's Mobileye closer to achieving its plan to become a complete mobility provider, including robotaxi services, which is forecast to be an estimated $160 billion opportunity by 2030.

Ness Ziona's Moovit is a Mobility-as-a-Service (MaaS) platform company best known for its mobile application that provides public transit and navigation data to simplify urban mobility in 3,100 cities around the world. The app experience will not change and the company will continue to serve users, customers and partners with the exceptional level of service, professionalism and dedication they've come to expect.

Moovit has established its leadership in the MaaS space with more than 800 million users and services in 3,100 cities across 102 countries. Today, Jerusalem's Mobileye is the leading automotive solutions partner that enables advanced driver-assistance systems (ADAS) deployed on nearly 60 million vehicles with more than 25 automaker partners. Mobileye is a growth engine for Intel as the company transforms for a world where the exponential growth of data fuels demand for technology solutions that can process, move and store more data faster. Intel is investing and expanding to serve new data-rich market opportunities, including the fast-growing market for ADAS, data and MaaS technologies, which together represent an opportunity totaling more than $230 billion by 2030. Upon close, Moovit will join the Mobileye business while retaining its brand and existing partnerships.

Mobileye's business model encompasses the entire automated driving value chain, including the front-facing camera that powers most of today's ADAS, conditional autonomy – also known as level 2+ – and the self-driving system (SDS) for self-driving shuttles and robotaxis as well as consumer autonomous vehicles (AVs). Mobileye has strong performance in every one of these categories with advanced vision sensing technology, crowd-sourced mapping capability (REM) and the Responsibility-Sensitive Safety (RSS) driving policy. (Intel 04.05)

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2.6. My Size Announces $5 Million Public Offering

My Size has priced a public offering of an aggregate of 4,545,454 shares of common stock (or common stock equivalents) of the Company, together with an accompanying common warrant, at a public offering price of $1.10 per share and associated warrant. Each share of common stock (or common stock equivalent) was sold in the offering collectively with a common warrant to purchase one share of common stock expiring five years from the date of issuance. Each common warrant has an exercise price of $1.10. H.C. Wainwright & Co. is acting as the exclusive placement agent for the offering.

The gross proceeds to My Size from this offering are expected to be approximately $5 million, before deducting the placement agent's fees and other estimated offering expenses payable by My Size, assuming none of the warrants issued in this offering are exercised for cash. My Size anticipates using the net proceeds from the offering for the establishment of a joint venture, working capital, and general corporate purposes.

Airport City's My Size has developed a unique measurement technology based on sophisticated algorithms and cutting-edge technology with broad applications including the apparel, e-commerce, DIY, shipping and parcel delivery industries. This proprietary measurement technology is driven by several algorithms which are able to calculate and record measurements in a variety of novel ways. (My Size 06.05)

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2.7. Omni Design Appoints Satris Group as Sales Representative in Israel

Milpitas, California's Omni Design Technologies, a leading provider of high-performance, low-power mixed-signal Intellectual Property (IP) solutions, announced it has appointed Satris Group as its sales representative in Israel. As the demand for Omni Design's IP portfolio grows in Israel, Satris will address the needs of their customers in Israel, strengthen Omni Design's local presence and expand its regional activities. Omni Design offers innovative high performance, ultra-low power Analog-to-Digital Converter (ADC), Digital-to-Analog Converter (DAC) and Analog Front End (AFE) IP as well as compact and low power temperature and voltage monitors (TVM) on advanced process nodes.

Hod HaSharon's Satris Group is a leading distributor of IP and EDA products in Israel, providing advanced technologies to Israeli semiconductor and electronics companies from vendors around the world. The Satris team consists of veterans in the semiconductor space with a deep understanding of customer needs and a strong commitment to their success. (Omni 05.05)

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2.8. GigaSpaces Announces $12 Million Financing to Accelerate Rapid Expansion

GigaSpaces closed a $12 million round of funding led by Fortissimo Capital and joined by existing investors Claridge Israel and BRM Group. Following record breaking results in 2019 including doubling annual recurring revenues (ARR), tripling the InsightEdge customer base, and achieving record profitability, GigaSpaces continues to demonstrate growth, completing Q1/20 with record ARR.

Increased demand for GigaSpaces solutions is expected during the current COVID-19 crisis, when digital service usage is skyrocketing, market trading volume continues to be volatile and real-time analytics capabilities are required. GigaSpaces is perfectly positioned to address these speed, scale, resilience and TCO challenges. The proceeds from the financing will be used to fuel rapid growth, scale global expansion, further develop collaboration with partners, and accelerate product innovation. The investment underscores GigaSpaces impact on helping companies drive the largest enterprises digital transformation initiatives that demand real-time insights, acceleration of cloud application performance and operationalizing machine learning (ML) and artificial intelligence (AI).

Herzliya's GigaSpaces provides the fastest in-memory computing platforms for real-time insight to action and extreme transactional processing. With GigaSpaces, enterprises can operationalize machine learning and transactional processing to gain real-time insights on their data and act upon them in the moment. GigaSpaces introduced InsightEdge, a unified analytics, ML and transactional data processing platform in 2017 to address the market needs for real-time data-driven insights. (GigaSpaces 05.05)

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2.9. 3d Signals Named in 2020 Red Herring Top 100 Europe Winners

A Red Herring judging panel has selected 3d Signals for its Top 100 Europe award, which recognizes Europe's outstanding entrepreneurs and promising companies and celebrates these startups' innovations and technologies across their respective industries. Award winners are selected from approximately 1,200 privately financed companies each year in the European Region. Since its establishment in 1996, thousands of the world's most interesting and innovative companies have graced the Top 100 list over the years. Red Herring believes 3d Signals embodies the vision, drive and innovation that define a successful entrepreneurial venture.

Kfar Saba's 3d Signals accelerates the digital transformation of manufacturers to the Industry 4.0 era. Their solution enables immediate visibility into production floors, through the quick, non-invasive, and machine agnostic deployment of a wide range of sensors. Their AI-based Asset Performance Monitoring platform transforms this data into powerful insights, providing multiple business intelligence and analysis tools in the cloud. This solution has been proven to significantly improve machine productivity and OEE within 3 months of installation, and reduce operating and labor costs. (3d Signals 05.05)

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2.10. Namogoo Acquires Personali to Expand its Range of Solutions for eCommerce Growth

Namogoo acquired Tel Aviv's Personali, a company specializing in AI-powered behavioral analytics tools for personalizing in-site incentives and increasing sales. The strategic acquisition is the first of its kind for Namogoo. Namogoo's client-side platform uses Machine Learning technology to prevent unauthorized ads injected into consumer browsers and devices from disrupting the online customer journey and redirecting them to other sites. Namogoo's technology gives online enterprises a new generation of visibility, efficiency, and governance over their websites and applications ecosystem, enabling superior digital customer experience and driving clear business results including increased conversion rates of between 2-5%. Namogoo's solutions are in use with over 150 global brands including Fortune 500 companies.

Founded in 2011 with $15 million in funding, Personali's intelligent incentive solution has generated over $1 billion in sales for leading global brands. Personali has driven significant profit growth by optimizing and personalizing the process of offering discounts at strategic moments along the client journey. When compared to previous promotion campaigns, brands utilizing Personali's solutions have seen a conversion uplift of 32% while reducing the cost of promotion offering by 30%. The acquisition will enable Namogoo – which recently raised a $40 million Series C funding round – to offer a more robust set of services to both new and existing eCommerce clients, with solutions proven to increase customer engagement, loyalty, and conversions. Personali's personnel will also be joining the Namogoo team.

Herzliya's Namogoo protects the customer journey for online enterprises, powering superior digital experiences and business results. A company dedicated to solving issues surrounding Customer Journey Hijacking, Namogoo's client-side platform prevents unauthorized ad injections from hijacking online customers to competitors. Analyzing over 500 million web sessions weekly, Namogoo's self-learning solutions empower enterprises with a new generation of visibility, efficiency, and governance of their website ecosystem. Leading online brands rely on Namogoo's solutions to gain control over their online customer experience and consistently improve business results. (Namogoo 04.05)

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2.11. El Al Extends Passenger Flight Suspension Until 30 May

El Al Israel Airlines has notified the Tel Aviv Stock Exchange (TASE) that it is again postponing the restart of passenger flights from 16 May until 30 May. Until 16 May, Israelis returning from abroad must undergo compulsory self-isolation for 14 days and no non-Israelis are allowed in the country at all. The Ministry of Health will review this policy on 15 May. El Al is still waiting to final government assistance in the form of a

$400 million loan with 75% of it guaranteed by the government. El Al will continue its expanded schedule of cargo flights according to demand.

British Airways, which had advertised Tel Aviv - London flights from 16 May has also delayed the resumption of the route until at least the end of the month. But low-cost Hungarian airline restarted its London, Luton to Tel Aviv route in early May. (Globes 05.05)

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2.12. AXA Ventures Leads $5 Million Investment in Hub Security

Hub Security has closed a $5 million Series A funding round led by AXA Ventures, with participation from Jerusalem-based OurCrowd. The company said the investment will be used to strengthen Hub Security's team, expand their technology and offer enhanced products to fintech companies, focusing on enabling access to credit, corporate banking solutions, cross-border payments and providing ultra-secure banking solutions.

HUB Security utilizes military-grade cybersecurity tactics for its HSM architecture that is designed for FIPS140-2 Level 4 protection (In advanced stage process) — the highest protection level available for mobile cryptographic security solutions on the market to date. HUB Security's combination of hardware and software solutions include ultra-secure internal signing and authorization flows with a multi-signature vault, hardware firewall and an AI-learning system designed to anticipate unique cyberattacks.

Tel Aviv's Hub Security is a top-tier, military-grade provider of HSM and key management solutions for fintech, cloud and blockchain security. Leveraging military-grade cybersecurity tactics and utilizing cutting-edge innovations, HUB Security has developed a family of products that provide the highest level of enterprise security available on the market today. (Hub Security 07.05)

3. REGIONAL PRIVATE SECTOR NEWS

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3.1. Thales Sets Up Digital Competence Centre in Qatar to Support Security Projects

On 7 May, Qatar Free Zones Authority (QFZA) and Thales Group signed a cooperation agreement to establish a Digital Competence Centre in Qatar Free Zones. The center will be a hub for software development and facilitate large-scale projects including events and security solutions, playing a key role in Qatar Free Zones' growing technology ecosystem. In the short term, this includes providing development support for large applications such as FAN ID, to manage spectator flows and access during large sporting events. Over the longer term, QFZA and Thales expect the center to support projects in areas including counter-UAV, airport security and operations optimization, large event security, mobility and experience solutions. Thales and QFZA will also investigate the opportunity to create a start-up incubator and research partnerships to grow a local/international ecosystem and explore in the future the development of other activities in Thales' areas of expertise.

Since it started its operations in 2019, Qatar Free Zones has approved projects worth a total of more than $1 billion from a wide range of leading local and global companies focused on the new economy, internet of things, sustainability, IT, big data, communications, transport, logistics, medical services, aviation, cybersecurity and agritech. (Thales 07.05)

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3.2. Etihad Airways Suspends Sales of Tickets on Flights Before 16 June

Etihad has suspended all online sales for flights before 16 June, the airline announced on 29 April. Bookings are currently only being accepted for flights that are scheduled to depart after that date, although these bookings are subject to change. Customers who had purchased May flights can rebook flights for a later date or request that the airline provide them credit or a refund. Earlier, Etihad announced it was increasing special repatriation flights to a number of locations, including Dublin, Ireland and New York City. (AB 29.04)

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3.3. KSA & UAE Health & Wellness Markets to Reach $14.56 Billion by End of 2020

The COVID-19 crisis notwithstanding, by the end of 2020, the health and wellness F&B market in Saudi Arabia and the UAE is estimated to reach $14.56 billion at a compound annual growth rate (CAGR) of 10.9%, according to a recent analysis by Frost & Sullivan. Customers in the GCC are today more connected and health conscious. The UAE and Saudi account for nearly 85% of the region's health & wellness market. It also reveals the GCC health beverages segment is growing at a comparatively faster rate than the global market at 6.2%, with the snacks and savories segment expected to exhibit the highest health and wellness CAGR at 7.2%, closely followed by the readymade and processed goods segments.

While global giants such as Nestle Middle East, Doux, Global Foods, and Hunter Foods have adopted a wait-and-watch approach to see the potential of the market, regional players have clear-cut strategies mapped out to respond to the growing demands of the consumer base. To take advantage of the market, exporters should capitalize on the calorie-conscious and organic trends; focus on the reduction of salt and fat in snacks, cereals, and confectionaries; establish distinctive products and marketing strategies focused on the growing sub-segment; introduce baked goods as a healthier alternative to fried products; and understand consumer behavior and trigger points. (Frost & Sullivan 01.05)

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3.4. Okadoc Brings Telemedicine to the UAE

Okadoc announced the launch of its telemedicine solution offering across the UAE. Okadoc fast-tracked the release in response to the growing need for patients to access specialists and general healthcare throughout the COVID-19 pandemic. The telemedicine solution will give patients peace of mind, easy access to doctors, and a facility to make payments online for any consultations received.

As the region’s largest telemedicine platform, 38 healthcare providers have already signed on with Okadoc to provide instant access to their doctors. Okadoc’s platform connects patients with doctors who are already practicing in clinics and hospitals. In doing so, patients can book an appointment with their own doctor or a doctor of their choice within minutes. Users can have a video consultation and chat electronically, transfer, and receive documents such as prescriptions or medical records and pay for their consultations based on their insurance coverage. The platform includes doctors from over 40 specialties, including family medicine, pediatrics and mental health.

Okadoc is a Dubai tech healthcare company that brings you a greater healthcare experience. The Okadoc app has a 24/7 intelligent medical calendar system that helps patients manage their bookings online, search doctors by location, see detailed doctors profile, and get doctor's appointment reminders. Okadoc delivers an efficient, seamless and simple healthcare experience. (Okadoc 07.05)

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3.5. Noon Launches Next-Day Grocery Delivery in Dubai on App

Dubai based Arabian Gulf e-commerce marketplace Noon has launched a next-day fresh grocery delivery service in Dubai via its app to provide customers with fast service amid difficult Covid-19 times. The service called Noon Daily will offer everyday essentials including fresh fruits and vegetables, bread and bakery, dairy, meat, frozen food, household essentials, baby food and more, and doesn't require a minimum order.

The service is limited to online pre-payment and follows a 100% contactless service, with a leave-at-the-door silent delivery.

Noon is a joint venture between Saudi Arabia's Public Investment Fund and Alabbar. It first went live in December 2017 and has grown to become one of the region's leading online shopping destinations with operations in KSA, the UAE and Egypt. (AB 01.05)

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3.6. UAE Grocery Sales Rise but Non-Food Retail Slumped by 60% in March

UAE grocery retailers enjoyed up to a 40% increase in sales during the first half of March compared to the same period last year, according to KPMG Lower Gulf's latest report, 'Navigating the pandemic'. The increase preceded the nationwide lockdown as part of the UAE government's efforts to contain the spread of COVID-19. Online marketplaces also saw surging demand, particularly for laptops/tablets (online learning and remote working requirements) and gym equipment (due to the closure of gyms and fitness centers). However, with malls closed, sales at most luxury and fashion retailers declined by 20-50% in the first half of the month. Across F&B concepts, sales have been down by 30-80%.

According to the report, several prominent non-food retail businesses, which have been seeing a decline since February, indicated that sales in the first half of March were down by as much as 50-60% compared to the same period last year. Subdued consumer sentiment and volatility in gold prices contributed to declining sales in the jewelry and watch segment. At the start of April, the Central Bank of the United Arab Emirates (CBUAE) doubled to $70 billion a stimulus package to support the Gulf state's economy amid the coronavirus pandemic, while various mall operators have offered rent relief. Despite the challenges, the report has indicated a degree of optimism going forward. (KPMG 02.05)

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3.7. Gulf Insurance Group Acquires Stake in yallacompare

Dubai's yallacompare.com, the Middle East's leading finance comparison site, has raised $4.25 million in fresh capital from Kuwaiti stock exchange listed Gulf Insurance Group (GIG). GIG is amongst the largest and most diversified insurance groups in the Middle East and North Africa region. It is one of the leading private insurers (by gross premiums written) with a strong competitive market position in Kuwait, Jordan, Bahrain and Egypt.

Since its launch in 2011, yallacompare has built a dominant position in digital insurance sales in the UAE, accounting for more than 75% of online insurance transactions. Having recently announced partnerships with Smart Dubai, Etisalat, National Bonds and many others, the company says it expects to double its market share by the end of 2020. yallacompare operates insurance aggregators in the UAE, Kuwait and Egypt and currently employs over 120 people between their Dubai and Egypt offices. Previous investors in yallacompare include STC Ventures, Wamda Capital, DSO and New York's Argo Ventures. (TradeArabia 03.05)

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3.8. Grintafy Technologies Raises $1.25 Million for its Talent Discovery Platform

Jedda's Grintafy Technologies has raised $1.25 million in seed investment led by Wa'ed Ventures. The round included participation from Nafithat Al Mustagbal Investments. This investment will fund the integration of new technologies, introducing new products for scouts, clubs and academies, expand the team and grow new markets, all in an effort to discover new talents in the world of sports.

Grintafy is a Saudi-based talent discovery platform for amateur footballers who have dreams of going professional. Grintafy allows users to find, join or organize games, rate players on their performances, work their way up the rankings, as well as view and track their performance. It also allows them to book services for their game such as fields, referees, coaches, and others. All of these features allow players to build their football CV in order to have it viewed by scouts and professional clubs. Grintafy also has a social engine that connects players showcasing their skills from all around the globe.

Grintafy has been experimenting on integrating the platform with different and emerging technologies that serve their ultimate goal. They will start with wearable devices that measure the performance of the players. They will be also releasing two new products to the market which help scouts, clubs and academies discover and manage players. (Grintafy 06.05)

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3.9. Telgani Closes Seed Funding from 500 Startups, Impact46 and SVC

Riyadh's Telgani, the car rental platform startup based in Saudi Arabia, has announced the closing of a six-figure investment for its Seed round. Investors in the round included 500 Startups, Saudi Venture Capital Company, Impact46, and a group of angel investors. Telgani, which was founded in early 2018, has developed a unique service in the region in which a customer can order a car through the app in a few seconds and get it delivered to their doorsteps. The platform works as a market place for major car rental companies both local and international chains. Its services are available in more than 20 cities in Saudi Arabia and it started operating in UAE. The company now has more than 300 service providers listed and achieved a 300% growth year over year for 2019.

Due to the increasing need for rental locations in the MENA region, Telgani has employed a novel, strategic, and tactical approach into account in order to ensure proper capturing of this evolving market. The platform addresses two key challenges: meeting the ever-increasing demand of car rental services and addressing the speed and accessibility required to make car rental easier and convenient to the customer. Telgani is tackling a great opportunity in the car rental space, especially with customer behavior currently changing to look for simple solutions of streamlining the long process of searching and renting transportation. (Telgani 11.05)

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3.10. Pravica Raises $500,000 in a Pre-Seed Round led by 500 Startups

Pravica, (previously known as Dmails) a WEB 3.0 Email Service Provider (ESP) using Blockchain technology, closed its pre-seed round of $500,000. The round was led by 500 Startups, the most active venture capital firm in the MENA, with the participation of Modus Capital and DYRES Ventures. With this new funding, Pravica will aggressively build its customer base, expand its team and accelerate product expansion by developing additional private communication tools.

In April 2019, Dmails's founder noticed that emails were a consistent channel of communication that everyone used but lacked data security, a pain point for many. Inspired by this, after much research and hard work, Pravica successfully developed an innovative platform based on Blockchain technology which guarantees the highest security standards for corporates communicating via emails and other communication tools.

Cairo's Pravica is a unified communication suite, which meets the WEB 3.0 standards and utilizes Blockchain technology to empower user's privacy and security. All identities registered using Pravica infrastructure are not hosted on any servers, it lives on the decentralized network. This means that all your personal information will be kept private and no one can sell to a third party. (Pravica 30.04)

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3.11. UberEats Leaves Middle East as Careem Subsidiary Closes Bus Service

Uber's plans for expansion in the MENA region took a hit on 4 May after the company announced that it would discontinue its food delivery platform UberEats region-wide. The company has struggled to gain a foothold in the competitive MENA food delivery market. A spokesperson said the decision was made to so Uber could concentrate its efforts on countries in which it has better growth prospects. UberEats will continue operating in Egypt until 18 May, two years after it was first launched in Cairo. Uber's regular ride-hailing services will not be affected by the decision. The company also said it would transfer Uber Eats business operations in the United Arab Emirates to Careem by the same day.

Careem Bus has now closed just 18 months after its launch in Egypt. The company had since expanded the service into Saudi Arabia, Jordan and Pakistan. (Enterprise 05.05)

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3.12. Instabug Raises $5 Million in Series A Financing led by Accel

Cairo's software startup Instabug has raised $5 million in a Series A round. The round was led by leading Silicon Valley VC Accel with the participation of Couldera's co-founder Amr Awadallah and MoPub's founder and CEO Jim Payne. Accel had previously led Instabug's $1.7 million seed round in 2016. Beginning as a bug reporting software for developers, Instabug has now evolved to offer real-time contextual insights for mobile apps to companies and developers across the words. The startup in its early days gained popularity quickly among developers as its allowed testers and beta users to report bugs in mobile apps by shaking their device. It now offers contextual insights throughout the entire mobile app lifecycle with its bug and feedback reporting, secure crash reporting, and in-app surveys.

Instabug's services are currently being used by thousands of companies and apps including the 28 of top 100 apps on App Store. It said that it is serving 2.5 billion devices worldwide. The startup claimed that since the COVID-19 outbreak in January, its usage has grown by 45%. Also, Instabug is designed to streamline the communication between QA and Developers which is very relevant now since all is working remotely.

Founded in 2012, Cairo's Instabug is a technology company developing a platform for mobile developers that helps them communicate with their users, collaborate with their teams, and build quality apps. Its platform delivers real-time contextual insights for mobile apps through bug and crash reporting, customizable in-app surveys, user feedback, chat, and feature requests. (Instabug 05.05)

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3.13. Cairene Billboards Reflect the Economic Situation

More than half of Greater Cairo's outdoor billboards were empty in April 2020, compared to a vacancy rate of just 18% during the same month last year, according to a study by outdoor advertising aggregator AdMazad. Most industries cut back on their outdoor billboard advertising during the month, with real estate ads accounting for 27% of occupied billboard space, compared to 43% in April 2019. FMCG and banking ad space also dipped y-o-y. Despite this, the healthcare industry's billboard ads soared 70% y-o-y — but the jump is not necessarily attributable to the COVID-19 pandemic, since the majority of these were already scheduled already last year. AdMazad expects outdoor ad space occupancy to begin rebounding next month, but will likely still fall short of last year's figures. The company surveyed 1.9 thousand "large billboards" in March and April. (Enterprise 04.05)

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3.14. Petrotrade & Banque Misr Sign Agreement for Electronic Bill Collection

Cairo's Petroleum Trading Services (Petrotrade) signed an agreement with Banque Misr to develop the electronic billing services of the company. According to the agreement, Petrotrade will benefit from the developed technology of electronic billing services of Banque Misr, especially for the electronic transactions via Visa or Mastercard, to update the company's website and its mobile application to collect bills. The contract comes in the framework of the Ministry of Petroleum and Mineral Resources' program for digital transformation. It is worth noting that Petrotrade succeeded in achieving big steps during 2019 in applying developed system in the electronic billing of natural gas as well as the readings of consumption. (Petrotrade 06.05)

4. CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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4.1. Dubai Welcomes First in-Store Hydroponic Farm by Majid Al Futtaim

Leading shopping mall operator Majid Al Futtaim has launched Dubai's first in-store hydroponic farm at its Carrefour market in Al Wasl store to increase the quantity of fresh, local, and sustainable produce. The farm is the group's third of its kind - two are already present in Carrefour locations at Yas Mall and My City Centre Masdar - and is part of a Memorandum of Understanding (MoU) with the Ministry of Climate Change and Environment (MOCCAE) to promote sustainable locally-grown produce.

Hydroponics is one of the most efficient farming techniques as it enables fresh produce to grow in a controlled and hygienic environment, while reducing food miles and carbon footprint involved in food production, and using 90% less water and less space than traditional farms. It delivers approximately 10 kg. of fresh herbs and microgreens per day, equivalent to the yield of about 1 acre of farmland. The farm is in line with Majid Al Futtaim's Net Positive commitment, which aims to offset the company's water and carbon footprint by 2040.

The latest in-store farm on Al Wasl spans 24 square meters, has a total growing area of 54 square meters and can accommodate up to 16 varieties of leafy greens, including lettuce, arugula, and kale, and herbs, such as basil, dill, and sorrel. (AB 01.05)

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4.2. Abu Dhabi Announces Cleaner Air Amid COVID-19

Air quality in Abu Dhabi has improved during the government-imposed restrictions on movement and traffic aimed at slowing the spread of the coronavirus pandemic, according to the emirate's Environment Agency (EAD) on 7 May. The announcement puts Abu Dhabi in line with a global trend of cleaner air and clearer waterways as a result of the shutdown of human activity during the coronavirus. EAD said that air pollutants including nitrogen dioxide (NO2) had reduced in the city by 62% over the last eight weeks.

The EAD assesses the levels of pollution using 20 fixed and two mobile monitoring stations. In line with international standards, it monitors about 17 types of pollutants. Alongside NO2, also reported were reductions in volatile organic compounds (VOCs) and carbon monoxide (CO) in the air. Within the region, several prominent organizations have also reported a drop in air pollution levels in countries across the entire GCC. (Al-Arabiya 10.05)

5. ARAB STATE DEVELOPMENTS

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5.1. Lebanon Seeks IMF Assistance to Help with Economic Crisis

Lebanon will seek assistance from the International Monetary Fund (IMF) to help deal with its economic crisis, the government announced on 30 April. In an address to the nation, Prime Minister Diab outlined several economic reforms passed by the government. He said Lebanon would seek more $10 billion in loans from the IMF. The plan seeks to address many of Lebanon's economic woes, and envisions economic growth by 2022. It also stipulates reforms for Lebanon's electricity sector, which takes $2 billion from the state budget each year and leaves much of the country without electricity for several hours a day. It also includes progressive taxation and stabilizing the exchange rate of the Lebanese pound, which has plummeted in value vis-a-vis the US dollar.

In October, massive protests began in Lebanon that were largely focused on poor economic conditions. Protests largely subsided in March amid a nationwide lockdown to stop the spread of the coronavirus. Demonstrations have now resumed, though, as many people lost their livelihoods during the lockdown — weakening an already fledgling economy. Indicative of the economic nature of the unrest, several Lebanese banks have been attacked recently. The Lebanese pound used to have an official pegged rate to the dollar, but this rate is now only available for some imports. Whether the IMF will support Lebanon, and how much such support there would be, is yet to be determined. (Al-Monitor 30.04)

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5.2. Lebanon's Government to Manage Mobile Networks Ahead of New Tender

Lebanon's government will take back management of the country's two state-owned mobile phone networks after the latest contracts expired, and plans to prepare a new tender within three months. Lebanon has only two service providers, Alfa and Touch, which bring in a huge chunk of revenues for the heavily-indebted state. The networks have been run respectively by Egypt's OTMT since 2009 and Kuwait's Zain Group since 2004, with the contracts repeatedly renewed. A tender for new contracts to manage the mobile and data operators will be ready within three months, Telecom Minister Hawat said after a cabinet session. The ministry will run the networks in the meantime.

Since it took office in January, Lebanon's government has grappled with a financial and economic crisis on a scale the country has never seen. The state, which defaulted on its sovereign debt in March for the first time, has signed a request for IMF assistance. The crisis has slashed more than half the value of the local currency, sent prices skyrocketing and fueled unrest. In protests that erupted against the political elite late last year, one of the many grievances was over phone bills, which are some of the most costly in the region. A parliamentary committee called last year for a probe into the telecoms duopoly. (Al-Arabia 05.05)

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5.3. Jordan's Economy is Forecast to Contract by 3% in 2020

Jordan's cash-strapped economy is expected to contract around 3% in 2020 due to the impact of the coronavirus as government revenue plunges due to a tight lockdown that paralyzed businesses. The International Monetary Fund (IMF), which last March approved a four-year $1.3 billion program with the kingdom, had expected Jordan's economy to grow around 2.1% in 2020 then gradually rise in the next few years to 3.3%.

Amman has stepped up moves to return to normality, allowing most businesses to go back to work after a tight nearly two-month lockdown, as the economic impact deepened with mounting fears that layoffs and bankruptcies could trigger social unrest, officials say in private.

Minister of Finance Al Ississ said government revenue plunged by $860 million in the year to April compared to the previous year, pushing a fiscal deficit well beyond a previous forecast of 2.3% of GDP. The crisis will not however push the country to scale down public spending in its $14 billion budget for 2020. Economists warn that fiscal stability was at stake if the government does not rein in public spending that has expanded rapidly as successive governments sought to appease citizens with state jobs to maintain stability. State salaries comprise the bulk of state expenditure in a country that has among the world's highest government spending relative to the size of its economy.

The IMF obliges the kingdom to proceed with structural reforms and fiscal consolidation to reduce a $42 billion public debt, equivalent to 97% of gross domestic product that has spiraled in the last decade due to employment in a bloated public sector. Al Ississ said the government remained committed to repaying its local and foreign debt maturities and state salaries. (Al-Arabia 03.05)

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5.4. Iraq Posts Losses of $11 Billion in Oil Revenues Due to COVID-19

Iraq has lost $11 billion in oil revenues since the outbreak of the novel coronavirus crisis this year, according to industry sources. State Organisation for Marketing of Oil (SOMO) said in a bulletin that during the first four months of the year, Iraq sold about 410 million barrels of crude at a price of approximately $38 per barrel with total revenues reaching about $15 billion, compared with the same period of 2019 when it sold about $423 million at a price of 62 dollars per barrel with total revenues amounting to about 26 billion dollars. Oil prices in the global market nosedived this year amid the COVID-19 crisis as the world economy stagnated and demand dropped sharply. (Petra 11.05)

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5.5. Japan Provides Additional Development Support to Iraq

The Government of Japan is supporting the International Organization for Migration (IOM) in Iraq's continued efforts to leverage the security-development nexus in Iraq, providing IOM with a further $3.63 million in funding for 2020-21.

Iraq is grappling with the cumulative effects of past conflicts on its development, which has left the country vulnerable to renewed conflict. Now, once again, Iraq is facing concurrent crises which threaten its security and development: the COVID-19 outbreak; the collapse in global oil prices, on which the Iraqi economy heavily depends; and political deadlock which has left the country with a caretaker government since December 2019.

With this support from the Government of Japan, IOM Iraq will support the Government of Iraq in leveraging the Security-Development Nexus (SDN) to promote stabilization in some of Iraq's most vulnerable communities. IOM will place a particular focus on supporting the socio-economic reintegration of self-demobilized former combatants who are seeking to re-establish their lives in areas of origin. The project, "Leveraging the Security Development Nexus in Iraq: Support for Community Stabilization in Conflict Affected Communities", will build upon lessons learned and good practices gathered under the 2019-20 Tokyo-supported pilot project "Supporting the Security Development Nexus in Iraq". In addition to social cohesion, mental health and psychosocial support, small and medium enterprise and livelihood support, IOM Iraq's initiatives in support of the SDN will focus on establishing and enhancing Community Policing Forums, alongside the MOI, to improve communication and trust between community members and law enforcement actors. (IITN 30.04)

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5.6. Private Sectors in UAE, Egyptian & Saudi Economies Suffer Dramatic Losses

The non-oil private sector outputs of three Middle Eastern countries dropped to their lowest points in years because of COVID-19, IHS Markit said on 5 May. The region is now starting to come out of its coronavirus-related lockdowns. IHS Markit's Purchasing Managers' Index for the United Arab Emirates, Saudi Arabia and Egypt is a measure of economic activity based on a survey of business executives in non-oil sectors. It is based on purchases, employment, staff costs, orders, delivery times, construction, exports and an array of other factors.

In the UAE, the index score fell to its lowest point since 2010, when IHS began doing the survey there. Its score of 44.1 for April indicates economic contraction, which begins at a score of 50. This was the second month in a row the UAE received its lowest score ever. The score was 45.2 in March.

In Egypt, the economy also received its lowest score since the survey began there in 2012 with a score of 29.7 for April — down significantly from 44.2 in March — and likewise indicating economic contraction, according to a press release. Domestic sales, foreign demand and employment all fell.

Saudi Arabia received a score of 44.4, which indicated a shrinking economy, but marked an improvement from 42.4 in March. The March score reflected the steepest drop since the survey for the desert kingdom began in 2010.

All three countries began lockdown measures in March to curb the spread of the coronavirus. The UAE had one of the strictest lockdowns in the world. Dubai required people to have police permission anytime they wanted to leave their homes — even to buy essentials — and closed most businesses. Saudi Arabia and Egypt also instituted curfews at night and closed restaurants, cafes, malls and other locations. All three countries have since eased their anti-virus measures as part of a wider trend in the Middle East amid the Islamic holy month of Ramadan and economic hardship. At the start of Ramadan in late April, Dubai allowed people to again leave their homes without permission during the day. Egypt also allowed businesses to reopen at that time, as did Saudi Arabia. (Al-Monitor 05.05)

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5.7. COVID-19 Accelerates E-commerce Business Growth in Dubai

The Department of Economic Development announced that 943 'DED Trader' licenses were issued Q1/20, an increase of 179% over the same period last year, as online shopping gained fresh momentum following the outbreak of coronavirus in the UAE and worldwide.

Launched in 2017, 'DED Trader' license enables business activities online and across social networking accounts. It also enables businesses to address challenges during the prevailing nationwide alert against COVID-19 with an easily accessible window regulated by Dubai Economy to set up and drive online enterprises. Additionally, it enables business continuity and sustainability during the current crisis.

Data showed that the 'Information Technology' group, which includes 17 activities, topped the list of groups in the DED Trader licenses issued during January-March 2020, followed by "Fashion" (33 activities), "Other Personal and Trading Services" (13), "Event Organizers" (8), and "Preparation of Food" (7). Around 60% of the licenses issued till-date are by women entrepreneurs.

Issued electronically in line with its emphasis on ease of business and convenience, DED Trader has continued to witness rising demand every quarter since its launch with 41 licenses issued during the first month. DED Trader also provides membership in the Dubai Chamber for commercial activities, and other benefits, including bank facilities, getting Customs Client Code, which facilitates import and export via dubaitrade.ae, temporary employment services, participation in exhibitions and conferences and training workshop, displaying of products in consumer points of sale and providing workspace. (Khaleej Times 03.05)

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5.8. Saudi Arabia to Raise VAT to 15%

On 11 May, Saudi Arabia unveiled plans to triple its Value Added Tax (VAT) and halt monthly handouts to citizens, as part of a series of austerity measures, amid record low oil prices and a coronavirus-led economic slump. The measures, which state media said would boost state coffers by SAR 100 billion ($26.6 billion), come as the government steps up emergency plans to slash spending to deal with the twin economic blow. The austerity drive comes amid an already high cost of living.

The cost of living allowance will be halted from June 2020 and VAT will be raised from 5% to 15% from 1 July, Finance Minister Al-Jadaan said in an official statement. Jadaan said the measures were necessary to shore up state finances amid a "sharp decline" in oil revenue as the coronavirus pandemic saps global demand for crude. The government was also "cancelling, extending or postponing" expenditure for some government agencies and cutting spending on projects introduced as part of the ambitious "Vision 2030" reform program to diversify the oil-reliant economy, the minister added.

Saudi Arabia, along with other Gulf states, imposed a 5% tax on goods and services in 2018 in a bid to generate additional revenue. The country had also introduced handouts worth billions of dollars to citizens, known as the cost of living allowance, to cushion the impact of rising costs. But the savings from the austerity measures are unlikely to address the kingdom's significant budget deficit, which the Saudi Jadwa Investment Group said would rise to a record $112 billion this year. (AFP 11.05)

5.9. Saudi Arabia Allocates $533 Million to Fund Agricultural Projects

Saudi Arabia has marked SAR 2 billion ($533.3 million) to help fund agriculture products and ensure food security amid the ongoing coronavirus pandemic, the kingdom's Agriculture Development Fund announced. The initiative will be carried out by both direct and indirect loans and will initially focus on products such as soybeans, yellow corn, rice and sugar. Other products will be added in the future depending on market needs and the kingdom's needs. An additional goal is to "mitigate the expected economic impacts on private sectors and economic activities, including the agricultural sector. The fund also granted SAR 60 million ($15.98 million) to finance a wide variety of projects, such as greenhouses and in the poultry sector. (Al Arabia 06.05)

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5.10. Egypt's Headline Inflation Jumps to 5.9%, Monthly Rate Up to 1.6% in April

On 10 May, Egypt's Central Agency for Public Mobilization and Statistics (CAPMAS) announced the annual (headline) inflation rate for April, which has jumped to 5.9%, up from 4.6% in March, increasing more that 1%, the highest rate since January. It came under the rate registered in April 2019, which was 12.5%, according to CAPMAS. For monthly inflation, CAPMAS said that it was up to 1.6% in April, up from 0.6% in March. Annual inflation rate in cities has upped to 5.9% in April compared to 5.1% in March, with a monthly rate of 1.3% and 2% for urban areas in the same month.

CAMPAS attributed the increases to the hike in prices of vegetables, fruits and seafood, which increased by 9.5%, 13.9% and 9.1% respectively. The increases also came as a result of the prices increases in poultry and livestock with 5.5%, dairies and eggs with 0.4%, ready garments with 0.5%, and patient services that are introduced through the out-patient clinics with 0.9%. Despite the increases over all inflation rates, they came within the limits that the Central Bank of Egypt (CBE) set for inflation by 9%.

In its outlook for global economy announced in April, the International Monetary Fund (IMF) expected that Egypt's consumer prices, which set the inflation rate, will record 5.9% over 2020, and up to 8.2% in 2021. (CAPMAS 10.05)

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5.11. Cairo Again Cuts Growth Outlook for FY2020-2021

Cairo has revised downward its growth outlook for FY2020-2021 to 2% from 3.5%, should the COVID-19 pandemic continue into December, according to a statement by Planning Minister El Said. Growth projections for the coming year had already been lowered less than two weeks ago to 3.5% from 4.5% based on the assumption that the crisis would abate by June. GDP figures will be cut by another 30% if it extends past that point. Private sector investment could also fall by up to 30% in FY2020-2021 if the crisis persists until December, El Said stated. The government still expects around EGP 740 billion in total investments in the coming year, helped by the 33% increase in state investment to EGP 281 billion allocated in the draft FY2020-2021 budget.

The government had estimated at the end of March that GDP would slow to 3.3-3.5% if the pandemic was to continue through December, labelling this as a "worst case scenario." The Finance Ministry left its projections for FY2020-2021 GDP growth unchanged from the original assumptions when the ministry drafted the budget before the virus hit but made clear it would revisit its forecasts once the economic impact of the pandemic became clearer. (Enterprise 04.05)

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5.12. Egypt's Budget Deficit Could Widen to 7.8% Due to COVID-19

Egypt's budget deficit could widen to 7.8% of GDP in FY2020-2021 if the COVID-19 pandemic continues until the end of the year, Finance Minister Maait warned on 5 May. The government currently expects to narrow the deficit to 6.3% in FY2020-2021. The primary surplus will fall to just 0.6% in the coming fiscal year if the crisis continues through to December, compared to the 2% surplus currently expected by the government. Debt would rise to 88% of GDP under this scenario from current projections of 83%.

Budget forecasts released last month predicted almost identical figures should the crisis last until July, signifying that the government now believes that the short-term impact of the pandemic on public finances may not be as severe as previously thought. The budget deficit will likely widen to 7.8% or 7.9% in the current fiscal year instead of the 7.2% targeted prior to the covid-19 outbreak.

Cairo earlier lowered its GDP projection for the coming fiscal year to 2% from 3.5%, should the pandemic last until the end of the year. The Institute of International Finance (IIF) expects the economy to contract by 2.5% during the second half of FY2019-2020 after growing at a 5.4% clip in the first six months of the year. (Enterprise 06.05)

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5.13. Egyptian Hotels to Operate at 25% Capacity Until June, Then Increase to 50%

Egyptian hotels will be able to open to new guests and will be allowed to offer restaurant and day-use services once more, provided they operate at a 25% capacity cap until 1 June, Antiquities and Tourism Minister El-Enany said on 3 May. The move aims to boost domestic tourism amid worldwide lockdowns that have abysmally affected the industry of hospitality, one of Egypt's main source of hard currency.

Most hotel services, including restaurants, night clubs, and pools, have been closed to the public since March in an effort to contain the coronavirus pandemic. Existing guests were allowed to continue staying at hotels, however. Egypt's airspace has also been closed to commercial flights since 19 March.

The government is planning to ease some restrictions put in place to limit the spread of the virus after the Eid Al-Fitr religious holiday, which begins on 23 May. Egypt adopted sweeping measures in March in a bid to contain the pandemic, including shuttering schools, mosques and churches. The government also implemented a curfew, which currently begins at 21:00h each night. Some lockdown measures have already been lifted, such as the reopening of some government offices that provide services to the public. (Ahram Online 03.05)

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5.14. Egypt's Foreign Reserves Fall for the Second Consecutive Month

The Central Bank of Egypt (CBE) announced that its foreign reserves fell in April for the second consecutive month, as the central bank honored repatriation requests from foreign investors. Reserves slipped by another $3.1 billion during the month to $37 billion, having fallen from a peak of $45.5 billion in February. Global markets at large remain under pressure due to the persistence of the COVID-19 pandemic, which continues to drive portfolio flow reversals from emerging markets. The CBE spent $1.6 billion in meeting external obligations — including a $1 billion Eurobond that matured last month — and provided an undisclosed sum of FX to back the purchase of strategic commodities.

In a related development, portfolio investment in Egyptian T-bills fell by more than 50% during the height of the emerging-market sell-off in March, according to CBE figures. Investors sold around $10.4 billion of EGP T-bills during the month, more than half of the $20 billion invested in short-term local currency debt at the end of February. Total portfolio investment (bills + bonds) fell by around 40% in March, according to figures provided last month by Finance Minister Maait. The outflows came as investors pulled record sums out of emerging markets in March in a global sell-off. (Enterprise 10.05)

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5.15. Egyptian Petroleum Exports Amount to $2.652 Billion in Q2 FY 2019/20

Egypt’s total exports of fuel, mineral oils, and their products have amounted to about $2.652 billion in Q2 of Fiscal Year (FY) 2019/20, according to the Central Bank of Egypt (CBE). The CBE reported a decline in Egyptian exports in Q2 FY 2019/20, recording $7.130 billion compared to Q2 FY 2018/19, which had about $7.488 billion, a decrease of 5%. Crude oil exports were valued at $1.307 billion, and petroleum products were valued at $569.1 million.

Additionally, Egypt’s exports of semi-manufactured goods increased during Q2 FY 2019/20 to reach $1.186.billion, compared to about $967.6 million in Q2 2018/19. Gold exports recorded $517.1 million, while ethylene and propylene polymers recorded $142.9 million. Phosphate and mineral fertilizers’ exports amounted to $272.1 million. (EOG 10.05)

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5.16. Algeria Slashes National Budget as Oil Prices Plummet

The Algerian government has slashed its national budget by 50% as international oil prices plummet, hitting the country’s economy and population with more financial woes and a fresh wave of fear for the future. In a 3 May statement, Algerian President Tebboune announced a series of measures aiming to mitigate the effects of the oil price slump and the COVID-19 pandemic on the Algerian economy.

Despite the massive budget cuts and drop of oil prices, Algeria’s government announced an increase in the minimum wage from 18,000 dinars ($140) per month to 20,000 dinars ($155). In a bid to cushion the economic shock for Algeria’s citizens, under total lockdown since early April, the government also plans to abolish income tax for workers earning a monthly wage of fewer than 30,000 dinars ($233).

Algeria, a member of OPEC, depends heavily on the petrol and oil industry, with crude oil making up 20% of its GDP and 85% of all exports. Before this announcement, Algerian crude oil was selling for $20 a barrel - $30 less than the government had predicted in the annual budget. The North African country was already facing an economic decline before COVID-19 struck hard, with foreign exchange reserves sitting at a mere $62 billion, compared to $180 billion in 2014.

The president said his country would prefer to take internal loans than to risk its autonomy through international debt. Tebboune’s opinions on IMF loans come after he reportedly took back control of the Western Sahara issue, held by the Algerian military since 1975, leading to speculation a change in the direction, or marketing, of the Algerian regime may be on the horizon.

Corruption and self-interest has, historically, been an inherent part of Algerian governance. The country's population and economy are now living with the consequences, enhanced by the impacts of the global COVID-19 pandemic. The former Algerian prime minister became president in December 2019 after a series of start-and-stop elections, marred by protests. The elections followed months of demonstrations against former President Bouteflika. Protests against the regime began in February 2019 when the ousted president announced his intent to run for a fifth term of office. Demonstrators took to the streets, calling for a complete political overhaul. Bouteflika stepped down and several public figures and politicians faced prosecution for corruption, but unrest continued to ripple across Algeria.

While Tebboune's promises of tax cuts and a higher minimum wage may bring hope to the troubled Algerian population, the president's refusal to accept external loans, or external interest in the regime, and his decision to take foreign policy power from the military could herald a sinister turn away from transparency and a backward step in political reform. (Al-Arabia 06.05)

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5.17. Morocco Remains World's Largest Exporter of Phosphates & Phosphoric Acid

Morocco's mostly state-owned OCP Group has maintained its position as the world's largest exporter of raw phosphates in 2019, despite a decline in its market share from 38% to 34% between January and September 2019. OCP's raw phosphate exports decreased from 11 million tons in 2018 to 9.5 million tons in 2019 due to a 6% global drop in exports of raw phosphate during the first nine months of 2019, compared to the same period in 2018, OCP announced.

OCP saw its exports to North America fall due to the closing of Nutrien. Nutrien, a Saskatoon based fertilizer company, is one of OCP's main clients in North America. However, its orders declined after it closed several production units in 2019. OCP Group also maintained its position as the world's largest exporter of phosphoric acid with a 49% market share. The corporation's phosphoric acid exports stood at 1.5 million tons at the end of Q3/19, compared to 1.37 million tons during the same period in 2018. The number represents a 2% yearly increase.

The group's phosphoric acid exports witnessed a decline in the European market, but OCP compensated by increasing its market share in Asia. OCP's fertilizer exports reached 9 million tons in 2019, compared to 8.4 million tons in 2018. The company took advantage of an increased demand for fertilizers in America and Europe, increasing market shares in the two continents from 32% to 35% and from 29% to 33% respectively. OCP Group also confirmed its position as the largest fertilizer exporter to Africa, with nearly 58% market share at the end of 2019, despite a drop in exports to the continent.

The group exported 1.8 million tons of fertilizer to African states in 2019, recording a slight decrease from the volume exported in 2018 that amounted to 1.9 million tons. With these results, Morocco maintains its position as a world leader in phosphate and phosphate-based products. However, it remains to be seen how the COVID-19 crisis will affect global trade in this field. (Various 06.05)

6. TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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6.1. Turkish Central Bank Foreign Exchange Reserves Fall to $52.7 billion

The Turkish central bank's gross foreign currency reserves dropped by $1.3 billion at the end of April to $52.7 billion. The decline took the shrinkage in hard currency to more than $11 billion in the four weeks to 24 April, central bank data showed. Reserves of gold were little changed at around $34 billion.

Turkey's central bank has depleted its foreign exchange reserves defending the lira as institutional investors and local deposit holders sold the currency. After a currency crisis in 2018, the impact on the economy of the coronavirus pandemic is intensifying concerns about the lira's value, which has declined by almost 15%

this year. The lira dropped 0.5% to 6.985 per dollar on 30 April. Some investors and economists say the central bank, which has teamed up with state-run banks to support the lira through currency swaps, is active in the market at levels just stronger than 7 per dollar.

Turkish monetary policymakers have added to the lira's woes by slashing interest rates to 8.75% in April from 24% last July. Consumer price inflation stands at 11.9%, meaning real interest rates are negative. The central bank's net foreign currency reserves, when excluding liabilities such as the swaps, are in negative territory. That has scared some investors and locals. (Various 30.04)

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6.2. Turkish Lira Hits Record Low as Investors Warn of Possible Crisis

Turkey's lira dropped to a record low on 7 May, as some investors warned that depleted foreign currency reserves and negative interest rates may be a precursor to a full-blown financial crisis. The lira weakened by 0.7% to TL 7.24 per dollar in morning trading in Istanbul. That passed the lows the currency reached during a currency crisis in August 2018. Turkey's central bank has sold tens of billions of dollars of its foreign currency reserves defending the lira. It has slashed interest rates to single digits - inflation stands at 11.9% – meaning that the lira has become unattractive to many savers and investors.

Treasury and Finance Minister Albayrak sought to reassure concerned foreign investors during a conference call on 6 May, saying the central bank's gross reserves of just over $50 billion were sufficient. But minus liabilities, its net reserves are negative.

Turkey has been seeking swap lines with other central banks to help support the lira and cushion the impact of the spread of the COVID-19 virus on its economy. Turkey has about $170 billion of external debt coming due this year. It has ruled out a loan program with the IMF as a means to bolster its finances. (Ahval 07.05)

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6.3. Turkey Announces 30% Increase in Import Duties on Various Goods

Turkey's government increased import duties on a large number of goods, including household appliances, gold and jewelry. Taxes of an additional 30% will be applied on the goods until 30 September, after which the amount will be reduced to 25%, according to a decision published in the Official Gazette. Plaster construction materials, wooden doors and windows, prefabricated structures, musical instruments, gaming items and sports equipment are some of the items subject to additional taxes.

Turkey is seeking the means to boost economic activity as experts warn that the country is facing a pandemic-induced financial crisis. The International Monetary Fund (IMF) forecasts that the country's economy will shrink by 5% for 2020, driving up unemployment to 17.2% and inflation to 12%. (Ahval 11.05)

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6.4. Turkish Motor Vehicle Production Slumps by 91% in April

Turkish production of motor vehicles dived by an annual 91% in April as domestic demand declined and exports almost ground to a halt. The output of cars and other motorized transport fell to 11,164 units last month from 127,913 in April last year, according to data published by the Automotive Manufacturers' Association (OSD). Turkey's leading carmakers have announced temporary halts to production after foreign clients put orders on hold due to the coronavirus outbreak and as the government imposed curbs on travel. Firms across the country are also delaying purchases after sales of goods and services plummeted.

Exports fell by an annual 90% in April to 10,613 units. Imports rose 5.6% to 18,652 units. Domestic sales declined by 15% to 27,211 units. Output of commercial vehicles plummeted by 97% to 1,503 units.

Producers manufactured no minibuses at all compared with 5,025 in April last year. Passenger car production fell by an annual 88% to 9,661 units.

Turkey's motor vehicle industry, along with the construction sector, has proven a mainstay of economic growth and exports for Turkey. Manufacturers benefitted as the economy expanded apace prior to a failed military coup in 2016. But demand has waned since and declined further following a currency crisis in the summer of 2018. (OSD 10.05)

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6.5. Cyprus Economy Begins to Unlock

On 4 May, Cyprus began to re-open its COVID-19 battered economy as construction and retail opened for business, amid government warnings to closely follow health guidelines. Moving on from this first stage out of lockdown will depend on epidemiological data mirroring people's behavior towards the new landscape. While expecting an inevitable increase in cases with the relaxations of measures, authorities want to avoid a spike in cases which would put a strain on the health system

Health Minister Ioannou said the authorities were 'on stand-by' but not worried. He said a rise in new cases was expected with the easing of measures but what was important was to ensure it remains manageable. Key parts of the economy have been restarted with civil servants returning to work, shops and construction sites reopening, after 50 days of lockdown. Retail businesses can also reopen with the exception of those in shopping malls and department stores. Restaurants and coffee shops will remain closed, apart from the ones with a takeaway and delivery service. Open-air markets and car washes are also part of the first stage out of lockdown.

Courts are also to resume operations, allowing for the registration of non-urgent cases such as lawsuits. During the lockdown, courts would only tend to criminal cases and lockdown violations. The final stage in lifting all lockdown restriction will be introduced mid-July. (FM 04.05)

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6.6. Cyprus to Gradually Reopen Airports from June

Cyprus is preparing to reopen the country's airports in mid-June but under certain conditions for entry, said Transport Minister Karousos. The Transport Minister said his Ministry is currently preparing a roadmap as to how and when the airports are to open their gates once more to welcome tourists back in limited numbers. Issues include as whether one should be asking travelers, prior to boarding the plane to carry a certificate proving that they have had coronavirus, or would it be safer for them to be tested upon arrival. Facilities at airports may need to be upgraded for best practices, once they are identified and applied. The minister said that once the roadmap is drawn up by the Transport Ministry, then the Deputy Ministry of Tourism will be called in to offer its feedback.

All commercial flights to Cyprus have been banned since 21 March while anyone allowed to enter the country is quarantined at a government facility for 14 days. The reopening of airports is scheduled in June as part of the island's third stage out of lockdown strategy. (FM 11.05)

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6.7. Greek Parliamentary Committee Approves EastMed Pipeline Deal

A deal for an undersea pipeline to carry gas from new offshore deposits in the southeastern Mediterranean to continental Europe signed by Greece, Cyprus and Israel earlier in the year was ratified by a wide majority in a Greek parliamentary committee on 11 May.

Signed in Athens by the leaders of Greece, Cyprus, and Israel in January 2020, the EastMed pipeline accord passed the first stage ahead of ratification with the votes of ruling New Democracy, main opposition SYRIZA and Movement for Change (KINAL). The Communist Party (KKE) and MeRA25 voted against, while Greek Solution said it would reserve judgment until the plenary vote on 14 May.

The 1,900-kilometer pipeline is intended to provide an alternative gas source for energy-hungry Europe, which is largely dependent on supplies from Russia and the Caucasus region. (eKathimerini 11.05)

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6.8. Greek Unemployment Falls in February to the Lowest Level Since June 2011

Greece's jobless rate fell to 16.1% in February compared to a downwardly revised 16.2% reading in the previous month, data from the country's statistics service ELSTAT showed on 7 May. It was the lowest jobless rate since June 2011.

Seasonally adjusted data showed the number of unemployed at 745,948 people, with those aged up to 24 bearing the brunt of being out of work. Among younger persons aged 15 to 24, the jobless rate fell to 35.6% from 36.5% in the same month in 2019. Greece's jobless rate, which hit a record high of 27.8% in September 2013, has been falling since but remains the highest in the euro zone. Greece's 2020 budget projected growth picking up this year, helping to drive joblessness down to 15.6%. However, the government-imposed lockdown to stem the spread of the COVID-19 has greatly affected all forecasts. (Various 07.05)

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6.9. Greece's Tax Revenues & Expired Debts to Test Budget

The reduction in state revenues combined with the expired dues created by households and enterprises in January and February point to a negative course for Greece's budget this year, although April tax takings did not fare as poorly as feared. Sources say that tax revenues last month posted a reduction of 24-25%, with losses contained below €1 billion; this was thanks to taxes of €750 million being paid on the very last day of April instead of the €250 million the Finance Ministry had expected. Original estimates had pointed to a slide in tax revenues last month by about 35%.

Of course, the drop in collections remains significant and if the new expired arrears of the first couple of months are added, then the 2020 budget looks set to veer off course. After all, tax payments have been suspended until end-August and asset confiscations by the state have been frozen due to the pandemic. Independent Authority for Public Revenue figures showed overdue arrears rose €1 billion in February, taking this year's total to €1.574 billion. (eKathimerini 08.05)

7. GENERAL NEWS AND INTEREST

***ISRAEL:**

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7.1. Israel's New Government to be Sworn in on Thursday, 14 May

Israel's thirty-fifth government will be sworn on Thursday, 14 May at 13:00h, after the original time was moved to accommodate the upcoming visit by US Secretary of State Pompeo. Prior to the swearing-in ceremony, the Knesset will be required to vote in a new Knesset Speaker, as acting speaker Gantz will be sworn in as alternate prime minister in the government led by Prime Minister Binyamin Netanyahu. The new Knesset Speaker will be a member of the Likud, although it has not yet been determined which MK will assume the position. (Various 11.05)

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7.2. Despite Pandemic, Israel's Death Rate Dropped 12% in March Compared to Last Year

Despite COVID-19, March saw a 12% drop in the number of deaths compared to last year and a 5% drop compared to the average monthly rate (4,066) from the past decade. A total of 3,875 people died in March 2020, compared to 4,398 in March 2019, according to Ministry of the Interior Ministry statistics, the lowest figure recorded since March 2016.

Israel saw just 20 of its 237 virus deaths in March, but most elective hospital treatments and surgeries were scrapped as medical services geared up for mass hospitalizations of virus victims. While Israel's local authorities and experts don't have an official explanation for the figures, one of the hypotheses being raised is that these steps contributed to the lower death rate nationwide.

Hospital data indicates that the number of those seeking emergency treatment at Israel's hospitals has dropped by 50% - 80% amid the pandemic. The report also noted that the difference in death rates was not explained by a drop in car accidents amid a lockdown on much of the country, which slid from 25 road deaths last March to 16 this year. Some 95% of deaths in Israel are due to illness.

Meanwhile, the Magen David Adom emergency service recorded a 22% rise in the number of those who died at home between 12 March and 12 April, as compared to a year earlier. It said 1,115 people died at home that month, compared to 909 the year prior. Magen David Adom attributed the rise to fears of seeking emergency treatment due to the coronavirus, while some of the home fatalities could be undiagnosed victims of the pathogen. (ToI 05.05)

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7.3. Kadhimi Succeeds in Forming New Iraqi Government

After months of political deadlock and the failure of two of his predecessors to form a government, the cabinet of PM-designate Mustafa al-Kadhimi was approved by the Iraqi parliament. Kadhimi, who is also the head of Iraq's National Intelligence, announced he had earned the parliament's support after the Iraqi parliament approved 15 ministers, while seven others (including the Minister of Oil and Foreign Affairs) will have to be confirmed at another session. The new PM faces a multi-pronged crisis tied to the continued wave of protests demanding political and economic reforms, as well as the crises prompted by the Coronavirus outbreak - particularly the collapse of oil prices, which is poised to dramatically impact the country's finances. However, in a sign that Kadhimi's appointment could help ease US-Iraq tensions (and potential economic fallout), the US Secretary of State Pompeo congratulated the new PM on the successful formation of his new government and approved a 120 extension on Iraq's waiver to import Iranian gas and electricity. (Various 06.05)

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7.4. Emirates Mars Mission Ready for Launch from Japan's Tanegashima Space Centre

The UAE Space Agency and the Mohammed Bin Rashid Space Center announced the safe transfer of the Mars Hope spacecraft to its launch site at Tanegashima Space Centre. The transfer was conducted in an 83 hour operation brought forward from its scheduled May shipment date because of the travel and movement restrictions imposed by international efforts to contain the impact of Covid-19. The Emirates Mars Mission, dubbed The Hope Probe, is the first interplanetary exploration undertaken by an Arab nation.

A team of engineers travelled to Tanegashima two weeks prior to the probe's early transfer in order to go through quarantine in time to meet the arriving shipment. A second team of engineers that accompanied the spacecraft is now in quarantine and scheduled to be ready for final tests and preparation of the spacecraft to launch on a Mitsubishi MH2A rocket. The transfer operation saw an Antonov 124 heavy lifter carry the spacecraft in a specialized temperature and atmosphere-controlled container from Maktoum International Airport in The Emirates to Chubu Centrair International Airport at Nagoya, Japan. The spacecraft was then loaded onto a sea freighter, carried to Tanegashima's Shimama Seaport and then transferred by night to the launch site.

The Emirates Mars Mission was conceived to disrupt and accelerate the development of the UAE's space sector, education and science community. Led by MBRSC under the supervision of the UAE Space Agency, the mission will send the Mars Hope probe to orbit Mars in February 2021. Hope aims to build the first full picture of Mars' climate throughout the Martian year. (UAE Space Agency 29.04)

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7.5. Expats Make Up Over 41% of the Population in Oman

Expatriates make up over 41% of the population in Oman, according to the country's National Centre for Statistics and Information (NCSI). Latest figures show the number of expats in the Sultanate reached 1,936,830 (41.7%) at the end of the first quarter in 2020, compared to 42.5% at the end of 2019, with 2,030,000 expatriates. NCSI revealed that the population of Oman at the end of March stood at 4,645,249, including 2,708,419 Omanis, representing 58.3% of the total population.

NCSI's monthly bulletin of April 2020 showed that 85.8% of the total number of expatriates in the Sultanate work in the governmental, private and domestic sectors. Their number at the end of the first quarter of 2020 amounted to 1,662,113 expatriates, including 53,332 people in the government sector – down by 7.6%; 1,321,753 people in the private sector (down 7.1%), and 287,028 people in the domestic sector (a 3.3% decline). (NCSI 03.05)

8. ISRAEL LIFE SCIENCE NEWS

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8.1. Kedrion & Kamada Join for New Anti-COVID Plasma-Based Treatment

Two innovative bio-pharma companies specialized in plasma-derived therapeutics, Italy's Kedrion Biopharma and Israel's Kamada, are joining forces for the development, manufacturing and clinical distribution of a plasma-derived Anti-SARS-CoV-2 product. The two companies, each known for its cutting-edge biopharma technology capabilities, hope to obtain approval for the clinical treatment of severely ill COVID-19 patients. The initial primary focus of the collaboration will be in Italy, Israel and the U.S. with plans to subsequently expand development and distribution efforts to additional markets. Under the newly announced agreement Kedrion will provide plasma collected at its KEDPLASMA centers from donors in both Europe and the U.S. who have recovered from the virus.

Under the terms of the agreement, Kamada is responsible for product development, manufacturing, clinical development (with Kedrion's support) and regulatory submissions. Kedrion is responsible for collection and supply of plasma from convalescent COVID-19 patients and future distribution of the therapeutic product in the U.S., Europe, Australia and South Korea. Kamada will distribute in all other territories, while marketing rights for the product in China will be shared by both companies.

Rehovot's Kamada is focused on plasma-derived protein therapeutics for orphan indications, and has a commercial product portfolio and a robust late-stage product pipeline. The Company uses its proprietary platform technology and know-how for the extraction and purification of proteins from human plasma to produce Alpha-1 Antitrypsin (AAT) in a highly-purified, liquid form, as well as other plasma-derived Immune globulins. AAT is a protein derived from human plasma with known and newly-discovered therapeutic roles given its immunomodulatory, anti-inflammatory, tissue-protective and antimicrobial properties. (Kedrion Biopharma 29.04)

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8.2. Weizmann Institute Develops "Sniff Test" to Predict Recovery in Brain-Injured Patients

If an unconscious person responds to smell through a slight change in their nasal airflow pattern – they are likely to regain consciousness. This is the conclusion from a new study conducted by Weizmann Institute scientists at the Loewenstein Rehabilitation Hospital, Israel. According to the findings, 100% of the unconscious brain-injured patients who responded to a "sniff test" developed by the researchers regained consciousness during the four-year study period. The scientists think that this simple, inexpensive test can aid doctors in accurately diagnosing and determining treatment plans according to the patients' degree of brain injury. The scientists conclude that this finding once again highlights the primal role of the sense of smell in human brain organization. The olfactory system is the most ancient part of the brain, and its integrity provides an accurate measure of overall brain integrity.

Following severe brain injury, it is often difficult to determine whether the person is conscious or unconscious, and current diagnostic tests can lead to an incorrect diagnosis in up to 40% of cases. The "consciousness test" developed by the researchers is based on the principle that our nasal airflow changes in response to odor; for example, an unpleasant odor will lead to shorter and shallower sniffs. In healthy humans, the sniff-response can occur unconsciously in both wakefulness and sleep.

The gold standard diagnostic tool for assessing the level of consciousness is the Coma Recovery Scale (Revised), which examines responses to various stimuli: eye movements while tracking an object; turning the head toward a sound; response to pain, among others. Since the rate of diagnosis errors may reach up to 40%, it is recommended to repeat the test at least five times. However, misdiagnosis may also occur when the test is conducted repeatedly. (Weizmann 29.04)

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8.3. VBL Therapeutics Announces $10 Million Registered Direct Offering

VBL Therapeutics announced that it has entered into definitive agreements with several institutional investors for the purchase and sale of 6,349,208 ordinary shares of the Company, at a purchase price of $1.575 per share, in a registered direct offering priced at-the-market under NASDAQ rules. VBL has also agreed to issue to the investors, in a concurrent private placement, unregistered warrants to purchase up to an aggregate of 6,349,208 of VBL’s ordinary shares. The warrants have an exercise price of $1.45 per ordinary share, will be immediately exercisable and will expire 18 months from the date of issuance. The closing of the offering occurred on 11 May, subject to the satisfaction of customary closing conditions.

H.C. Wainwright & Co. is acting as the exclusive placement agent for the offering. The gross proceeds from this offering are expected to be approximately $10 million, before deducting the placement agent’s fees and other estimated offering expenses. The Company intends to use the net proceeds from this offering for working capital and general corporate purposes.

Or Yehuda's Vascular Biogenics, Ltd., operating as VBL Therapeutics, is a clinical stage biopharmaceutical company focused on the discovery, development and commercialization of first-in-class treatments for areas of unmet need in cancer and immune/inflammatory indications. (VBL Therapeutics 07.05)

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8.4. Itamar Medical Receives CE Mark for its WatchPAT ONE Home Sleep Apnea Test

Itamar Medical announced receipt of CE mark approval for the Company’s WatchPAT ONE. The CE mark allows Itamar to expand commercialization of the latest innovation of its WatchPAT technology and the first fully disposable Home Sleep Apnea Test (HSAT), throughout Europe and other CE Mark geographies.

WatchPAT ONE was designed to deliver both ease of use and accessibility. With WatchPAT ONE, patients simply pair the WatchPAT device to their smartphone using Itamar's proprietary App during their Home Sleep Apnea Test. Once the test is complete and the data is automatically transmitted to Itamar's secure CloudPAT server, the prescribing physician receives an automatically generated, comprehensive report based on WatchPAT's True Sleep Time, Sleep Architecture and Central Plus algorithms. The patient is then able to dispose the WatchPAT device without any further action required. WatchPAT ONE received 510(k) clearance from the U.S. FDA in July 2019 and is currently available in the U.S., Europe and Australia.

Caesarea's Itamar Medical is a medical technology company focused on the development and commercialization of non-invasive medical devices and solutions to aid in the diagnosis of respiratory sleep disorders. Itamar Medical commercializes a digital healthcare platform to facilitate the continuum of care for effective sleep apnea management with a focus on the core sleep, cardiology and direct to consumer markets. Itamar Medical offers a Total Sleep Solution to help physicians provide comprehensive sleep apnea management in a variety of clinical environments to optimize patient care and reduce healthcare system costs. (Itamar Medical 04.05)

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8.5. VBL MOSPD2 Antibodies Show Potential for Treatment for CNS Inflammation

VBL Therapeutics published a new manuscript demonstrating the potential of MOSPD2 antibodies for Multiple Sclerosis (MS). VBL's data offer a differentiated approach to potential treatment of central nervous system (CNS) inflammatory diseases using MOSPD2 antibodies that inhibit monocyte migration. Currently, there are no approved therapies for MS that target monocyte migration.

VBL's data show that knockout of the MOSPD2 gene in mice essentially protected the animals from developing CNS disease in the well-established EAE model for MS. Proprietary anti-MOSPD2 antibodies that block monocyte migration without affecting T-cells, were able to recapitulate this effect and profoundly reduced inflammation and tissue damage. VBL is advancing lead candidate antibody VB-601 towards a first-in-man study, which is expected in 2021.

VBL is conducting two parallel drug development programs that are exploring the potential of MOSPD2, a protein that VBL has identified as a key regulator of cell motility, as a therapeutic target for inflammatory diseases and cancer. Their VB-600 platform comprises classical anti-MOSPD2 monoclonal antibodies for inflammatory indications, as well as bi-specific antibody candidates for oncology.

Or Yehuda's Vascular Biogenics, Ltd., operating as VBL Therapeutics, is a clinical stage biopharmaceutical company focused on the discovery, development and commercialization of first-in-class treatments for cancer. VBL's lead oncology product candidate, ofranergene obadenovec (VB-111), is a first-in-class, targeted anti-cancer gene-therapy agent that is being developed to treat a wide range of solid tumors. It is conveniently administered as an IV infusion once every two months. It has been observed to be well-tolerated in >300 cancer patients and demonstrated activity signals in a VBL-sponsored "all comers" phase 1 trial as well as in three VBL-sponsored tumor-specific phase 2 studies. (VBL Therapeutics 04.05)

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8.6. Israel Isolates Coronavirus Antibody in Significant Breakthrough

On 4 May, the Ministry of Defense said that the Israel Institute for Biological Research (IIBR) had isolated a key coronavirus antibody at its main biological research laboratory in Ness Ziona, noting the step is a significant breakthrough toward a possible treatment for SARS-CoV-2, the coronavirus that is the source of the COVID-19 pandemic. The monoclonal antibody developed at the Israel Institute for Biological Research can neutralize the coronavirus inside carriers' bodies.

IIBR Director Shapira as saying that the antibody formula was being patented, after which an international manufacturer would be sought to mass-produce it. Shapira said the developmental stage for the antibody was complete, albeit the antibody has yet to receive an official name. The IIBR has been leading Israeli efforts to develop a treatment and vaccine for the coronavirus, including the testing of blood from those who recovered from COVID-19, the respiratory disease caused by the virus.

The antibody reported as having been isolated at the IIBR is monoclonal, meaning it was derived from a single recovered cell and is thus potentially of more potent value in yielding a treatment. It should be noted that experts estimate the testing period for the antibody could be at least one year. They also stressed that at this stage the antibody has only been researched in a lab and that many hurdles must be crossed before it is turned into a medicine.

Nass Ziona's Israel Institute for Biological Research (IIBR) was established in 1952 as a governmental research institute, founded by a group of scientists from the IDF Science Corps and from academic organizations. Over the years the Institute has been engaged in R&D in the fields of biology, chemistry, and environmental sciences in order to provide the State of Israel with scientific response to chemical and biological threats. Alongside this specialized activity, IIBR scientists contributed to the development of a vaccine for polio (1959); developed kits for the detection of explosive materials (1980); developed of a brand name drug against Sjogren syndrome (1984) marketed all over the world and is one of four brand name drugs developed in Israel. In 1991, a governmental company, Life Sciences Research Israel (LSRI), was established alongside the Institute and serves as its business and marketing arm. (IH 05.05)

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8.7. Kitov Announces $10 Million Registered Direct Offering

Kitov Pharma has entered into definitive agreements with several institutional and accredited investors for the purchase and sale of 25,000,002 of the Company's ordinary shares represented by American Depositary Shares (ADSs), at a purchase price of $0.40 per ADS, in a registered direct offering, for aggregate gross proceeds of approximately $10 million. Kitov has also agreed to issue to the investors unregistered warrants to purchase up to an aggregate of 25,000,002 ADSs. Each ADS represents one ordinary share, no par value, of Kitov. H.C. Wainwright & Co. is acting as the exclusive placement agent for the offering. Kitov intends to use the net proceeds of this offering to fund the development of its oncology drug candidates, acquisition of new assets and for general working capital purposes.

Tel Aviv's Kitov Pharma is a clinical-stage company focusing on advancing first-in-class therapies to overcome tumor immune evasion and drug resistance, to create successful long-lasting treatments for people with cancer. Kitov's oncology pipeline includes NT-219 and CM-24. NT-219 is a small molecule targeting the novel cancer drug resistance pathways IRS1/2 and STAT3. Kitov is currently advancing NT-219 in combination with cetuximab as a third-line or second-line treatment option for the treatment of recurrent and metastatic squamous cell carcinoma of head & neck cancer (SCCHN), as well as a single agent monotherapy treatment in patients with advanced solid tumors. (Kitov 06.05)

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8.8. Teva & Celltrion Healthcare Launch TRUXIMA Injection for Rheumatoid Arthritis

Teva Pharmaceuticals USA and South Korea's Celltrion Healthcare announced that TRUXIMA (rituximab-abbs) injection is now available in the United States for the treatment of Rheumatoid Arthritis (RA) in combination with methotrexate in adult patients with moderately-to severely-active RA who have inadequate response to one or more TNF antagonist therapies. It can also be used to treat Granulomatosis with Polyangiitis (GPA) (Wegener's Granulomatosis) and Microscopic Polyangiitis (MPA) in adult patients in combination with glucocorticoids.

Celltrion Healthcare and Teva Pharmaceutical Industries entered into an exclusive partnership in October 2016 for Teva to commercialize TRUXIMA in the U.S. and Canada. In May 2019, TRUXIMA was approved by the U.S. Food and Drug Administration (FDA) to match all of the reference product's oncology indications described below.

Israel's Teva Pharmaceutical Industries has been developing and producing medicines to improve people's lives for more than a century. They are a global leader in generic and specialty medicines with a portfolio consisting of over 3,500 products in nearly every therapeutic area. Around 200 million people around the world take a Teva medicine every day, and are served by one of the largest and most complex supply chains in the pharmaceutical industry. (Teva 04.05)

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8.9. Hebrew University Team Teaches an Old Drug New Tricks

Researchers at the Hebrew University of Jerusalem have developed an injectable antibiotic with a new mode of action, which could have a significant impact on the morbidity rate for pandemics such as COVID-19, Yissum announced. Mupirocin, a highly effective topical antibiotic was re-formulated by Hebrew University researchers to allow for intravenous delivery, and in doing so they have created new properties to fight drug-resistant bacteria. According to some studies, close to 50% of COVID-19 deaths involved secondary bacterial infections.

The innovative treatment, which was advanced through the use of artificial intelligence (AI), was chiefly developed at the Laboratory of Membrane and Liposome Research at Hadassah Medical School and the Hebrew University Faculty of Medicine. The research received support from the National Institute of Health (NIH). The Hebrew University researchers developed the treatment as part of a groundbreaking study conducted with their German colleagues at the Helmholtz Centre for Infection Research (HZI).

Yissum is the technology transfer company of The Hebrew University of Jerusalem. Founded in 1964, it is the third company of its kind to be established and serves as a bridge between cutting-edge academic research and a global community of entrepreneurs, investors, and industry. Yissum's mission is to benefit society by converting extraordinary innovations and transformational technologies into commercial solutions that address our most urgent global challenges. (Yissum 04.05)

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8.10. RedHill Biopharma Receives FDA Approval for COVID-19 Clinical Study with Opaganib

RedHill Biopharma announced that the U.S. FDA has approved its Investigational New Drug (IND) application for a Phase 2a clinical study evaluating its investigational drug, opaganib (Yeliva, ABC294640), in patients with confirmed moderate-to-severe SARS-CoV-2 infection (the cause of COVID-19).

There is a strong scientific rationale for the potential efficacy of opaganib in the treatment of COVID-19, including pre-clinical data demonstrating that opaganib may inhibit viral replication and reduce levels of IL-6 and TNF-alpha, important mediators of inflammation that are elevated in moderate-to-severe COVID-19 patients. This is coupled with encouraging preliminary data from the compassionate use program in Israel, which demonstrated objective measurable clinical improvement in all six patients analyzed, including a decrease in required supplemental oxygenation, higher lymphocyte counts, and decreased CRP levels."

Preliminary findings from six moderate-to-severe COVID-19 patients treated with opaganib in Israel under compassionate use have shown that all the patients demonstrated both subjective and objective significant measurable clinical improvement within days following treatment initiation with opaganib, including decreased required supplemental oxygenation, higher lymphocyte counts and decreased C-reactive protein (CRP) levels. All six patients analyzed were weaned from oxygen and discharged from the hospital. Opaganib has been well tolerated and showed clinical improvement both with and without hydroxychloroquine. At the time of treatment initiation, all of the patients were hospitalized, suffered from moderate-to-severe acute respiratory symptoms related to SARS-CoV-2 infection, were hypoxic, and required supplemental oxygen while being treated with standard-of-care, mostly hydroxychloroquine.

Tel Aviv's RedHill Biopharma is a specialty biopharmaceutical company primarily focused on gastrointestinal diseases. RedHill promotes the gastrointestinal drugs Movantik for opioid-induced constipation in adults3, Talicia for the treatment of Helicobacter pylori (H. pylori) infection in adults4 and Aemcolo for the treatment of travelers' diarrhea in adults5. (RedHill Biopharma 08.05)

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8.11. Check-Cap Announces $3.0 Million Registered Direct Offering

Check-Cap has entered into definitive agreements with several institutional and accredited investors for the purchase and sale of 5,000,000 of the Company's ordinary shares, at a purchase price of $0.60 per share, in a registered direct offering. Check-Cap has also agreed to issue to the investors unregistered warrants to purchase up to an aggregate of 5,000,000 ordinary shares. The offering is expected to close on or about May 13, 2020, subject to satisfaction of customary closing conditions. H.C. Wainwright & Co. is acting as the exclusive placement agent for the offering. The warrants will have a term of five and one-half years, be exercisable immediately and have an exercise price of $0.80 per ordinary share.

The gross proceeds to Check-Cap from this offering are expected to be $3 million, before deducting the placement agent's fees and other offering expenses. The Company intends to use the net proceeds from the offering to advance the ongoing clinical development of C-Scan, including preparations for the Company's U.S. pivotal study, and for general corporate purposes.

Usfiya's Check-Cap is a clinical stage medical diagnostics company aiming to redefine colorectal cancer (CRC) prevention through the introduction of C-Scan, the first and only patient-friendly preparation-free screening test to detect polyps before they transform into colorectal cancer. The Company's disruptive capsule-based screening technology aims to significantly increase screening adherence worldwide and enable millions of people to stay healthy. C-Scan uses an ultra-low dose X-ray capsule, an integrated positioning, control, and recording system, as well as proprietary software to generate a 3D map of the inner lining of the colon. C-Scan is non-invasive and requires no preparation or sedation, allowing the patients to continue their daily routine with no interruption as the capsule is propelled through the gastrointestinal tract by natural motility. (Check-Cap 08.05)

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8.12. PixCell Medical Cooperates to Advance Shift to Home Care for Cancer Patients

PixCell Medical and Interreg Germany-Denmark's Changing Cancer Care (CCC) initiative announced collaboration to assess the ability of PixCell's HemoScreen hematology analyzer to enable home-based testing of blood values to support oncology treatment of cancer patients in homecare settings, thereby limiting immunocompromised patients' exposure to contagion in a hospital.

Through the study, patients will be trained to use the HemoScreen system to perform the 5-part Complete Blood Count (CBC) test required to manage patients' oncology therapy treatments and support clinical decision making. Healthcare professionals rely on readings including total white blood cell count, absolute neutrophil count, hemoglobin and platelet levels to make determinations for patients' treatment plans. HemoScreen allows the CBC testing process to take place within six minutes, providing results for 20 standard CBC parameters. The goal will be to enable patients to safely and routinely test their blood levels at home. Though HemoScreen is CE-marked and FDA-cleared for POC use, it is not yet approved for home-use, though it will be used this way in a research capacity through this study.

HemoScreen simplifies blood testing. It uses a disposable cartridge that includes all necessary reagents and requires no maintenance or calibration. HemoScreen's underlying technology, Viscoelastic Focusing (VEF), is a patent-protected physical phenomenon that causes cells to perfectly align into a single cell layer, facilitating their rapid analysis.

Yokneam's PixCell Medical provides the only simple-to-use and portable point-of-care blood diagnostic solution. PixCell's FDA-cleared and CE-marked HemoScreen platform shortens diagnostic results delivery from days to minutes. With just one drop of blood and within six minutes, PixCell delivers accurate readings of 20 standard blood count parameters, with the high clinical sensitivity of central lab results, saving patients, clinicians and health systems significant time and costs. PixCell leverages patented Viscoelastic Focusing technology, along with AI-powered machine vision, to deliver rapid point-of-care diagnostic results anywhere. (PixCell Medical 11.05)

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8.13. Ayala Pharmaceuticals Raises $55 Million in NASDAQ IPO

Ayala Pharmaceuticals has raised $55 million on NASDAQ, 10% more than planned. The company offered 3.7 million shares at $15, the midpoint of the $14 to $16 range, and more than the 3.3 million shares it originally intended offering. The company's share price ended its first day of trading up 0.03% at $15.03, giving a market cap of $182.1 million. Citigroup and Jefferies are acting as the lead book-running managers for the offering. Oppenheimer & Co. and Raymond James are acting as the co-managers for the offering.

Ayala's most recent previous fund raising round was in May 2019. It raised $30 million. The round was led by Novartis, which tends to invest in companies of this kind when it believes that it may be interested in collaborating with them in the future. Under the agreement with Novartis, Ayala received a further $10 million. Up until the current offering, the company had raised a total of $70 million.

Rehovot's Ayala Pharmaceuticals is a clinical-stage oncology company focused on developing and commercializing small molecule therapeutics for patients suffering from rare and aggressive cancers, primarily in genetically defined patient populations. Their differentiated development approach is predicated on identifying and addressing tumorigenic drivers of cancer, through a combination of our bioinformatics platform and next-generation sequencing to deliver targeted therapies to underserved patient populations. (Various 10.05)

9. ISRAEL PRODUCT & TECHNOLOGY NEWS

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9.1. Israeli MOD Orders RAFAEL's Spike FireFly Loitering Munition for the IDF

Israel's MOD has placed an order for RAFAEL's SPIKE FireFly (known in the IDF as MAOZ) loitering munition. Jointly developed by RAFAEL and the IMOD, FireFly weighs only 3 kg. and provides behind-cover precision attack capabilities for the dismounted soldier. Ordered for the IDF (Israel Defense Forces) ground forces, FireFly was designed for fighting within the urban arena where situational awareness is limited, the enemy is behind cover, and precision is critical. FireFly is rapidly deployed within seconds. It is portable, durable and includes a rugged airframe to withstand the harsh environment of urban combat. Its single-user operation is designed for the dismounted soldier – light, small and agile.

Firefly features a dual seeker, target tracker, homing algorithms, computer vision, Safe & Arm fusing mechanisms, and a rugged tablet-based HMI (Human Machine Interface). The operation of FireFly is very intuitive, with no special skills required. FireFly enables overmatch to break combat deadlock, and has a lethal effect on stationary and moving targets with or without line-of-sight to operator. FireFly has an abort/wave-off capability and full, safe returnability to the operator up to attack command. It can be operated day and night, and has low visual and acoustic signature.

Haifa's RAFAEL Advanced Defense Systems is synonymous with Dynamic Defense, Daring Innovation, and Technological Ingenuity. For over 70 years, the Company has pioneered advances in defense, cyber and security solutions for air, land, sea and space. Their innovations are based on extensive operational experience and understanding of evolving combat requirements. They enable the rapid development of effective solutions for complex battlespace challenges. (Rafael 04.05)

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9.2. Gartner Names Checkmarx Magic Quadrant Leader for Application Security Testing

Checkmarx announced that it has been recognized as a Leader in the 2020 Gartner Magic Quadrant for Application Security Testing for the third consecutive year. According to the report, "Modern application design and the continued adoption of DevSecOps are expanding the scope of the AST market. Security and risk management leaders will need to meet tighter deadlines and test more complex applications by seamlessly integrating and automating AST in the software delivery life cycle."

Checkmarx delivers the industry's most comprehensive software security solution that seamlessly integrates static application security testing (SAST), interactive application security testing (IAST), software composition analysis (SCA), and developer application security awareness and training into DevSecOps. The solution is available on-premises, in the cloud, or for hybrid environments. Checkmarx has also received customer recognition. Gartner Peer Insights documents customer experience through verified ratings and peer reviews from enterprise IT professionals.

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 01.05)

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9.3. Ethernity Networks Signs Second Design Contract with North American Tier-1 OEM

Ethernity Networks signed a second design win contract for its ENET Flow Processor technology with an existing North American tier-1 telecommunications OEM customer. Ethernity will supply its ENET Switch and Traffic Manager firmware to support performance of 200Gbps on the customer's new xPON optical light termination (OLT) device. The Company signed its first licensing deal with the customer in 2018, and following successful field deployment of that platform, the customer has now progressed to a next-generation product based on Ethernity's advanced technology. The ENET solution will be customized to fit the customer's new OLT platform, which, in addition to Ethernity's ENET Flow Processor core functionality (including hierarchical traffic management, switching, and access control list), will also include Ethernity's new 400Gbps fabric technology to allow cascading of multiple chassis to form a virtual chassis cluster.

The customer intends to deploy its new OLT platform in H2/2021. Given the popularity of the platform and the size of the OEM, the new product is anticipated to generate significant ongoing royalty streams for the Company, added to significant short-term revenue as detailed in the new contract.

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's complete solutions quickly adapt to customers' changing needs, improving time-to-market and facilitating the deployment of 5G, edge computing and NFV. (Ethernity Networks 30.04)

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9.4. Ermetic Launches Analytics-based Solution that Protects from Data Breaches

Ermetic emerged from stealth mode and announced an analytics-based solution that prevents cloud data breaches by automating the detection and remediation of identity and access risks in Infrastructure as a Service (IaaS) and Platform as a Service (PaaS) offerings from Amazon, Google and Microsoft. The company recently raised $10 million in financing from Glilot Capital Partners, Norwest Venture Partners and Target Global.

The Ermetic platform automatically discovers all human and machine identities in the cloud, and analyzes their entitlements, roles and policies using a continuous lifecycle approach. This full stack visibility enables Ermetic to provide such advantages as detection of permission gaps between privileges that should be maintained and those that should be revoked, as well as map and decouple complex, over privileged relationships between identities and roles, and generate turn-key policy changes that remediate cloud access risks.

Tel Aviv's Ermetic enables enterprises to protect cloud infrastructures (IaaS/PaaS) from access-related risks and misconfigurations by maintaining continuous visibility into identities, their entitlements and data usage. By combining analytics with granular, full stack insight, Ermetic makes it possible to enforce least privilege access at scale even in the most complex cloud environments. Ermetic has received funding from Glilot Capital Partners, Norwest Venture Partners and Target Global. (Ermetic 06.05)

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9.5. Shekel's Fast Track Answers Urgent Call for Touchless Self-Checkout

With social distancing driving an urgent consumer demand for touchless grocery self-checkout, Shekel, the leader in AI-powered advanced weighing solutions, brings to market the Fast Track – the first touchless machine-learning, cloudless self-checkout solution enabler. Shekel's Fast Track eliminates the need for consumers to enter product codes via touch screens by automatically recognizing produce, bakery and specialty items.

As an added benefit, Shekel is answering retailers' needs for improved accuracy and security, which will provide much needed loss prevention, reduce errors at checkout and deliver superior self-checkout experiences for their customers. Fast Track's constant machine learning allows existing retailer POS hardware to teach itself how to recognize new products resulting in fast deployment. The superior accuracy and security of Shekel's Fast Track significantly reduces loss, errors and checkout-time at the point-of-sale (POS) as well as greatly improving customers' checkout experience. Powered by the serverless and cloudless framework of the VRM (Virtual Recognition Module) platform, Shekel Fast Track offers benefits to grocery and supermarket retailers.

Publicly traded as Shekel Brainweigh, Kibbutz Beit Keshet's Shekel is a well-established technology market leader revolutionizing the retail industry for more than 40 years. Following the last years of disruption in the retail market, the company has reinvented itself embracing the newest technologies of IoT and data analytics to enhance and enlarge its retail market offerings, enabling retailers to adapt to the dramatic changes taking place. (Shekel 05.050

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9.6. Run:AI Creates First Fractional GPU Sharing for Kubernetes Deep Learning Workloads

Run:AI released the first fractional GPU sharing system for deep learning workloads on Kubernetes. Especially suited for lightweight AI tasks at scale such as inference, the fractional GPU system transparently gives data science and AI engineering teams the ability to run multiple workloads simultaneously on a single GPU, enabling companies to run more workloads such as computer vision, voice recognition and natural language processing on the same hardware, lowering costs.

Run:AI's fractional GPU system effectively creates virtualized logical GPUs, with their own memory and computing space that containers can use and access as if they were self-contained processors. This enables several deep learning workloads to run in containers side-by-side on the same GPU without interfering with each other. The solution is transparent, simple and portable; it requires no changes to the containers themselves. The addition of fractional GPU sharing is a key component in Run:AI's mission to create a true virtualized AI infrastructure, combining with Run:AI's existing technology that elastically stretches workloads over multiple GPUs and enables resource pooling and sharing.

Tel Aviv's Run:AI has built the world's first virtualization layer for AI workloads. By abstracting workloads from underlying infrastructure, Run:AI creates a shared pool of resources that can be dynamically provisioned, enabling full utilization of expensive GPU compute. IT teams retain control and gain real-time visibility – including seeing and provisioning run-time, queueing and GPU utilization – from a single web-based UI. This virtual pool of resources enables IT leaders to view and allocate compute resources across multiple sites - whether on premises or in the cloud. The Run:AI platform is built on top of Kubernetes, enabling simple integration with existing IT and data science workflows. (Run:AI 06.05)

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9.7. Arrowpoint Capital Upgrades Its Cloud-based Reinsurance Capabilities with Sapiens

Sapiens International Corporation announced that Arrowpoint Capital, a company built on its experience in both run-off and active insurance business by "redefining success" through development and execution of comprehensive solutions to manage claims and satisfy policyholder obligations, has upgraded to version 8 of the cloud-based Sapiens ReinsurancePro solution. Arrowpoint Capital has transitioned from a previous version, a mainframe COBOL-hosted system, to Sapiens ReinsurancePro, a SQL Server/Java technology hosted system deployed over the cloud. Arrowpoint Capital will benefit from Sapiens ReinsurancePro's faster processing and streamlined functionality. The move helps reduce operational costs and eliminated the risk of obsolete technology supporting a key application. This upgrade follows Sapiens' announcement that the company signed its 100th reinsurance customer.

Holon's Sapiens International Corporation empowers insurers to succeed in an evolving industry. The company offers digital software platforms, solutions and services for the property and casualty, life, pension and annuity, reinsurance, financial and compliance, workers' compensation and financial markets. With more than 35 years of experience delivering to over 500 organizations globally, Sapiens has a proven ability to satisfy customers' core, data and digital requirements. (Sapiens 05.05)

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9.8. Elbit Systems Introduces a UAS-Based Long-Range Maritime Rescue Capability

Elbit Systems introduced a unique life-saving capability to its Hermes 900 Maritime Patrol Unmanned Aircraft System (UAS). Integrating detection and identification capabilities, onboard inflated life-rafts, and precision dispatch capability, enables the UAS to perform long-range maritime Search and Rescue (SaR) missions. Such a configured Hermes 900 Maritime Patrol UAS was recently delivered to an undisclosed customer in South-East Asia.

Adverse weather conditions and short endurance significantly degrade the SaR capabilities of manned aircraft, often preventing them from executing their missions. Capable of more than 24 hours of continuous flight, the Hermes 900 Maritime Patrol can operate in adverse weather conditions in both day and night. Equipped with the new SaR capability the UAS can increase the number of SaR missions that can be safely executed and improve the safety and effectiveness of maritime SaR response.

The Hermes 900 Maritime Patrol can carry up to four, six-person life-rafts that are integrated on its wings. Using an onboard maritime radar the UAS detects survivor situations. Upon detection the UAS' Electro-Optic/Infra-Red (EO/IR) payload is deployed to provide visual identification, and a rapid calculation of the drop-point is performed, enabling the UAS to dispatch life rafts from a low-altitude of 600ft to a pin-pointed location at a safe distance from the survivors. A gradual inflation process of the life-rafts is initiated after dispatch and is completed upon landing.

Haifa's Elbit Systems is an international high technology company engaged in a wide range of programs throughout the world. They develop and supply a broad portfolio of airborne, land and naval systems and products for defense, homeland security and commercial applications. Their systems and products are installed on new platforms, and we also perform comprehensive platform modernization programs. In addition, Elbit provides a range of support services. (Elbit Systems 07.05)

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9.9. Unbound Tech Releases the Next Generation Virtual HSM for Remote Protection

Unbound Tech released its Next Generation virtual Hardware Security Module (vHSM), the first and only FIPS 140-2 Level 2 Validated cryptographic module that is not dependent on underlying physical infrastructure. Additionally, users eager to get a glimpse of how the vHSM works behind the scenes can download the vHSM and test it out for themselves.

Organizations wanting to embrace the benefits of virtualized and cloud computing environments, such as flexibility and scalability, while perpetuating a trust-worthy enterprise-grade level of cryptographic security can now turn to the Unbound Next Generation vHSM. Eliminating the single point of failure, the vHSM provides a mathematical guarantee without compromising on the functionality, flexibility and benefits of software. By migrating to the vHSM, organizations gain additional benefits that were previously unattainable with traditional HSMs. For organizations committed to both the strictest levels of security, and digital innovation unencumbered by the restrictions of traditional key protection methods, the Unbound NextGen vHSM can enable efficient hybrid cloud key management, database encryption, code signing, and more.

Petah Tikva's Unbound Tech creates cryptographic key management and protection solutions designed for an increasingly interconnected world. Unbound's products utilize the latest in cutting-edge multiparty computation (MPC) technology to provide greater interoperability, rigid and reliable security, and enhanced operational efficiency for its clients. From key management and virtual HSM, through digital asset security and code signing, to device authentication solutions, the Unbound product range provides enterprises and Fortune 500 companies with the agility, efficiency and control they need to innovate and grow. (Unbound Tech 07.05)

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9.10. 3DOptix Releases Open, Cloud-based Optical Design and Simulation Software

3DOptix has launched a free, cloud-based optical design and simulation platform - no installation is needed - the software runs on a standard browser. The platform provides remote access to a virtual lab with optomechanics, lasers and detectors. Both professionals and students can run an optical simulation with off-the-shelf optical components from leading vendors or any customized optical elements. The optical design and simulation platform was developed from a deep need to reduce the multiple trial and error iteration in the lab among scientists, researchers and engineers in the optics community.

Currently, the beta platform has about 1,000 users, more than 20,000 optical elements from 15 different vendors available in the database, and off-the-shelf optomechanics with built-in mechanical functionalities. All products are ready for simulation and mounting. Once the optical design has gone through the simulation phase, the implementation in the lab becomes straightforward and easy with a simulated optomechanical blueprint. Additionally, users can generate 2D sketches for an article or a paper directly from the platform. 3DOptix is open for beta testing.

Holon's 3DOptix started the online optical design and simulation platform to get more done in a frictionless remote environment. Their easy reliable and innovative optical cloud platform provides optical CAD Design, simulations, and widgets services. 3DOptix helps optical designers create better designs with higher efficiency and a clear path to implementation. Founded in 2017, 3DOptix is a spin-off company from the Femto-Nano laboratory at Tel Aviv University. (3DOptix 07.05)

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9.11. AudioCodes Announces Product Portfolio for Zoom

AudioCodes announced that its products are available to provide enhanced voice functionality and reliable connectivity for customers of Zoom Video Communications' Zoom Phone cloud phone service. Among the AudioCodes product portfolio for Zoom Phone are 400HD IP phones, session border controllers and the One Voice Operations Center voice network management system. AudioCodes' products and professional services are available on a subscription basis via the AudioCodes Live service delivered by AudioCodes' global services team.

AudioCodes 400 series of IP phones offer high voice quality and a familiar calling experience for Zoom Phone users. The phones are integrated with Zoom's zero-touch provisioning functionality to simplify installation and configuration of enterprise IP phone deployments. AudioCodes aims to complete certification of the entire 400HD IP phone series for Zoom Phone by the middle of 2020.

Lod's AudioCodes is a leading vendor of advanced voice networking and media processing solutions for the digital workplace. AudioCodes enables enterprises and service providers to build and operate all-IP voice networks for unified communications, contact centers and hosted business services. AudioCodes offers a broad range of innovative products, solutions and services that are used by large multi-national enterprises and leading tier-1 operators around the world. (AudioCodes 11.05)

10. ISRAEL ECONOMIC STATISTICS

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10.1. Israeli Startups Raised Nearly $1 Billion in April

Despite the global coronavirus pandemic economic crisis, Israeli startups raised nearly $1 billion in April, according to press releases issued by companies that have completed financing rounds. The figure may be more as some companies prefer to remain in stealth and not to publicize the investments they have received.

After raising a record $8.3 billion in 2019, according to IVC-ZAG, which easily surpassed the record $6.4 billion raised by Israeli tech companies in 2018, and $5.24 billion in 2017, 2020 began strongly with $2.74 billion raised in the first quarter. In some instances, financing rounds by tech companies that facilitate remote working and healthcare and cybersecurity, have been boosted rather than hampered by the Covid-19 crisis.

Financing rounds in April were led by behavioral biometrics company BioCatch, which raised $145 million, and flash storage platform Vast Data, which raised $100 million. Other large financing rounds were from cloud security company Cato Networks, which raises $77 million, smart dashcam company Nexar, which raised $52 million, remote healthcare company Tyto Care, which raised $50 million, vehicle data platform Otonomo, which raised $46 million, and analytics platform Glassbox, which raised $40 million. (IVC-ZAG 03.05)

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10.2. Bank of Israel Foreign Exchange Reserves Reach Record High in April 2020

Israel's foreign exchange reserves at the end of April 2020 stood at $133.539 billion, an increase of $7.59 billion from their level at the end of the previous month. The reserves represent 33.8% of Israel's GDP. The increase was the result of foreign exchange purchases by the Bank of Israel, which totaled $727 million, as well as a revaluation that increased the reserves by approximately $2,073 million. In addition, there were government transfers from abroad totaling approximately $6,484 million. The increase was partly offset by private sector transfers of approximately $1.69 billion. Over the past 12 months, Israel's foreign exchange reserves have risen from $118.7 billion to $133.5 billion. (BoI 07.05)

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10.3. Rate of Layoffs in Israel Doubled in April

About 12% of people registering with the Israel Employment Service in April were fired as opposed to those sent on unpaid leave. This was double the figure in March when 6.3% of those registering with the Israel Employment Service were laid off. In April, 177,400 people registered as unemployed including both those on unpaid leave and fired, sharply down from 850,000 in March.

At the end of April, there were 1.15 million people unemployed in Israel - 27.6% of the workforce. At the end of February, before the coronavirus crisis hit, the unemployment rate had been just 3.9%. Unemployment is highest among young people with 47.8% of those aged 15-34 without jobs. In the final days of April, with the initial lessening of COVID-19 restrictions, 17,986 people on unpaid leave notified the Israel Employment Service that they were again working or about to end their unpaid leave. (Globes 10.05)

11. IN DEPTH

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11.1. LEBANON: Major Setback for Lebanon's Oil and Gas

Carole Nakhle posted in the Lebanese Center for Policy Studies on 4 May that for many years, 2020 will be remembered as the year that brought the world economy on its knees and oil markets with it. The COVID-19 pandemic has caused unprecedented challenges to countries over the world. Economies, which until recently were considered robust, have been hit hard and their recovery pattern looks patchy. For a country like Lebanon, with its economic structures already dissolving and engulfed by a self-inflected major domestic crisis, the impact is much more severe.

The negative results from the exploration activity that oil giant Total and its partners carried out in Block 4 in Lebanese waters add another strong blow. It is true such an outcome is common in the industry particularly in hardly explored provinces. However, under the current gloomy oil market conditions, exploration spending will be significantly curtailed, further delaying Lebanon's eagerly and long-awaited dream of joining the busy club of oil and gas producers. Even when, and if, that materializes, it will not be an easy ride for Lebanon in an already highly competitive market.

The government cannot and should not pin its hope on the oil and gas sector to salvage its failing economy and should immediately tackle the root causes of the domestic turmoil irrespective of the state of the oil and gas industry.

Market Turmoil

The oil market has been thrown into turmoil—first by a dispute among key producers, then by the historic collapse in demand caused by the lockdown of global economic activity because of the pandemic. The outcome? An unparalleled collapse in oil prices. This cannot be good news for Lebanon, where exploration activity has barely started and, worse still, where the first exploration well has not resulted in a discovery.

Under normal market conditions, this would not have been a major issue as dry holes are more common than technical and, even more so, commercial discoveries. But when the industry is facing "a crisis like no other" to quote the IMF, then such a combination significantly downgrades Lebanon's attractiveness for international capital.

To understand the scale of the challenge the industry is facing, it is worth looking at the rapid unprecedented developments that hit oil markets over the last few months.

Race to the Bottom

In early March, OPEC+, an alliance of major oil producing countries, failed to reach an agreement when Russia refused to take part in production cuts recommended by OPEC. Saudi Arabia immediately announced that it was going to put an additional 2.6 million barrels per day (mb/d) into the market—that is nearly as much as the combined production of the UK and Norway. The kingdom also drastically cut its export prices. Saudi Arabia's announcement has often been labeled a price war launched against Russia, or by Saudi Arabia and Russia to take market shares from the US, the world's big producer, or simply a miscalculation with OPEC+ players surprising each other and overlooking the consequences of their actions. Whatever the true motive, the move was surely badly timed.

Just at the time when Saudi Arabia made its announcement and Russia immediately hit back saying it would increase production as well, the severity of the coronavirus crisis started to become obvious. Economic forecasts soon started to point downward. In its latest World Economic Outlook, the IMF projects global economic growth in 2020 to decline by 3%, a downgrade of 6.3% from its last forecast in January, and a major revision over a very short period. If it comes true, it would turn the "Great Lockdown", as the IMF calls it, into the worst economic decline since the Great Depression, far worse than the 2008 global financial crisis.

Global oil demand, which is largely a function of economic activity, was revised downward as well. International agencies and financial institutions soon seemed engaged in a race to the bottom with their oil demand forecasts. The worst forecast to date comes from the International Energy Agency (IEA) which, in April, put demand destruction at a staggering 9.3 mb/d, or 10% of global demand. Only two months ago the agency expected demand to grow by 825,000 b/d.

The massive adjustment of forecasts only confirms that no one has foreseen the real scale of the crisis. The world's greatest minds are still unable to understand its extent. The IMF warns that its forecasts depend "on the epidemiology of the virus, the effectiveness of containment measures, and the development of therapeutics and vaccines, all of which are hard to predict."

As a result of the overwhelming, negative demand outlook, in addition to plentiful supplies, oil prices have been in free fall and briefly turned negative. This is a scenario hardly any oil producer ever envisioned. Operators around the world have started to shut-in production - a trend that will only accelerate at current prices. Oil companies, including Total and Eni which along with Novatek jointly hold blocks 4 and 9 in Lebanon, announced spending cuts by at least 20% for this year.

Spending Cuts

In the oil industry, when prices collapse, the axe typically falls on pre-development spending. An oil and gas project goes through several phases: First exploration is carried out, then, if a discovery is made, it needs to be appraised for the investor to determine its commercial viability and thereby to decide on whether to commit substantial capital for its development. Companies need to ensure the money is worth spending before giving the green light to proceed with building the massive infrastructure to get the oil and gas out of the ground. When oil prices are low, such decisions are closely scrutinized. The capital expenditures of companies become much more cautious, selective and disciplined; this is the case even more so in today's highly uncertain environment.

The negative results from the first exploration in Block 4 do not mean game over for Lebanon. It means however that unless the situation in global oil markets changes drastically, investing in exploration activity in the country will become more precarious.

Of course, one can argue that when the current crisis is over, everything will go back to normal, including prices. But the question is when. With economic forecasts continuing to worsen and the history of oil prices suggesting that recovery will take a very long time, it may take a while indeed until oil markets recover their pre-crisis glory.

Triple Whammy

In the current low price environment and a market where supply is chasing demand, host governments also start to chase international capital, which will go to where investors can achieve the best risk-reward balance.

Lebanon will therefore be competing with other countries, many of which have lower geological and political risks. To improve its chances, the country may need to revisit its fiscal terms: What used to be competitive when oil prices were hovering above $60 per barrel, suddenly may become uncompetitive after prices collapsed by more than half.

Despite the challenges, many in Lebanon continue to anticipate an oil and gas bonanza that would open a new prosperous chapter for the country. Hope always dies last.

Under normal circumstances, however, good practice suggests a cautious attitude to avoid falling prey to the illusion resource wealth often creates: After first creating a false sense of security, often even an illusion of political and economic invulnerability, the hope for resource revenues can lead governments to lose sight of the need for good and growth-friendly economic management. In times of crisis, the stakes are much higher.

Lebanon has been hit by a triple whammy: The country is suffering from a self-inflicted, domestic economic and financial crisis, and it has been hit by a global disaster; both are still ongoing. No oil and gas discovery, no matter how large it is, can salvage the country from its current depression. Only strong and genuine commitment to badly needed economic reforms can. (LCPS 04.05)

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11.2. JORDAN: Jordan Left With Struggling Economy Following Lockdown

On 6 May, Omar Al Sharif posted in Al-Monitor that the Jordanian economy has been dealt a heavy blow by the measures imposed to contain the spread of the coronavirus and now that the lockdown has been lifted, the government is looking into ways to get business going again and mitigate the damage.

As Jordan began to relax its coronavirus measures on 27 April by lifting the total lockdown, opening up most businesses and allowing citizens to use their private vehicles during the day, the government's focus has shifted to reviving an economy that underwent more than 40 days of shutdown. So successful have been the government's health measures that the kingdom registered zero new cases in the first four days of May. By 4 May, its total cases stood at 471 with only nine deaths.

On 3 May, Minister of Industry, Trade & Supply Hammouri announced that all economic sectors in the kingdom will open as of 6 May and “will be permitted to work at full production capacity provided that the percentage of Jordanian employment in the establishment does not fall below 75%.” Having imposed the toughest lockdown in the region, Jordan is among the first Arab countries to ease restrictions in an attempt to reignite the economy.

But initial indications are troubling. On 3 May, Minister of Finance al-Ississ revealed, for the first time since the crisis began, the expected impact of COVID-19 on the local economy. At a press briefing at the National Center for Security and Crisis Management, he described the blow to government revenues and gross domestic product (GDP) as “profound.” He added that local revenues had decreased by the end of April by JOD 602 million ($849 million) compared with the same period in 2019. “After the health-related victory, now is the time to act to balance the economic impact, as we have now entered into an economic war against the virus while we are still fighting the virus itself,” Ississ was quoted as saying by the Jordan Times. He expected a 3.4% GDP retraction for 2020. “We must maintain financial stability in the kingdom and we must try as much as possible to create an environment to help citizens maintain the financial resilience of their families,” the minister added.

The private sector in particular is looking at the government to provide badly needed incentives, according to the president of the Business Society, Hamdi al-Tabaa'. Tabaa' told Al-Monitor that in order to avoid stagnation, the government must offer an economic incentive plan that is equal to between 5% and 7% of GDP. "According to a study we conducted, the most urgent government action now is to settle all debts owed to the private sector for projects and services in order to maintain necessary liquidity in the national economy," he said. Tabaa' added that other measures should include a reduction in the sales tax rate on products and services in order to encourage consumer spending.

Banking expert Mifleh Akel agreed that the biggest challenge now facing the economy is liquidity. He told Al-Monitor he expects small and medium businesses to require no less than JOD 1 billion ($1.4 billion) in direct support in order to survive. "There will be a need for low-interest loans, tax and credit incentives as well direct government funding," he said. "The banking sector in particular has a special role at this stage by taking risks when offering loans and by buying government bonds while the Central Bank must lower interest rates further," Akel added.

Economic experts here fear the impact of falling oil prices will drive Gulf countries to let go of thousands of Jordanian expatriates. This will affect two key economic parameters; the flow of foreign currency in the form of remittances and the unemployment rate, which at the end of last year stood at about 19%. No new government statistics have been released since March, but economists expect the unemployment figure to jump to unprecedented levels. Those who are most affected are workers in the informal economy such as daily laborers who are paid only when they show up for work. These include construction workers, freelance service providers such as plumbers and electricians and others such as semi-skilled workers.

But loss of Treasury revenue from income and sales taxes while hundreds of businesses are expected to go bankrupt, especially in the tourism service sector, will compound the problem for the economy and will have a grave social impact.

A Jordanian economist and former minister who requested anonymity told Al-Monitor that GDP, estimated at JOD 32 billion ($45 billion) in 2019, would fall this year by JOD 5.2 billion ($7.3 billion). This is based on the assumption that during the four months of closure (February through May) economic activity would fall by 30% and that for the remainder of the year economic activity would fall by 15% as businesses adjust to the new realities of the coronavirus, he said.

Given that the government domestic revenues amount to 30% of GDP in collected taxes and fees as stipulated in the 2020 budget, which predicted a JOD 1.5 billion ($2.1 billion) government budget deficit, there will be an additional shortfall of JOD 1.7 billion ($2.3 billion) as a consequence of the health response to the virus. Therefore, the government budget deficit, he estimates, will be around JOD 3.2 billion ($4.5 billion), or 10% of GDP.

Jordan will have to rely on the International Monetary Fund (IMF) and foreign lenders for help as it tries to mitigate the economic effects of the coronavirus. Business analyst and columnist Salameh al-Dirawi told Al-Monitor that the recent approval of a new four-year, $1.3 billion economic reform package between Jordan and the IMF is significant in light of the health crisis and its impact. "The approval of the package means that the IMF, foreign lenders and donors have a positive view of the kingdom's short- and medium-term performance in a volatile global and regional period," Dirawi said.

"The G-20, the World Bank and other international groups will facilitate loans and provisions to countries affected by the pandemic and Jordan will be qualified to apply for such loans," he added. "Even before the coronavirus, Jordan was dependent on foreign assistance to support its local economy and now we need the support of the international community more than any time before," he concluded.

Osama Al Sharif is a veteran journalist and political commentator based in Amman who specializes in Middle East issues. (Al-Monitor 06.05)

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11.3. JORDAN: Fitch Revises Jordan's Outlook to Negative; Affirms at 'BB-'

On 8 May 2020, Fitch Ratings affirmed Jordan's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB-' and revised the Outlook to Negative from Stable.

Key Rating Drivers

The revision of the Outlook to Negative reflects the economic impact of the coronavirus pandemic on Jordan, which will result in a sharp GDP contraction and lead to marked increases in the budget deficit and government debt and a worsening of external finances. The government response to the crisis has been prompt and external financial support forthcoming, but the extent of the shock raises downside risks to the sovereign's credit profile.

The shock further magnifies the challenge of consolidating public finances, which were already a core rating weakness. We forecast the general government (GG) budget deficit to widen to around 5% of GDP in 2020, from close to balance in 2018-2019. We forecast real GDP to fall by 5% in 2020, given the nationwide lockdown to contain the spread of the virus from mid-March, which has been gradually easing from mid-April, and the halt to tourism and weaker external demand. The reduction in GDP and tax relief measures will cause a sharp decline in budget revenue. The government is reprioritizing spending and will find some savings in the 2020 budget, but plans to maintain spending levels to cushion the crisis.

In 2021 we expect a partial economic rebound, with real GDP growth of 5%, which will help to narrow the GG deficit to around 3% of GDP. We expect that Jordan will continue to focus on improving revenue mobilization as the economy returns to growth and following the approval of a $1.3 billion Extended Fund Facility (EFF) by the IMF in March 2020. Prior to the coronavirus crisis, Jordan was working to improve implementation of the recent income tax reform, the tax administration and tax collection through limiting exemptions. The EFF also seeks to remove impediments to GDP growth, through reforms of labor markets and cross-subsidies that are damaging for the private sector.

We forecast GG debt to jump to 91% of GDP (from 81% in 2019), far higher than the current median for 'BB' rated peers of 58% of GDP. We expect this will largely stabilize in 2021. Availability of domestic financing owing to a fairly large and liquid banking sector and the fact that 60% of government external debt is owed to multilateral and official bilateral creditors who continue to provide Jordan with substantial financial support are mitigating factors. Nonetheless, there are also downside risks to the outlook if the economic recovery is weaker than projected.

Gross public debt, as reported by the Ministry of Finance, is higher at 98% of GDP at end-2019, while Fitch estimates consolidated GG debt by netting out the Social Security Investment Fund's (SSIF) holdings of government debt (20% of GDP at end-2018) and adding municipal debt. The SSIF manages the assets of the Social Security Corporation (SSC). Like the official public debt numbers, Fitch's GG debt estimate includes all debt guaranteed by the government, namely the debt of the public water authority (WAJ) and some of the debt of the electricity company (NEPCO).

The slump in tourism will cause a doubling of the current account deficit (CAD) to $2.5 billion or 6.1% of GDP in 2020, after a sharp improvement in the CAD to a 15-year low of 2.9% of GDP in 2019. This forecast assumes a 60% decline in travel credits, which accounted for a quarter of current account revenue in 2019. We assume tourism partially recovers in 2021, causing the CAD to narrow to 5.2% of GDP. Lower oil prices and a decline in non-oil imports will only partly offset lower tourism revenue.

The CAD will be financed with external borrowing, leading net external debt (NXD) to rise to 27.5% of GDP in 2021 in line with the 'BB' median, and a drawdown on foreign reserves, which are currently at robust levels. Jordan was a net external creditor in 2004-2014, but net external debt has increased significantly since then, given weaker coverage of CADs by net FDI. We expect the Central Bank of Jordan's reserves to fall to $13.5 billion in 2021, from $15.4 billion at end-2019, but this would still represent 7.4 months of current external payments.

A significant portion of external borrowing is concessional and Jordan's external financing flexibility remains a rating strength. This is underpinned by strong relations with the international donor community, multilateral organizations and bilateral allies, including the US and partners in the Gulf Cooperation Council. Foreign grants and concessional loans averaged more than 7% of GDP in 2012-2019.

For 2020, Jordan has secured at least $2.3 billion in concessional budget support loans (in addition to grants) and we assume there will be further financing from the IMF ($400 million through the Rapid Financing Instrument), World Bank and EU in the near term. Against this, there is close to $2 billion of public external debt maturities, including a $1.25 billion Eurobond. After that, Jordan's next Eurobond maturity is in 2022.

Jordan scores above the 'BB' median on average across the six pillars of governance as measured by the World Bank Governance Indicators, although the scores for political stability and voice and accountability are well below the median. Jordan has weathered multiple regional shocks since 2011, but regional geopolitics remain volatile, posing some risk of negative spillovers. While political stability has been maintained under the leadership of King Abdullah, low growth and high unemployment (likely above 20% in 2020) present risks of social unrest.

Rating Sensitivities

The main factors that could, individually or collectively, lead to negative rating action/downgrade:

- Failure to renew fiscal consolidation following the COVID-19 shock, leading to further increases in government debt/GDP, which could also stem from prolonged low growth

- Weakening of support from external partners and further rise in external indebtedness

- Deterioration in domestic political stability or geopolitical shocks that adversely affect the economy or public finances

The main factors that could, individually or collectively, lead to positive rating action/upgrade are:

- Progress in fiscal consolidation following the COVID-19 shock, leading to a reduction in government debt/GDP

- Lower current account deficits that reduce the upward pressure on net external debt.

- Sustained higher trend real GDP growth

Best/Worst Case Rating Scenario

International scale credit ratings of Public Finance issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. (Fitch 08.05)

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11.4. IRAQ: Iraq's Parliament Approves Government of New PM Kadhimi

Ali Mamouri noted in Al-Monitor on 6 May that a new Iraqi government has been finally formed after months of deadlock and a political crisis that hit the country's stability and economy. The majority of ministers proposed by Prime Minister-designate Mustafa al-Kadhimi were approved by parliament, thus allowing the formation of a new government only days before his 30-day deadline to form a government. Out of a total

329 members of the parliament, 266 attended the session late 6 May, which was followed by a long discussion and negotiation between the prime minister and the head of parliamentary blocs.

Kadhimi was serving as director of the Iraqi National Intelligence Service when he was designated by Iraqi President Barham Salih on 9 April to be prime minister. The previous two nominees, Mohammed Tawfiq Allawi and Adnan al-Zurfi, were unable to form a government.

The parliament voted on the prime minister's program and approved about two-thirds of the Cabinet — including those up for the key ministries of interior, defense, finance and electricity. Kadhimi will present new names to parliament at a later date in substitution for Cabinet nominees who were rejected.

Why it matters: In his speech to the parliament, Kadhimi emphasized the sensitivity of the moment, as the country is facing great economic, security and health challenges. He also emphasized the unity of the country, expressing his readiness to work with all parties to overcome the crisis, calling his government "a solution government, not crisis government." Kadhimi promised to organize early elections and form a transitional government that takes the country out of the crisis and toward stability.

In his program, he prioritized the country's sovereignty and bringing all armed groups and militias under control of the prime minster as the commander in chief of the armed forces, and preventing Iraq from being a battleground between regional and international forces.

He also focused on protesters' demands, promising to fulfill them and protect freedom of expression and the right to protest. Solving the disputes between the central government and the Kurdistan Regional Government was also among the issues he mentioned in his program and speech.

What's next: The parliament approved 15 members of the Cabinet, including Juma Enad for the Defense Ministry, Othman Ghanimi for the Interior Ministry, Ali Abdul Amir Alawi for the Finance Ministry and Nabil Kadhim for the Higher Education Ministry. Nominees for the ministers of trade, justice, culture, migration and agriculture were rejected and the parliament postponed voting on the candidates for the Foreign Ministry and Oil Ministry.

Most of the new ministers are technocrats who have long worked in their areas of expertise. The new government has received substantial internal and external support, including from both Iran and the United States. This could facilitate the government important tasks in overcoming the great challenges and threats that the country is facing. (Al-Monitor 06.05)

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11.5. SAUDI ARABIA: Moody's Lowers Saudi Arabia's Rating to Negative, Affirming A1 Rating

On 1 May, Moody's Investors Service changed the outlook to negative from stable on the Government of Saudi Arabia's issuer rating and affirmed the issuer and senior unsecured A1 rating, and the (P)A1 senior unsecured MTN rating.

The negative outlook reflects increased downside risks to Saudi Arabia's fiscal strength stemming from the severe shock to global oil demand and prices triggered by the coronavirus pandemic, and from the uncertainty regarding the degree to which the government will be able to offset its oil revenue losses and stabilize its debt burden and assets in the medium term.

The rapid and widening spread of the coronavirus pandemic, which has led to a sharp deterioration in the global economic outlook and, relatedly, to a very large fall in the price of oil, has created an unprecedented shock to a wide range of regions and markets. Moody's regards the coronavirus outbreak as a social risk under its ESG framework.

For Saudi Arabia, the shock transmits mainly through the loss in government revenue and exports caused by the drop in oil demand and prices. The government's balance sheet has weakened since the previous oil price shock in 2015-16, notwithstanding some recent improvements in budget execution, leaving the sovereign's credit profile exposed to the further prolonged period of depressed oil prices that the pandemic may usher in.

Saudi Arabia's A1 rating is supported by the government's still relatively robust, albeit deteriorating, balance sheet, which is underpinned by a still-moderate debt level and substantial fiscal and external liquidity buffers. The government's vulnerability to oil price declines is balanced by the sovereign's very large hydrocarbon reserves and low extraction costs, which support economic resiliency even in a low oil price environment.

Moody's has also affirmed the A1 backed senior unsecured rating of KSA Sukuk Limited, and its (P)A1 backed senior unsecured medium-term note program rating. KSA Sukuk Limited, a special purpose vehicle incorporated in the Cayman Islands, is wholly owned by the Government of Saudi Arabia and its debt issuance is, in Moody's view, ultimately the obligation of the Government of Saudi Arabia.

Saudi Arabia's long-term foreign-currency bond and bank deposit ceilings remain unchanged at A1 and the short-term foreign-currency bond and bank deposit ceilings remain unchanged at Prime-1. Saudi Arabia's long-term local-currency country risk ceilings remain unchanged at A1.

Ratings Rationale

Rationale for the Change in the Outlook to Negative from Stable - sharp oil price shock to increase debt and erode sovereign's fiscal buffers

Due to depressed global oil demand arising from the spreading coronavirus outbreak, and taking into account a supply response by the world's major producers, Moody's has revised down its oil price assumptions for 2020 and 2021 to an average of $35/barrel and $45 respectively (Brent). Moreover, while Moody's expects oil prices to continue to recover gradually in the medium term as demand is restored, the risks to both the short- and longer-term price assumptions are now very much on the downside.

The oil price environment now and potentially over the next few years marks a significant change from Moody's previous assumptions and creates downside risks for Saudi Arabia's already eroding fiscal strength due to the sovereign's still heavy reliance on oil revenues.

Based on these oil price assumptions and Saudi Arabia's commitment to cut oil production, Moody's now expects that government revenues will drop by about 33% in 2020 and about 25% in 2021 relative to 2019, even after accounting for potentially higher dividends from state-owned entities. A sharp slowdown in GDP growth will also depress revenue from the non-oil sector, although the impact on the government's overall budget will be limited given a relatively narrow revenue base dependent on non-oil activity.

The government will likely compensate some of the revenue loss this year and in 2021 through spending cuts. It has already announced a plan to cut expenditure by SAR 50 billion (about 2% of GDP) on top of SAR 39 billion (1.6% of GDP) already included in the 2020 budget. Moody's expects that some additional cuts will be implemented, while higher health spending related to containing the pandemic will be accommodated within that reduced expenditure envelope. Last year's 1.6% of GDP spending cut relative to the approved budget, which was aimed at achieving the fiscal deficit target despite lower than budgeted oil revenues, together with evidence of deep spending cuts during the previous oil shock in 2015-16 supports the view that spending cuts will mitigate the revenue shortfall in 2020.

However, despite these offsetting measures, Moody's projects that the fiscal deficit will widen to more than 12% of GDP in 2020 and more than 8% in GDP in 2021 from 4.5% of GDP in 2019. This will cause government debt to increase to around 38% of GDP by the end of 2021 from less than 23% of GDP in 2019. These projections assume significant drawdowns from the government's liquid assets, worth around 7% of GDP in 2020-21, in order to contain the sovereign's borrowing requirements. The bulk of the government's liquid fiscal buffers are on deposit with Saudi Arabian Monetary Authority (SAMA), managed as part of SAMA's foreign currency reserves.

Over the medium term, Moody's projects that Saudi Arabia's government debt will rise to around 45% of GDP. Its trajectory from that point will depend on what measures the government takes to arrest and reverse its rise. The effectiveness of those measures will in turn depend in part on the path of the oil price. On both counts, the balance of risk is biased to the downside. The negative outlook reflects the risk that the debt burden continues to rise, either because oil prices remain depressed around the current levels for longer than Moody's currently assumes and/or because offsetting fiscal measures are less effective or reversed in the next few years. Following the previous oil price shock, deep spending cuts implemented during 2015-16 were almost fully reversed by 2018 as oil prices increased.

Meanwhile, Moody's expects that the current account balance will shift into a deficit of around 6% of GDP in 2020 and 1% of GDP in 2021 from a surplus of 6.3% of GDP in 2019, adding to the erosion of SAMA's foreign currency reserves. Moody's expects foreign exchange reserves to decline below $375 billion at the end of 2021 from $488 billion (excluding gold, SDRs and its position with IMF) at the end of 2019, although at these levels reserve adequacy to cover imports and external debt payments will remain ample.

Rationale for the Rating Affirmation

Despite the past and expected deterioration in fiscal strength, Saudi Arabia's fiscal and foreign currency buffers remain large, albeit materially lower than a few years ago.

Moody's estimates that liquid sovereign assets, which include government deposits with SAMA and liquid assets of the Public Investment Fund, were around 21% of GDP in 2019 (not including proceeds from the December 2019 initial public offering of shares in the national oil company, Saudi Aramco, which were equivalent to around 4.5% of GDP), down from around 49% of GDP at the end of 2014.

Meanwhile, SAMA's foreign currency reserves (excluding gold, SDRs and its position with IMF) were equivalent to around 62% of GDP and covered more than 29 months of imports of goods and services at the end of 2019. This is lower than nearly 95% of GDP or 35 months of imports at the end of 2014, but still represent a formidable buffer buttressing the Saudi riyal's peg to the dollar and sovereign creditworthiness.

The A1 rating also takes into account other strengths in Saudi Arabia's credit profile. Vulnerability to oil price declines, which is highlighted again by the ongoing shock, is balanced by the sovereign's very large hydrocarbon reserves and one of the lowest extraction costs globally, which will support economic resiliency even in a low oil price environment. Saudi Arabia's proved oil reserves are expected to last around 70 years at the 2019 rate of production whereas its natural gas reserves are expected to last around 50 years.

The rating is also supported by effective monetary policy that preserves the credibility of the exchange rate peg, and financial and macroeconomic stability. There are also early signs of improving fiscal policy effectiveness resulting from structural fiscal reforms, including an enhanced medium-term public finance management framework and better expenditure monitoring and control after last year's implementation of the digital Etimad platform for tracking government contracts.

Environmental, Social & Governance Considerations

As a major oil exporter, Saudi Arabia's environmental risks are predominantly derived from carbon transition. Under a scenario similar to the International Energy Agency's Stated Policies scenario of a gradual slowdown and eventually fall in hydrocarbon demand, Saudi Arabia's credit profile would face downward pressure, although only over the longer-term and with sizeable buffers to provide support. Saudi Arabia is also one of the world's ten most arid states, and rapid growth in recent decades has further increased challenges surrounding water sustainability. The majority of Saudi Arabia's water is produced by desalination plants, which are highly energy intensive. With Saudi Arabia's population forecast to continue to grow rapidly, no improvement in water consumption efficiency could create additional fiscal pressure and/or growth constraints.

Social risks are material for Saudi Arabia's credit profile. Moody's expects that labor market nationalization policies and economic diversification efforts will over time help to reduce the unemployment rate for the nationals (12% in Q4/19). However, these policies may fall short should labor force growth outpace increased availability of jobs in the private sector. In addition, Moody's regards the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety.

Governance risks have a broadly neutral impact on Saudi Arabia's credit profile, balancing ongoing improvements in government effectiveness, control of corruption and regulation against weaknesses related to civil society and judiciary. While Moody's acknowledges progress in the past two years on improving economic and financial data transparency and availability, the remaining challenges primarily relate to poor disclosure on the financial performance and debt levels of government-related entities.

Factors That Could Lead to an Upgrade or Downgrade of the Ratings

The negative outlook indicates that an upgrade is unlikely in the near term. Evidence that the government is likely to be able to contain the deterioration in its balance sheet and stabilize and ultimately reverse the debt trajectory through implementation of fiscal consolidation measures which offset the oil revenue shortfall, possibly supported by a faster recovery in oil prices, would likely lead Moody's to change the outlook to stable.

The rising likelihood of a materially larger fiscal deterioration, with a markedly faster rise in the government's debt burden and/or erosion of reserve buffers than in Moody's baseline scenario, would likely lead Moody's to downgrade the rating. Over the longer term, the conclusion that the government's reform efforts will fall substantially short of its economic and fiscal objectives, with the debt burden continuing to rise leaving Saudi Arabia persistently and significantly exposed to further oil market shocks and rising social pressures, would also put downward pressure on the rating. A further significant escalation of regional geopolitical risks that would threaten Saudi Arabia's oil production and export capacity would also likely lead Moody's to downgrade the rating. (Moody's 01.05)

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11.6. SAUDI ARABIA: Saudi Arabia Braces for Economic Impact

On 6 May, Karen Young commented in Al-Monitor that Saudi Arabia and other Gulf Cooperation Council states must make dramatic cuts in spending, and not just on megaprojects, as unsustainably large annual deficits have arrived.

Saudi Minister of Finance Mohammed al-Jadaan may have provided the most cogent and direct message to citizens about their economic future. It's going to be different and it may require some painful adjustments. The same could have been said by just about any Group of 20 finance minister on the outlook for a post-COVID-19 recovery. But for Saudi Arabia, the reckoning was bound to come sooner or later; the coronavirus pandemic has hurried the future along.

Oil revenue dependency and massive public spending on salaries and social benefits have limits. The system is overloaded. Jadaan said, "The Saudi economy still depends greatly on public spending and therefore we have to maintain public finance so we can continue to support the economy for the years to come. Public finance needs to be regulated more. … We will reduce expenditure, God willing, even if some of the steps taken will be painful; they are for the benefit of everyone, for the benefit of the country and for the benefit of its citizens."

What then does a drastic reduction in public spending look like in Saudi Arabia? There are easy ways to trim the fat of the Saudi budget, starting with the megaprojects such as the Neom planned megacity and moving on down through the ministries to become more efficient. Defense spending is one other easy place to find cost savings, and the resolution of the war in Yemen would go a long way to reduce costs. Much more difficult will be reducing the public sector wage bill. In order to provide a form of COVID-19 relief and economic stimulus, there has been some backtracking on efforts to implement visa fees and reduce subsidies for electricity and water, with the government granting 30% utility tariff reductions to industries and suspending some visa fees paid by small and medium-sized companies (with fewer than nine employees) for three years, and reducing the expatriate visa fee for industrial companies by 25%. Combining stimulus actions to support business survival in the private sector, salary support to keep up domestic consumption and at the same time finding savings across government spending commitments will be like filling a bucket with a hole at the bottom.

The question of what to cut is easier to answer than why hasn't this been done before. There is nothing unusual about running a fiscal deficit or accessing international debt capital markets to help bridge a difficult period. Saudi Arabia will not be alone in doing either. What makes this crisis so jarring for the kingdom is that there is little reason to expect future revenue to ever recover to the recent past, in particular the special period or "magic decade" of 2003-2014 when oil revenues surged. Those days are over, but the model for government revenue has not adjusted, and neither have spending patterns. The structural causes of the current deficit are the same as they were when oil prices declined in late 2014. The twin crises of COVID-19 and the oil price collapse have simply made the inevitable occur sooner.

Replenishing the nest egg that was amassed during 2003 - 2014 is not feasible in the current or expected future oil price environment. Research from HSBC, with data from local finance ministries and CEIC, shows Gulf Cooperation Council states have consistently maintained expenditure levels since late 2014 at an average of $550 billion per year, despite 2015-19 revenues ranging from just under $400 billion to $500 billion per year (GCC government revenues averaged around $700 billion per year in 2012 and early 2013). Government and social stability are priorities at any cost. The future then is more debt and eventually, a different kind of fiscal policy. The public sector wage bill is substantial for all oil exporters. (Iraq is in a very difficult place, for example; Kuwait is also, but has more resources to buffer what looks like a forever deficit).

For Saudi Arabia, there will have to be cuts to public spending, but public sector wages will be at the end of that process. The government recently announced that private sector wages could be reduced by companies by up to 40%; the government had earlier guaranteed to support citizens' wages in the private sector at up to 60% of their salaries with a $2.4 billion support fund.

There was some effort in the 2016-19 period to freeze hiring, reduce some benefits and shift as many citizens as possible to the private sector. It didn't go so easily. For now, the social protection most Saudis have is a government job. It is the best way for the government to keep consumption levels even, or at least not crashing. This is the equivalent of a stimulus for unemployment benefits in the United States — but dissimilar in that it does nothing to boost productivity or economic growth. It's a holding pattern to keep people on the books as government employees and to bolster domestic consumption in basic goods. Right now, Saudi consumer behavior looks like most of the rest of the world: As discretionary spending on clothing, luxury goods, travel and hospitality crashes, it is only food consumption that has increased. For the government to cut costs, capital expenditure has to go first, on megaprojects and even not so big government projects. Drawdowns on reserves, possible sell-offs of assets in the Public Investment Fund (despite recent high profile and bullish acquisitions), some possible privatizations in assets that were already planned but now will earn less than expected revenues.

As for the social contract, there is a reckoning that the future looks different. Average incomes will be lower. Young people will not live the way their parents did and most young people might be content with that reality if they feel their social opportunities and freedoms continue to open under Crown Prince Mohammed bin Salman's leadership. What does survive from Vision 2030 is the restructuring of the labor market, as many foreign workers will lose their jobs and leave the kingdom, making room for more nationals to enter by necessity. Economic hardship and a strong nationalist justification could play to the crown prince's strengths. But there will be many wealthy, well-connected Saudis, including members of the ruling family, who see his leadership in the oil price feud and opulent project spending as evidence of a failed transition. They have the most to lose in the coming hard recovery. (Al-Monitor 06.05)

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11.7. SAUDI ARABIA: Saudi Arabia Healthcare Industry Assessment 2020

The "Growth Opportunities for KSA Healthcare Industry, Forecast to 2020" report has been added to ResearchAndMarkets.com's offering.

Amid the volatility in oil prices and dampened global economic growth due to the outbreak of COVID-19, the Kingdom of Saudi Arabia (KSA) healthcare market is expected to grow to $16.1 billion in value at 8.8% in 2020. KSA's pharmaceutical and MedTech markets are primarily import driven, therefore the impact of COVID-19 cannot be measured in terms of incidence of COVID-19 in KSA, but in terms of the disruption in the global supply chain of the EU and China, which will impact the KSA healthcare industry.

Health and social development is the key sector in the KSA government, as it holds 16.4% of the country's budget expenditure, the third-largest share in 2020. There has been a relative decrease in the allocation of healthcare budget which can be attributed to the increase in private player participation and the focus on preventive care through various awareness programs. KSA free public healthcare system (Saudi citizens and public sector workers) is essentially funded by oil revenue which is under great strain. The rising cost of medical technologies, the changing demographic profile, the increasing prevalence of chronic diseases, and the increasing demand for quality healthcare are putting pressure on the KSA healthcare system to adopt cost-containment measures.

For KSA, 2020 will be a reality check on its National Transformation Program (NTP 2020), the biggest vision realization program of its ambitious Saudi Vision 2030. KSA's top priorities in the healthcare sector are to enhance the role of the private sector through privatization of government healthcare services, to increase public-private participation (PPP) healthcare delivery models, to scale up medical education and training of its local workforce and to boost the adoption of digital information systems. This will create a plethora of opportunities for investors, pharmaceutical and MedTech manufacturers, healthcare IT vendors, and support services.

The low level of domestic pharmaceutical drug production (about 20% to 30%), coupled with the desire to diversify into non-oil sectors (e.g., bio economy) will continue to make the localization of pharmaceuticals manufacturing a lucrative opportunity for KSA in 2020. In addition, the disruption of the global supply chain due to COVID-19 outbreak can create a shortage of APIs, drugs, medical products and equipment. To reduce its dependence on imported drugs, KSA can upscale its manufacturing capacity and strive to become an alternative supplier in 2 to 3 years. Government initiatives to increase local pharmaceutical manufacturing through public-private partnerships have led to the increasing collaboration between the domestic and global pharmaceutical formulation manufacturers, creating a win-win situation for both and making KSA a potential generic manufacturing hub of the MENA region.

Despite the presence of several general hospitals, there are supply gaps for several specialty areas, spurring governments to harness PPP models to build specialty clinics for gynecology, oncology, and cosmetology. Lifestyle disorders and the shift toward wellness and preventive care will boost the demand for remote health monitoring solutions that leverage Artificial Intelligence (AI) platforms. This will catapult investment toward non-hospital settings, such as long-term rehabilitation centers, and fitness and wellness centers.

The private sector has a larger role to play in filling the demand-supply gap in healthcare infrastructure and services. The increasing number of private hospitals will bridge the gap of quality and accessibility of healthcare services in public hospitals which is a major concern in healthcare delivery. The increase in investments in enterprise healthcare IT solutions and connected medical devices with AI capabilities that drive efficiencies will play a major role in the shift to a performance-based value system.

KSA will continue to hold the largest share in the MENA healthcare market. An increasingly affluent population will drive the demand for research-based branded generic drugs, connected medical devices, next-gen Imaging equipment, quality point-of-care diagnostic tests, and digital health solutions. (R&M 11.05)

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11.8. EGYPT: Moody's Affirms Egypt's B2 Rating; Outlook Stable

On 11 May 2020, Moody's Investors Service affirmed the long-term foreign and local currency issuer ratings of the Government of Egypt at B2. The outlook remains stable. Moody's has also affirmed Egypt's foreign currency senior unsecured ratings at B2, and its foreign currency senior unsecured MTN program rating at (P)B2.

The affirmation of the B2 rating and stable outlook reflect Egypt's ongoing credit strengths and challenges that Moody's does not expect to change materially relative to similarly-rated sovereigns through the global shock posed by the coronavirus pandemic. While the coronavirus shock exposes Egypt's credit vulnerabilities, improvements in governance and policy effectiveness in recent years shore up the sovereign's credit profile resilience to the current shock.

The rapid and widening spread of the coronavirus outbreak, deteriorating global economic outlook, falling oil prices, and asset price declines are creating a severe and extensive credit shock across many sectors, regions and markets. The combined credit effects of these developments are unprecedented. For Egypt, the shock propagates through pressure on external financing requirements, diminished tourism receipts and remittances and slower growth.

Egypt's government's large funding requirements and weak debt affordability driven by a high interest bill expose it to a sharp tightening in financing conditions triggered by the coronavirus. However, at this stage, Moody's assesses that a track record of economic and fiscal reform implementation and demonstrated capacity to manage significant shocks reduce the likelihood of global financial market disruption severely affecting Egypt. In particular, a broad domestic funding base and robust foreign exchange reserves in excess of maturing liabilities provide buffers against significant capital outflows from emerging markets in the wake of the coronavirus pandemic.

Overall, Moody's expects the economic and financial shock to delay, but not derail the gradual decline in the government's debt burden, while its liquidity and external positions will likely remain broadly unchanged.

Egypt's country ceilings remain unchanged with the foreign-currency bond ceiling at B1, the foreign-currency deposit ceiling at B3, and the local-currency bond and deposit ceilings at Ba1. The short-term country ceilings for foreign-currency bonds and deposits remain unchanged at Not Prime (NP).

Ratings Rationale

Rationale for the B2 Rating Affirmation: High Liquidity Exposure to Coronavirus-Related Financing Shock Mitigated by Enhanced Governance and Policy Effectiveness in Recent Years

Egypt is exposed to the potential liquidity and external financing shocks facing many emerging and frontier market sovereigns as a result of the coronavirus outbreak. Its debt affordability is weak and susceptible to a sharp rise in financing costs; its external position sensitive to potential capital outflows. However, Moody's assesses that the economic, fiscal and monetary reforms in recent years shore up the sovereign's credit profile in the current environment.

Moody's anticipates debt affordability will remain challenging, with interest to revenue exceeding 45% over the next two years before gradually declining thereafter, mainly driven by weaker than earlier anticipated revenue generation. However, in contrast to the shock to emerging markets' borrowing costs in the second half of 2018, Moody's anticipates that the fiscal and monetary reforms in recent years offer policy room for maneuver to prevent a rise in monetary policy interest rates that would exacerbate the impact of wider risk premia on financing costs. A large banking system with sufficient liquidity will also contribute to preventing a sharp rise in domestic borrowing costs for the government.

In turn, preventing a large increase in the government's interest bill will help it maintain its fiscal and debt position. In Moody's assessment, the outbreak of the coronavirus pandemic will delay, but not derail the government's fiscal consolidation efforts, keeping the debt/GDP ratio on a downward trajectory over the medium term. Taking into account the government's pandemic response package of about 2%age points (pp) of GDP and weaker revenue as growth slows below 3% in fiscal 2021 (the year ending in June 2021), Moody's estimates the general government fiscal deficit to reach 7.9% and 8.5% of GDP this and next fiscal year respectively, bringing a gradual narrowing of the deficits in recent years to a temporary halt. Moody's expects the primary balance to remain in surplus in both years, although to a smaller degree than previously anticipated. The government's budget position will continue to benefit from the completion of energy subsidy reform in July 2019 and the broadening of the revenue base (e.g. VAT introduction) achieved in recent years.

Allowing for additional off-budget spending of about 4pp of GDP in fiscal 2020, Moody's anticipates the general government debt/GDP ratio to peak at about 85% of GDP in fiscal 2021 before resuming its established declining trend thereafter.

Foreign Exchange Buffer Accumulated Before the Crisis and Large Domestic Funding Base Offer Backstop for Sharp Capital Outflows

Similarly, the restoration of foreign exchange buffers in recent years positions Egypt to weather the sharp capital outflows experienced over the past two months.

Moody's estimates that about $15 billion in capital outflows occurred during March and April which have been absorbed by commercial banks to a large degree, similar in size and effects on foreign exchange reserves to the December 2018 emerging market capital outflow episode. Moody's assumes that capital flows will stabilize without further eroding the total banking system's net foreign asset position.

Moody's also projects a temporary widening in the current account deficit to 4.5% of GDP in fiscal 2020, about 1 pp wider than in fiscal 2019 on account of weaker tourism, transport and remittance revenues that are not fully offset by lower imports.

Moody's estimates that Egypt's liquid foreign exchange reserve buffer will decline to about $30 billion at the end of fiscal 2020 as a result of increased external funding needs and reduced capital inflows and stabilize at these levels, down from $42 billion in February before the outbreak of the crisis. At these levels, foreign exchange reserves will remain sufficient to fully cover the economy's upcoming annual external liabilities over the course of the next few years.

Rationale for the Stable Outlook

The stable outlook reflects Moody's view that Egypt's credit profile will be resilient to the current shock while exposure will remain significant. The government's restoration of primary surpluses and renewed build-up of domestic and external liquidity buffers supported by a large domestic funding based should help weather periods of capital outflows, wider risk premia and/or pressure on the exchange rate. Over time, a lengthening track record of limited credit impact of such shocks could point to stronger governance and more effective policymaking institutions than Moody's currently assesses.

However, nearer term, given weak starting points on debt affordability and outstanding liquidity and external exposure, a renewed and prolonged shift in global investors' risk appetite reflecting broad-based risk-off sentiment for emerging markets and/or an idiosyncratic change related to Egypt's growth prospects and policy credibility could materially test the resilience of Egypt's credit profile.

Environmental, Social & Governance Considerations

Environmental considerations are material to Egypt's credit profile. Egypt is significantly exposed to environmental risks through its water dependency on the Nile. The Nile flow has been affected by the decreasing rate of annual rainwater, and remains exposed to climate change induced reductions in rainwater, which can have a significant negative impact on the economy and balance of payments. Egypt is seeking to reduce its water dependency on the Nile via the installation of desalination plants and the application of strict rules for the cultivation of water-intensive crops such as rice and sugarcane, among other measures. The government is also negotiating a strategy with Ethiopia and Sudan for the filling period of the Grand Ethiopian Renaissance Dam once construction is complete.

Social considerations are material to Egypt's credit profile. Egypt is significantly exposed to social risks as highlighted in sporadic protests which reflect the high adjustment costs carried by the population from the government's economic reform program implemented over the past few years. While not Moody's expectation, large-scale and long-lasting protests would have a negative impact on growth and access to financing. Moody's regards the coronavirus outbreak as a social risk under its ESG framework, given the substantial implications for public health and safety. For Egypt, the transmission of the coronavirus shock is mainly through its implications on financing conditions and growth.

Governance is material to Egypt's credit profile. In recent years, significant progress in the implementation of economic and fiscal reforms denote improvements in governance, albeit from relatively weak levels globally.

Factors that Could Lead to an Upgrade or Downgrade of the Ratings

Evidence that despite high exposure, Egypt's credit metrics are broadly resilient to financing shocks, in part due to policy credibility and effectiveness would likely put positive pressure on the rating.

Over the medium term, a marked improvement in debt affordability and reduction in gross financing needs, resulting from a lengthening track record of credible and effective fiscal, economic and debt management, would likely lead Moody's to upgrade the rating.

Evidence of a sustained improvement in the labor market and in non-hydrocarbon exports would also support an upgrade by signaling higher competitiveness that would facilitate a more rapid improvement in fiscal metrics and boost Egypt's resilience to shocks.

A renewed bout of capital outflows that significantly erodes the central bank's foreign exchange reserves and threatens external stability could lead to a downgrade of the rating; as would evidence that the government was unable to mitigate the negative coronavirus-induced financing shock in a way that prevented a sharp worsening of debt affordability.

Relatedly, an erosion in policy effectiveness and credibility that contributes to raising the cost of government debt and/or eroding competitiveness, would also exert negative pressure on the rating. (Moody's 11.05)

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11.9. EGYPT: Is Egypt Trying to Provoke Turkey in the Eastern Mediterranean?

Al-Monitor observed on 8 May that although Egypt has stopped liquefying and exporting liquefied natural gas due to the global collapse of prices as a result of the coronavirus pandemic, it is still expanding its gas production in the eastern Mediterranean.

In conjunction with a report published on 30 April by the France-based International Group of Liquefied Natural Gas Importers that stated that Egypt's exports from liquefied natural gas increased by 150% in 2019, Egypt said it was ready to expand the production of natural gas from the eastern Mediterranean, which are the stage of political disputes between Cairo and Ankara. However, Egypt seems desperate to achieve another increase of its liquefied natural gas exports, in light of the rapid spread of the virus that causes COVID-19.

The Ministry of Petroleum announced on 21 April that gas production has started from two new wells: one in the Zohr field, located in the eastern Mediterranean Shorouk 9 concession block, with a production capacity of about 390 million cubic feet of gas per day; and the second in Baltim South West 7 concession area, with a production capacity of about 140 million cubic feet of gas per day, with the aim to increase Egypt's daily production of gas by 7.4%.

Ahmed Abbas, economic researcher at the Istanbul-based Egyptian Institute for Studies, told Al-Monitor that halting production from new wells to reduce expenses in light of the country's economic crisis caused by the pandemic was a logical step, especially since Egypt had suspended liquefying and exporting natural gas.

The Egyptian Natural Gas Holding Company (EGAS), representing the Egyptian Ministry of Petroleum, announced in an official statement on 27 April the failure of a settlement agreement to re-operate the Damietta liquefaction station with Italian-Spanish company Union Fenosa Gas, the foreign partner (with 80% shares) of the Egyptian government in the station. In 2013, operations were suspended at the Damietta station due to the Egyptian government's inability to cover its shares of the partnership dues. A settlement agreement to re-operate the station faltered in April because EGAS could not meet some of the conditions stated in the agreement, including paying some dues, due to the coronavirus outbreak, as per the statement of the Ministry of Petroleum and EGAS.

On 21 April, newspapers close to the Egyptian state quoted anonymous sources as saying that Shell company — which has the largest share (36%) in the Idku station complex for liquefaction — suspended in March exports of liquefied gas shipments to its contractors due to the low global price and drop in demand resulting from the pandemic. The US gas price dropped to $1.63 per million British thermal units, which is the lowest average gas price in 10 years.

An informed source in the Ministry of Petroleum told Al-Monitor on condition of anonymity that the failure to re-operate the Damietta liquefaction station and the halting of the export of liquefied gas from the Idku complex due to the low global price are two temporary measures or conditions related to the global markets' failure due to the virus outbreak. He pointed out that this should not affect production rates from the fields discovered in Egypt, "because Egypt will resume liquefaction and exports when markets stabilize sooner or later."

The source added that the production operations from the fields have their accounts independent of the liquefaction and export operations. He noted that stopping production or not expanding it in the exploration areas will incur many losses for the state and its foreign partners, "because the state and companies will bear the wages of workers in exploration areas and maintenance of the equipment in the absence of production."

However, Abbas believes that Egypt is expanding production in the Zohr field and the eastern Mediterranean region to provoke Turkey, especially since the Shorouk area, which houses the Zohr field, is located on the Egyptian-Cypriot maritime borders that Turkey does not recognize. He added, "Egypt ignored the rights of the Turkey-backed Republic of Northern Cyprus, and perhaps Turkey's own rights in areas that Egypt considered purely Cypriot areas." In an official statement on 21 April, the Cypriot government condemned Turkey's activity in the Cypriot waters, after Turkey sent a surveying ship for gas exploration and drilling. Turkey also announced in early April its implementation of maritime military exercises on virtual targets in the Mediterranean.

Shaker Mustafa, international relations' researcher at the Arab Center for Research and Studies, believes that Egypt's increase of natural gas discovery in the eastern Mediterranean, even in light of the economic recession and the disruption of liquefaction and export agreements, may actually aim to enhance the influence of Egypt in the eastern Mediterranean to rival the Turkish influence and protect Egyptian rights. Mustafa told Al-Monitor that an agreement between Egypt and Cyprus in 2014 made Egypt a partner in some hydrocarbon (natural gas and oil) reservoirs that extend along the Egyptian-Cypriot maritime borders. "The agreement angered Turkey, which did not object to border demarcation agreements between Egypt and Cyprus or try to drill for gas in Cypriot waters since 2003, until the signing of the partnership agreement [between Egypt and Cyprus] in the hydrocarbon reservoirs in 2014," he added.

Esra Elonu, a Turkish journalist close to the Turkish regime, had claimed in a tweet — which she later deleted — that the protests that broke out against Egyptian President Abdel Fattah al-Sisi in September 2019 can stop if Sisi would accept to negotiate with Turkish President Erdogan on eastern Mediterranean gas. Yassin Aktai, one of Erdogan's key advisers, retweeted the post, which many Egyptian newspapers and observers considered evidence that Turkey was supporting and inciting Egyptian leaders and those who called for the protests against Sisi, most notably Egyptian actor and contractor Mohamed Ali.

Mustafa added that Turkey was perhaps hoping to enter the Cypriot waters if the international community recognized its ally, Turkish Cyprus, and its rights to Cypriot waters. However, "These hopes were diminished due to the Egypt-Cyprus agreement to share hydrocarbon reserves. The agreement can be binding for Turkish Cyprus, even if it becomes internationally recognized," he said.

In December 2014, Turkish Minister of Foreign Affairs Cavusoglu commented on the agreements between Greece, Egypt and Cyprus regarding the investment of the Mediterranean's wealth, saying that any agreements concluded between the Mediterranean countries without Turkey will not be recognized by his country. He added, "It indicates bad faith from those countries and that would increase tensions in the region." Turkish Prime Minister Ahmet Davutoglu pledged in the same month that Ankara would not allow Greek Cypriots to excavate natural resources in the Turkish Cypriot waters and monopolize those resources for themselves. He said, "The Mediterranean is our sea too and no one can close it in our face."

Rashad Abdo, economist and head of the Egyptian Forum for Economic and Strategic Studies, told Al-Monitor that the expansion of gas exploration in the eastern Mediterranean may not be due to any political factors, rather economic ones. He said, "The decision to expand exploration and production depends on the willingness of the Egyptian government, in partnership with foreign companies such as Eni and BP. Liquefaction and export operations depend on the same factor, but in partnership with foreign partners such as Shell. For that reason, perhaps some partners support production expansion while others believe liquefaction and exports should stop." (Al-Monitor 08.05)

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