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. Government Approves Stimulus Plan, Giving Families Up To NIS 3,000 Each

On 26 July, the Israeli government approved Prime Minister Netanyahu’s economic stimulus plan, aimed at boosting the Israeli economy during the ongoing coronavirus pandemic, which has sparked one of the worst recessions in Israeli history. All except two ministers voted in favor of the plan, which would spend roughly NIS 6.5 billion ($1.93 billion) to give cash grants to every Israeli citizen.

Based on Netanyahu's original plan, every Israeli adult will receive NIS 750 ($220), with each household receiving an additional NIS 500 additional ($147) for every child, up to and including their third child, for a maximum of NIS 3,000 ($879).

At the request of Economy Minister Peretz (Labor) and Alternate Prime Minister Gantz (Blue and White), however, the plan was increased, offering an extra NIS 750 ($220) to some 830,000 people who already receive government benefits including the disabled, pensioners and recent immigrants. In addition, it was agreed that anyone whose income exceeds NIS 651,000 a year ($190,650) will not receive money from the stimulus package.

The stimulus plan payments will be transferred automatically to all citizens whose details are registered with the National Insurance Institute. The National Insurance Institute will contact those citizens whose bank account details the NII does not have in order to provide for transfer of the grant. Israel's unemployment rate, which soared in March and April during the first wave of the coronavirus and government restrictions from 3.9% in February to 24.8% by May, fell to roughly 20% a month later. It has since slowly increased, however, rising to 21.4%. (Various 26.07)

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1.2. Budget Delay Could Jeopardize Israel's International Credit Rating

The ruling Likud and unity government partner Blue and White parties have been at odds over the question of whether to pass a one-year or a two-year budget. Blue and White demand that Likud endorse a biennial budget, as stipulated in the coalition agreement, but Prime Minister Netanyahu prefers a single-year budget given the ensuing instability brought by the COVID-19 crisis.

Under Israeli law, if the government is unable to pass the annual budget within 100 days of its formation the Knesset must dissolve and elections must be held. This means that that state budget, regardless of its duration, must be passed by 25 August. Failing to pass the state budget would not only lead to elections – the cost of which would deal the Israeli economy a serious blow – but also risk the country's international fiscal standing, something it cannot afford to happen in the midst of the worst economic crisis it has ever experienced.

Finance Ministry officials warned that any further delay in passing a state budget could prompt international credit agencies to downgrade Israel's ranking, something that would have immediate and serious repercussions on the state's ability to raise capital overseas. Israel has a solid international credit rating from all three leading agencies, with an S&P ranking of A+, a Moody's ranking of A1, and a Fitch ranking of AA-. All three give the Israeli economy a stable outlook, but with their delegates scheduled to visit Israel next week (COVID-19 stipulations notwithstanding) to assess how the country is dealing with the coronavirus crisis, the Finance Ministry fears the absence of a state budget could promote them to give a less favorable review. (ILH 04.08)

2. ISRAEL MARKET & BUSINESS NEWS

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2.1. Tamar Gas Field to Start Paying Taxes on Profit in 2021

Delek Drilling said on 23 July that the partners in the Tamar natural gas site will start paying taxes on profit in early 2021, which could help Israel move forward with plans to create a sovereign wealth fund. Tamar, discovered some 80 kilometers west of Haifa in 2009, is believed to have reserves of up to 8.4 trillion cubic feet of natural gas. Prime Minister Benjamin Netanyahu has said that tens of billions of dollars raised from taxing natural gas sales would be invested abroad via a sovereign wealth fund, with proceeds brought home for education, welfare and other services. The fund, aimed at preventing Israel's currency from overheating because of the sudden influx of natural gas revenues, was due to be set up in 2018, but political turmoil and a slower stream of revenue have caused delays. The minimum needed to begin investing will not be reached before the end of 2021.

Delek Drilling and Noble Energy own 47% of the Tamar field off Israel's Mediterranean coast, while Isramco holds 28.5%. Delek said it would start paying the tax in early 2021 and that by the end of 2025, the state's income from the levy alone was expected to reach about $2.3 billion and some $4.3 billion, including royalties and taxes. The company said its best estimate of reserves in the field – which earlier this month began supplying gas to Egypt – is 10.7 trillion cubic feet (302 billion cubic meters). Tamar has a value of $6.57 billion, Delek said.

In mid-July, Chevron Corporation entered into a definitive agreement to acquire all outstanding Noble Energy shares in an all-stock transaction valued at $5 billion, or $10.38 per share. The total enterprise value, including debt, of the transaction is $13 billion. Noble's flagship field is Leviathan offshore Israel, the largest natural gas field in the eastern Mediterranean. (IH 23.07)

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2.2. Ecoppia Announces $40 Million Strategic Investment by CIM Group

Ecoppia announced a $40 million strategic investment in the company by CIM Group. CIM is an experienced and prominent US-based real assets owner, operator, lender, and developer with more than $60 billion in infrastructure and real estate projects delivered over its 25-plus year history. CIM's is now the largest investor in Ecoppia, and the investment further solidifies Ecoppia's position as leader in its field.

The solar energy sector uniquely requires vendors to meet stringent standards of financial integrity in order to deploy in large scale projects. With the CIM investment, Ecoppia significantly strengthens its balance sheet and reduces its cost of debt. This brings the company in line with expectations of its tier-1 energy clients, who include ENGIE, EDF, Fortum, Actis, Brookfield and others.

Ecoppia's fully autonomous robotic solutions are deployed globally in utility-scale sites and have been field-proven to keep solar panels at a year-round peak performance while minimizing O&M costs. Despite the unique challenges of the ongoing COVID-19 pandemic, Ecoppia has secured over 10 GW of new projects over the last three quarters alone, maintaining a CAGR of over 200% in the past six years.

With over 17GW of secured projects, Herzliya's Ecoppia is a pioneer and world leader in robotic solutions for photovoltaic solar. Ecoppia's cloud-based, water-free, autonomous robotic systems remove dust from solar panels on a daily basis leveraging advanced machine learning and IoT capabilities. Remotely managed and controlled, the Ecoppia platform allows solar sites to maintain peak performance with minimal costs and human intervention. Ecoppia's proprietary algorithms and robotic solutions make day-to-day O&M at solar sites safer, more efficient and more reliable. Privately-held and backed by prominent and experienced international investment funds, Ecoppia works with the largest energy companies globally, cleaning millions of solar panels every day. (Ecoppia 21.07)

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2.3. Firedome & Olibra Win BIRD Grant to Turn Traditional Devices Into Cyber Guardians

Firedome and New Jersey's Olibra, an IoT technology company adding connectivity to products across several verticals, providing contactless control and integrations with home automation systems, have been awarded a special grant from BIRD (Israel-U.S Binational Industrial Research and Development) Foundation to pursue joint development for a connectivity and security hardware solution, to control and secure often overlooked home appliances.

The Bond Pro BD-2000 is a product that is designed specifically for the custom and professional installers market. They saw that even in high end home installations where Control4, Crestron, Savant, RTI and URC A/V home automation systems are used, there are connectivity gaps. These gaps are for appliances such as ceiling fans, fireplaces, motorized shades and more. The BD-2000 will bring connectivity and security in one package and allow the homeowner to extend their security features to the whole home network.

Olibra and Firedome's BD-2000 smart bridge will both capitalize on increased demand for, and reduce barriers to, connectivity, while capturing the market of security concerned buyers. By combining proactive cybersecurity and a connectivity platform for non-smart appliances in a hardware solution that protects more than just Wi-Fi devices, pro installers and DIY consumers now have the ultimate solution for smart and secure control on the widest range of devices.

Tel Aviv's Firedome is an IoT privacy, security and insights platform that helps IoT device brands grow revenue by resolving top consumer privacy and security concerns. They offer cyber protection, actionable marketing insights and activation tools to help brands acquire certifications (e.g. UL) and market them to promote superior security at the point of sale. (Olibra 22.07)

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2.4. RealView Imaging Completes its $10 Million Series C Funding Round

RealView Imaging announced the completion of its $10 million series C financing round. New investors in this round include OurCrowd, a major hi-tech venture capital fund, Judith and Kobi Richter, among the most prominent technology and medical Israeli entrepreneurs, as well as other notable investors and leading physicians. The majority of the company's existing shareholders have also participated in this round.

RealView Imaging is pioneering the field of Holography Guided Interventions, introducing the HOLOSCOPE-i - the first and only system that creates true 3D volumetric holograms from medical imaging data. The HOLOSCOPE-i is uniquely designed to enable physicians to view and directly interact with hyper-realistic 3D holograms of the patient's actual anatomy, which float in free space at hands reach during interventional procedures. The system's highly advanced 3D interactive visualization tools empower imaging-based minimally-invasive medical interventions, which is one of the most rapidly growing fields in medicine.

Yokneam's RealView Imaging's vision is to leverage its pioneering position to globally lead the field of Medical Holography for multiple clinical applications. The company's next generation product, the HOLOSCOPE™-x, projects 3D holographic images inside the patient's body, making the patient literally transparent. This product, currently under development, is uniquely designed to enable precise minimally invasive Interventional procedures. (RealView Imaging 22.07)

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2.5. Tracxpoint Takes Leadership Position in Global Smart Cart Revolution

Tracxpoint announced the availability of its modular smart cart platform for North American retailers. With proven success serving Conad, one of the largest European grocery chains, Tracxpoint is expanding into North America to help grocers improve the in-store shopping experience by eliminating the traditional checkout lines and providing a revolutionary platform that delivers user-friendly personalized services.

Seamlessly designed to support large shopping trips without complication, Tracxpoint’s proprietary data classifier, called DAiVi (Digital Artificial Intelligence Vision), along with intelligent sensor algorithm technology and on-cart camera system, allow it to instantly recognize and track every item as customers add them to – or remove them from – the cart. One of the key features of DAiVi is its ability to distinguish between similar products in real-time through data reduction, and unlike competitors, such as Caper, that require the purchase of entirely new carts and systems, Tracxpoint has developed a modular, scalable platform that transforms any generic shopping cart into an intelligent self-checkout machine.

Tracxpoint is a leading global provider of next-generation grocery and retail self-checkout solutions. Established in 2016, Tracxpoint is headquartered in Coral Gables, Florida with R&D Offices in Nesher, Israel. (Tracxpoint 28.07)

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2.6. Chorus.ai Secures $45 Million to Put the "R" in CRM

Chorus.ai, the No. 1 Conversation Intelligence Platform for high growth revenue teams, has closed a $45 million Series C round. Georgian Partners led with renewed participation from Emergence Capital, Redpoint Ventures and new investor Sozo Ventures. The round is yet another indicator of the company's rapid growth, having doubled employee size and tripled revenue in 2019.

To date, Chorus has raised $85.2 million to transform how businesses understand the countless conversations occurring daily, their effectiveness, and their outcomes. This is possible through the power of AI-driven coaching networks and a connected CI, which weaves into an organization's systems and workflows to provide powerful data and insights both in the platform and directly to other applications where sales reps and leaders already work. The machine learning layer handles the analysis needed to help drive team performance, build stronger relationships, provide revenue intelligence, and acquire unbiased market intelligence.

Tel Aviv's Chorus.ai is the No.1 Conversation Intelligence Platform for high-growth revenue teams. Founded in 2015, Chorus.ai's Conversation Intelligence Platform identifies and helps teams replicate the performance of top-performing reps by analyzing their sales meetings. These insights serve as the foundation of an effective coaching strategy for sales and customer success teams and provide insight into the voice-of-the-customer across the entire organization. (Chorus.ai 28.07)

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2.7. MusashiAI Agreements in Commercial Launch of Robotic Employees

Neve Ilan, Israel's MusashiAI, a JV between Israeli SixAI and Japanese Musashi Seimitsu (a Honda Motor Corporation affiliate) announced the commercial availability of its autonomous visual quality control inspector, autonomous forklift driver and disruptive mobile robots fleet management system. Live trials from December 2019 confirm that MusashiAI's unique autonomous robotic visual inspector exceeds the speed, accuracy, and stamina of human workers in a world-first technological advance. The autonomous forklift driver exceeds modelled expectations with unparalleled efficiency, cost-effectiveness and safety standard, using unique technology that combines 'birds-eye' view cameras above the factory floor and a central processing unit.

In additions to its initial commitment with advance payment of $10 million, Musashi Seimitsu is willing to expand the deployment of MusashiAI's autonomous quality control inspectors and autonomous forklift drivers in its factories globally, subject to the company meetings certain development milestones.

The company has also secured a POC for the quality control inspector with one of the world's largest bearing manufacturers and three POCs for the autonomous forklift drivers and central management system with leading Israeli retail and FMCG groups starting Q4/20. These agreements mark the first time the robots are being tested outside of the Musashi Seimitsu group. (MusashiAI 27.07)

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2.8. Cybellum Closes $12 Million in Series A Funding for Cybersecurity Risk Assessment

Cybellum announced a $12 million round A funding, bringing total investment in the company to $15 million. The financing round was led by RSBG Ventures GmbH with additional investment from Cybellum existing investors, Blumberg Capital and Target Global. The funding was driven by investors' excitement over customer and partners engagements, resulting from Cybellum's unique automotive cyber risk assessment technology. The investment will enable Cybellum to accelerate its strong growth through expanded sales, marketing and engineering programs. Additionally, it will enable the adoption of Cybellum's Risk Assessment platform and Digital Twin approach by more industries, enabling them to scale vulnerability management operations.

Introduced in 2018, Cybellum's Automotive Risk Assessment helps the automotive supply chain to keep its promise to the customer - that every single car component was thoroughly inspected and found to be completely safe and secure. To achieve this, Cybellum developed a revolutionary technology that exposes all the software vulnerabilities in the vehicle's different components, without ever accessing their source code. The Cybellum platform monitors every strand of code for their exposure to risk, allowing manufacturers to take action immediately and eliminate any cyber risk before any harm is done.

Tel Aviv's Cybellum empowers automotive OEMs and suppliers to identify and remediate security risks at scale, throughout the entire vehicle life cycle. Their agentless solution scans embedded software components without needing access to their source code, exposing all cyber vulnerabilities. Manufacturers can then take immediate actions and eliminate any cyber risk in the development and production process, before any harm is done, while continuously monitoring for emerging threats impacting vehicles on the road. (Cybellum 28.07)

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2.9. Explorium Announces $31 Million in Funding to Accelerate Growth

Explorium has secured an additional $31 million in funding for its data science platform powered by automated data discovery. The Series B funding round was led by existing investor Zeev Ventures and joined by ex-Twitter leadership's 01 Advisors and Sir Ronald Cohen's Dynamic Loop, with the participation of seed investors Emerge and F2 Capital. It brings Explorium's total funding to $50 million.

Explorium empowers companies to build better predictive models by connecting their internal data to thousands of external data sources (including company, geospatial, behavioral, time-based, website data, and more), and then automatically uncovering hidden connections and generating custom signals and new data science 'features' that make predictions more accurate. In doing this, the Explorium platform empowers data scientists by eliminating the barrier to acquire the right data, and business leaders by giving them the ability to make better decisions based on superior predictive power.

Since it announced its Series A funding last September, Explorium has tripled its customer base and expanded to incorporate data relevant to more industries and verticals. In addition to Explorium's Data Engine, either as a standalone product or integrated into its advanced data science platform, the company helps organizations through their machine learning and artificial intelligence transformations, by building models that impact the bottom line and create a competitive advantage.

Tel Aviv's Explorium offers a first of its kind data science platform powered by augmented data discovery and feature engineering. By automatically connecting to thousands of external data sources and leveraging machine learning to distill the most impactful signals, the Explorium platform empowers data scientists and business leaders to drive decision-making by eliminating the barrier to acquire the right data and enabling superior predictive power. (Explorium 28.07)

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2.10. Yissum Spinouts Raise $79 Million in First Half Despite Coronavirus Uncertainty

Startups from The Hebrew University of Jerusalem raised $79 million in H1/20, Yissum, the technology transfer company of the Hebrew University, announced. Despite the continuing global uncertainty caused by the coronavirus and ongoing lockdowns around the world, 14 Yissum spinouts raised tens of millions of dollars in early stage funding rounds. Investments were made in companies in the cleantech, agriculture and foodtech sectors as well as in life science, AI and education. Despite the fact that VC investments in the US and Europe were down, the number of VC deals in Israel reached an all-time record in Q2/20. The record amount of money raised in Israel was done so by just 174 companies.

Yissum spinouts that raised funds during in the first half of 2020 include Tissue Dynamics, an AI organ-on-chip drug development company, and Nectin Therapeutics, an immune-oncology biotech focused on cancer therapies.

Yissum is the technology transfer company of The Hebrew University of Jerusalem. Founded in 1964, it 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 most urgent global challenges. (Yissum 28.07)

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2.11. ClimaCell Accelerates Growth With $23 Million Series C Funding

ClimaCell announced its Series C funding round, raising $23 million to accelerate strategic initiatives. The round is co-led by Pitango Growth in addition to existing investor Square Peg Capital. The raise brings ClimaCell's total funding to more than $100 million. Founded in 2016, ClimaCell has built a suite of enterprise-grade technology with its revolutionary SaaS products: Its Business Dashboard, API, Historical AI Data, and Consumer App.

The round comes amidst rapid growth across the global supply chain, energy, insurance, and on-demand sectors with recent enterprise customers including ITS ConGlobal, IndiGrid and Swiggy amongst others. The key differentiator in ClimaCell's product is the company's automated and predictive impact technologies, which help customers save millions in operational efficiency, improve safety, and avoid significant costs and damages from weather events. Further solidifying its unique SaaS offering, ClimaCell was recently ranked as having the number one global weather API for businesses across the world as they deal with a flurry of new weather and climate related challenges.

With its AI-powered weather intelligence platform, Tel Aviv's ClimaCell automates operational decision making and action plans based on the business impact of historical, real time, and forecasted weather. Having more than doubled its employee headcount in 2019 and achieving 7x revenue growth, ClimaCell is on an aggressive growth path towards revolutionizing the weather industry with customers including Uber, Delta, Ford, Intact Insurance, National Grid, the U.S. Open, Rappi, Porsche and more. (ClimaCell 28.07)

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2.12. Mor & Meitav Dash to Invest $3 Million in SavorEat

The Mor and Meitav Dash investment houses will invest $3 million in Israeli plant-based meat alternatives company SavorEat and will receive options to invest a further $1 million. The investment by Mor and Meitav Dash is at a company valuation of $25 million and will be conducted in two stages in accordance with the company meeting milestones. One million dollars will be invested immediately at a valuation of $13 million and $2 million more will be invested at a valuation of up to $35 million.

This is SavorEat's second financing round with $4.75 million raised; $1.75 million was raised from the Millennium Foodtech Partnership at a valuation of $7 million.

Nes Ziona's SavorEat was founded in 2018. Its technology, which was developed at the Hebrew University's Faculty of Agriculture, has received an exclusive commercialization license from the University's Yissum technology transfer company. SavorEat has developed technology that combines ingredients from an innovative plant based formula, 3D robot printing, and advanced cooking methods. SavorEat can manufacture and cook products that distinctively imitate the taste and texture of meat (including fat, sinew and fibers) with the manufacturing potential for other foods. The ingredients come from plant sources and are patent protected. Production of each serving is carried out by a "robot chef," integrating automatic and autonomous manufacturing methods with unique 3D printing and heating methods, facilitating the full cooking of servings. The robot allows personalization of many dimensions of the serving, untouched by human hands.

SavorEat can manufacture a range of textures simulating meat with high precision, also allowing individual adaptation of the composition of each serving to the personal preference and health of the customer, longer shelf life, and manufacturing products that do not contain gluten/GMO/ and preservatives. (Globes 27.07)

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2.13. Raytheon & RAFAEL Establish U.S.-based Iron Dome Production Facility

Raytheon Missiles & Defense, a Raytheon Technologies business, and RAFAEL Advanced Defense Systems, an Israeli-based defense technology company, have signed a joint venture to establish an Iron Dome Weapon System production facility in the United States. The new partnership, called Raytheon RAFAEL Area Protection Systems, anticipates finalizing a site location before the end of the year. The new facility will produce both the Iron Dome Weapon System, which consists of the Tamir interceptor and launcher, and the SkyHunter missile, a U.S. derivative of Tamir. Both Tamir and SkyHunter intercept incoming cruise missiles, unmanned aerial systems and short-range targets such as rockets, artillery, mortars and other aerial threats. Raytheon Missiles & Defense and RAFAEL have teamed for over a decade on Iron Dome, the world's most-used system with more than 2,500 operational intercepts and a success rate exceeding 90%.

Haifa's RAFAEL Advanced Defense Systems designs, develops, manufactures and supplies a wide range of high-tech defense systems for air, land, sea, and space applications for the Israel Defense Forces and the Israeli defense establishment, as well as for customers around the world. The company offers its customers a diversified array of innovative solutions at the leading edge of global technology, from underwater systems through naval, ground, and air superiority systems to space systems. RAFAEL is one of Israel's three largest defense companies, employing 8000 people and numerous subcontractors and service suppliers, including in the United States. (Raytheon Technologies 03.08)

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2.14. Yotpo Completes $75 Million Financing Round

Yotpo announced that it has completed a $75 million series E financing round led by Bessemer Venture Partners. Existing backers Access Industries and Vertex Ventures also took part in the round along with Hanaco Ventures for whom this was the first investment in the company.

According to company figures, since its last financing round in November 2017, Yotpo experienced a 300% increase in customers and a 250% increase in annual recurring revenue. The company anticipates it will double its income in the next two years because due to the COVID-19 outbreak there has been a significant boost in purchases on e-commerce sites. This has led to marketing executives transferring budgets from offline campaigns to online campaigns, resulting in a large increase in demand for the company's products. Yotpo aims to use the new capital to recruit employees and continue acquiring companies, despite the COVID-19 crisis.

Tel Aviv's Yotpo was founded in 2011 as a platform for creating consumer reviews and visual content. Today, following two strategic acquisitions, it develops a platform that aids e-commerce websites market their products online, by offering a unique user experience and increasing sales. Among Yotpo's customers are brands like Patagonia, Bob's Discount Furniture, Drunk Elephant, MVMT Watches, Gymshark and Rebecca Minkoff. The company employs more than 500 workers in offices in Tel Aviv, Yokneam, New York, London and Sofia. (Yotpo 04.08)

3. REGIONAL PRIVATE SECTOR NEWS

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3.1. Tamatem Partners with Tamalaki for 'Home Designer Blast Makeover' Game

Tamatem, a leading mobile games publisher in the MENA region, signed a strategic partnership agreement with Tamalaki - the mobile games publisher - to release its popular game, Home Designer Blast Makeover, across the MENA region, Turkey, South Korea and several Southeast Asian countries. The game will be localized and renamed to 'Home Design Expert' in Arabic to make it more culturally relevant.

Under this partnership, Tamatem will be responsible for Home Design Expert's monetization, marketing, and support - as is the case with all of its other games. The game will be published in multiple languages - including Indonesian, Turkish, Malay, Thai, Vietnamese, Korean, Filipino, Arabic, and English - and will be published in Indonesia, Turkey, Malaysia, Thailand, Vietnam, South Korea, Philippines and MENA Region.

Home Design Expert is a simulation game for everyone. The game helps in training the brain with challenging puzzles and awakening the player's inner stylist with gorgeous designs! The game will also allow players to help clients turn their drab living space into fantastic rooms, and solve matching puzzles as they design and decorate the perfect home with beautiful furniture that ranges in style from rustic to modern, contemporary to Victorian, and shabby-chic to industrial.

Established in 2013, Amman's Tamatem is the leading mobile games publisher in the Arabic speaking market. Tamatem is entirely focused on serving Arab smartphone users with games tailored for the language and culture of the region. At Tamatem, popular international mobile games are localized so that they are culturally relevant for the Arab gamer. (Tamatem 22.07)

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3.2. Lemonade Fashion Raises Pre-Seed Funding Round

Lebanon's Lemonade Fashion, an online marketplace for made-to-order designers' apparel, received pre-seed investment from Draper University Ventures in San Francisco. The investment will enhance the development of the platform, fine-tune the operations, and support a greater number of designers from around the world.

In October 2019, Arthur Bizdikian, Co-Founder and CEO of Lemonade Fashion - attended the Draper University Signature "'Hero Training" in Silicon Valley which led to investment from Draper University Ventures. "Investing in Arthur was an easy decision. Today, while COVID-19 has impacted the global fashion scene and plummeted sales, Lemonade Fashion sees this as an opportunity. The fashion industry is already suffering due to mass productions and high returns with over $210 billion annual losses. The 'new normal' has implied many changes in consumer behaviors and demands - and that has affected the industry even more.

The platform allows clients to shop a wide variety of designer outfits, customize them, and have them made-to-order to fit them perfectly, all from the comfort of their home. This is the company's vision of the future of fashion, aiming for made-to-order apparel in a zero-waste world. Lemonade Fashion creates and leverages new technologies to unlock the potential of selected designer brands by enabling them to connect globally to customers who need to feel unique through custom-made outfits. Designers are looking for moving their businesses online and as a curated marketplace, Lemonade Fashion is now home to 50+ designers and growing.

Currently, Lemonade Fashion is growing their technical department in Yerevan, Armenia led by Mohamad Ali Baydoun Co-Founder and Chief Technical Officer along with Arevik Vardanyan the local director of the company. (Lemonade Fashion 26.07)

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3.3. Iraq's Lezzoo Raises Seven-Figure Seed Funding Round

Northern Gulf Partners, a frontier market investment firm, and California-based Pay It Forward Venture Capital, have led a seven-figure US dollar seed round investment in Lezzoo, a delivery and e-payment platform that aims to become Iraq's first super-app. Lezzoo received a pre-seed investment from Silicon Valley's Y Combinator and is the only Iraqi start-up accepted into its well-known accelerator program. Angel investors and family offices in the USA, Europe, and the Middle East joined the seed round.

Lezzoo delivers items such as prepared food, groceries, and pharmaceuticals in several Iraqi cities. The recently launched Lezzoo Pay seeks to disrupt Iraq's predominantly cash-based society by bringing digital transactions to a population that is majority unbanked.

Erbil's Lezzoo challenges the status quo by providing a best in class delivery experience for consumers, as well as drives the spirit of digital entrepreneurship in Iraq. A connected service industry, especially during times of restricted movement due to COVID-19, is paramount to staying safe, healthy, and feeling a sense of comfort. (MENAFN 26.07)

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3.4. PayBy Partners with LuLu to Provide Contactless and Secure Payment Solutions

Abu Dhabi's PayBy is partnering with the Middle East’s leading retail conglomerate, the LuLu Group, as it embarks on an ambitious digitalization program. Following a successful pilot project in Abu Dhabi, PayBy’s revolutionary contactless payment solutions are now operational across more than 60 LuLu hypermarkets and stores in the UAE.

To prevent the spread of coronavirus through currency or cards, the UAE Central Bank in March urged the use of contactless payment methods. In response to growing consumer demand, PayBy’s QR Code-based contactless solutions are supporting UAE retail businesses as they transition to recovery in the wake of COVID-19. When shopping in LuLu stores and hypermarkets, customers simply present the QR code in the PayBy app, let the cashier scan it, and wait for the payment confirmation. After entering their PIN, TouchID, or Face ID on their device, they can check the payment confirmation – the quick, contactless transaction is thus completed.

PayBy supports retailers looking to grow revenue through contactless payments without capital-intensive infrastructure upgrades. Their point of sale (PoS) solutions can be adopted by a range of businesses – hypermarkets, taxis, baqala stores, restaurants, beauty salons, and malls. The PoS solutions can be installed without any setup or monthly fees, and with lower transaction fees than existing solutions. Financial transactions on PayBy are well protected by leading and proven technologies. The QR code generated by PayBy is based on tokenization – widely acknowledged as a more secure payment method as it is processed without exposing sensitive payment information. (PayBy 28.07)

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3.5. Mubadala Invests $150 Million in US-Based Enviva

Abu Dhabi's Mubadala Investment Company has invested more than $150 million in recapitalizing the US-based Enviva, the world's largest producer of industrial wood pellets used in generating electricity. Mubadala's investment in Enviva is part of its objective to focus on sustainable and effective investments, the Abu Dhabi-based global funding firm disclosed. Previously, Enviva announced the completion of the recapitalization of more than $1 billion, which includes the commitment of Riverstone Holdings' subsidiaries to raise the capital.

The Bethesda, Maryland headquartered Enviva enables major utilities across the world to replace coal and fossil fuels with low-carbon energy resources. (Mubadala 27.07)

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3.6. Careem Partners with what3words to Simplify Location Finding in Saudi Arabia

Careem has partnered with the UK's what3words, the location technology company to provide a precise addressing system that will improve the pick up and drop off experience for customers and captains. This partnership will enable customers to enter a what3words address for their location within the Careem app, meaning they will no longer have to enter a long or complex traditional address. Three words are now all they need to get exactly where they need to be.

The UAE's Careem is providing a valuable and trusted service to Saudi Arabia and the region. Careem's app simplifies the way that people move around, order food, and transact. Partnering with what3words will make the experience even smoother, as customers will know they're getting picked up or arriving at precisely the correct location, without the need for adding step-by-step directions.

Moving around Saudi Arabia will now be simpler than ever before. Captains will no longer have to search for the correct pickup or drop-off locations or ask for additional directions. Whether it's a specific door, shopping mall entrance, office, street corner or park gate, allowing customers to enter a what3words address will enable the fastest possible route planning. The Careem experience will also be more convenient for customers, who will know they're going to the correct place the first time, every time. (Careem 21.07)

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3.7. Diebold Nixdorf Delivers Next-Generation Financial Journeys to BankDhofar

North Canton, Ohio's Diebold Nixdorf, a global leader in driving connected commerce for the banking and retail industries, announced that Oman's BankDhofar will begin implementing the DN Series self-service solution to deliver best-in-class customer experience across its ATM network. BankDhofar is the first bank in Oman, as well as one of the first banks across the Gulf, to install DN Series as it activates a future-first approach to its consumer service offering.

As one of the fastest-growing financial service institutions in the Sultanate, BankDhofar has a vision to 'make banking easy' for its customers, turning to long-standing partner Diebold Nixdorf to support them in delivering flexible banking services and journeys to customers - when, where and how they want them. Recognizing the ATM as a critical digital channel, DN Series enables BankDhofar to implement secure and easy-to-use self-service transactions with a fully digital interface. In addition, DN Vynamic software and security solutions will ensure high levels of availability, providing customers with a seamless and personalized experience to meet BankDhofar's drive to offer next-generation customer experiences.

Managed in partnership with CNS, Diebold Nixdorf's partner in Oman, the DN Series implementation will include both lobby and through-the-wall ATMs enabled with cash recycling capabilities. (Diebold Nixdorf 22.07)

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3.8. Kewaunee Scientific Corporation Establishes a Local Entity in Saudi Arabia

Statesville, NC's Kewaunee Scientific Corporation, a leader in the design, manufacture and installation of laboratory, healthcare and technical furniture products since 1906, has received the necessary approvals to establish a Technical Service Organization within Saudi Arabia. Kewaunee Scientific Saudia Co., established in Riyadh, will support Kewaunee's continued focus on growing in the Middle East region and will enable Kewaunee access to the area's diverse talent pool to support these efforts. This team will also support Kewaunee's activity in North and Sub-Saharan Africa.

Kewaunee Scientific Corporation has direct sales offices are in the United States, India and Singapore. Three manufacturing facilities are in Statesville serving the domestic and international markets, and one manufacturing facility is in Bangalore, India serving the local and Asian markets. The Company has subsidiaries in Singapore and India. (Kewaunee Scientific Corporation 22.07)

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3.9. Hazen.ai Launches AI-Powered Software to Improve Road Safety

Saudi-based startup Hazen.ai is a platform that is building advanced traffic cameras with the capability to detect dangerous driving behavior through video analysis. Currently in several international trials, Hazen.ai has now announced the launch of seatbelt and mobile phone detection technology. Their proprietary computer vision technology provides the highest accuracy of seatbelt and mobile phone violation detection at more than 90% accuracy for both. Global trials of the technology have already shown positive results.

Hazen.ai first appeared in 2018, winning the Product Innovation Award at Gulf Traffic 2018 for its computer vision solutions. The company has deployed its video analytics solutions all over the world and further developed ways to securely and efficiently implement the latest technology solutions to improve road safety. These solutions are easily be implemented into the existing traffic infrastructure.

Mecca's Hazen.ai is building advanced traffic cameras with the capability to detect dangerous driving behavior through video analysis. Based on the latest Deep Learning algorithms, our core video analysis engine reliably detects vehicles in video, and extracts their trajectories for understanding road behavior. (Hazen.ai 26.07)

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3.10. IPIC Theaters Receives License for Cinema Operations in Saudi Arabia

Due to its unique offering, Boca Raton, Florida's IPIC Theaters has been awarded the first 100% foreign owned license to identify and work with appropriate partners in Saudi Arabia. As such, under its subsidiary IPIC Saudi, it will continue to meet with potential partners to manage and operate theaters in Saudi Arabia.

In 2018, the Kingdom announced lifting restrictions of a 35-year ban on cinema as part of a social and economic programing reform, aiming to develop an entertainment sector that allows Saudis to engage in experiential and social offerings while also improving the economy. Cinema is expected to contribute $24 billion by 2030 including 30,000 permanent jobs and 130,000 temporary jobs, with the goal to increase household spend on entertainment from 2.9% to 6%. Saudi Arabia's 34.8 million population is very young by international standards with many of its students having spent time studying abroad, seeking both cultural and entertainment experiences, making cinema a valuable sector for the Kingdom.

IPIC will now become the first luxury theater to enter into the Saudi market. IPIC is uniquely positioned compared to competitors expanding into Saudi Arabia. In the United States, IPIC offers guests a premium dine-in cinematic experience with smaller viewing rooms, typically in auditoriums of 40-80. Due to the size of the potential market, Saudi Arabia was the natural choice for the first operations outside the United States. Prior to the emergence of COVID-19 and the closing of theaters, average attendance at cinemas in Saudi Arabia was considerably higher than any other market. (IPIC Theaters 27.07)

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3.11. Saudi Drone Startup Provides Limitless Abilities

The adoption of Unmanned Aerial Vehicle (UAV) technology in Saudi Arabia is still in its infancy as regulations are constantly changing. The Saudi startup company, Firnas Aero, wants to bring its Drone as a Service (DaaS) concept to the regional market, where it has developed new applications for inspection purposes, to solve problems more efficiently.

Firnas Aero offers more flexible, sustainable, accurate, and continually evolving solutions than manual inspection, as the company has developed their own drones and AI-equipped software, which they customize to serve each client's needs. The drone can take thousands of high-resolution pictures of one location in a short time and send them to be analyzed by the AI-equipped software, which will identify the exact location of the problem for the inspection workers. As a result, it allows clients to overcome the limitations of manual work in speed, accuracy, and human error potential.

The company's journey started at TAQADAM Startup Accelerator at King Abdullah University of Science and Technology (KAUST) in 2019, the six-month program that supports startups with training and mentorship. Firnas Aero were the first winners of that year and received startup funding. After TAQADAM, Firnas Aero was incorporated at KAUST Research and Technology Park (KRTP), which provides an environment for technology-based businesses to access the university's laboratories, faculty, and student talent and network of public spaces and facilities designed for creative collision and knowledge-sharing.

Thuwal, Saudi Arabia's Firnas Aero's core offering is Drone as a Service (DaaS), providing unparalleled inspection services using our unmanned aerial systems. Using drones overcomes the risks and challenges of traditional inspection processes. They are faster to implement, provide more accurate results and eliminate the risks associated with dangerous inspections. (Zawya 22.07)

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3.12. Mohtwize Raises $250,000 in Pre-Series A Funding Round

Mohtwize has successfully raised SAR 1 million SAR ($250,000) in Pre-Series A funding. The round had participation from a group of angel investors, Hawsabah Tech Company, and Ithraa capital with their strategic partner in fund management (Squad Partners). This round aims to support Mohtwize to increase and diversify its Arabic Podcast Production, support podcast creators, and ensure the sustainability of Mohtwize as the biggest producer of podcasts in the Middle East.

Mohtwize offers podcast production at all levels for individuals, companies, and governmental entities. The Mohtwize team have produced more than 60 podcasts and more than 400 episodes, which has led them to be the biggest podcast producer in the Middle East. It also owns a network of podcasts with a group of content creators, which includes 30 podcasts with the best quality and variety to suit the Arabic listener. Additionally, Mohtwize allows companies to advertise through the different podcasts it produces by placing advertisements in the episodes.

Saudi Arabia's Mohtwize exists to participate in solving the lack of availability & validity of Arabic Content. They provide Mohtwize Audio production to take care of writing the content, recording and audio editing for Arabic podcasts to facilitate their podcast growth with high-quality content. In addition, Mohtwize provides Arabic content to businesses by obtaining comprehensive information about the chosen subject by their clients from books and researches in English then turning it to Arabic to be used as Articles, video scripts, or any other medium. (Mohtwize 26.07)

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3.13. Cura Joins Bupa Arabia Cooperative Insurance Network in Saudi Arabia

Cura has cooperated with Bupa Arabia for Cooperative Insurance, the largest cooperative insurance company in Saudi Arabia and the first specialized health insurance company in the Kingdom that has proactively reached the heart of society, working with diligent effort to help millions enjoy a healthier and happier life. This partnership seeks to provide telemedicine solutions to all members of the insurance company according to the regulations and laws of the Health Insurance Council.

This cooperation comes in conjunction with Cura's launch of the second stage of the electronic prescription system, which enables doctors to issue electronic prescriptions and approve the medical diagnosis that supports the medical health coding approved in the Kingdom of Saudi Arabia by the Saudi Health Council known as the Australian ICD10-AM coding. In addition to the feature of sending electronic prescriptions to all users of the application, which can be dispensed from any pharmacy within the Kingdom of Saudi Arabia.

It is worth noting that Cura's platform enables its users to communicate with doctors to get online medical consultations without appointments through live video calls and chats, diagnosis and prescriptions in all medical specialties such as internal medicine, pediatrics, gynecology, and hundreds of doctors in various other specialties. In addition to therapy sessions and various wellness programs such as weight loss programs, dealing with social phobia, pregnancy follow-up, and returning to life after depression.

Riyadh's Cura is the first app in Saudi Arabia that enables you to get medical consultations easily from your smart phone by communicating with the best known doctors in all specialties. (Cura 22.07)

4. CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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4.1. Energy Ministry Foresees Massive Influx of Electric Cars

The increase in the supply of electric vehicle models to Israel has led the Ministry of Energy to release a guidebook directing big cities on how to upgrade their car charging systems. The guide indicates that every city will be required to build hundreds of additional charging stations over the next five years. The guide, formulated by the Samuel Neaman Institute for National Policy Research and the Alternative Fuels Administration in the Prime Minister's Office, is scheduled to be released to all the municipalities shortly.

One of the goals is to break the vicious cycle that has existed in which car importers refrained from importing electric vehicles due to a shortage in charging stations, while at the same time no stations were installed due to lack of demand. In the coming years local governments should anticipate the addition of hundreds to thousands of charging stations within their borders. In Tel Aviv, Haifa, Jerusalem and Rishon LeZion, demand is expected for more than 100 public charging stations by 2020, the guide forecasts.

According to Ministry of Energy figures, out of three million private vehicles currently on the road in Israel, 1,000 are electrical and 12,000 more are chargeable hybrids. Currently, there are only several dozen public charging stations in each large city. The ministry noted that a majority of "pure" electric vehicles have gone so far into private hands, though there are several company fleets, with the largest being 150 vehicles operated by the electric car ride-share program operated in Haifa and Netanya. (JP 04.08)

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4.2. Bee'ah to Build Solar Farm Over Capped Landfill

Sharjah-based waste management company Bee'ah plans to build a solar energy facility over 47 hectares of capped landfill. The scheme, which is expected to generate more than 42 megawatts of electricity on an annual basis, will be built over Al Saja'a landfill area in Sharjah.

The landfill area will be converted to 270,565 square meters of land available for solar panels in the first phase of the project, which is expected to generate 24MW of electricity. The second phase will transform a further 200,099 square meters of capped landfill to host a facility capable of generating 16MW of power. The planned reuse of the landfill area to generate clean energy will help Sharjah attain its renewable energy targets and reduce its dependence on fossil fuels.

Founded in 2007, Sharjah's Bee'ah – which means "environment" in Arabic – collects more than three million tonnes of waste a year. Bee'ah has the highest landfill diversion rate in the Middle East, at 76%. This means less than a quarter of waste is going to landfill, with the rest recycled and reused. Redeveloping capped landfill is a challenge for urban planners and municipalities. Used landfill areas require "extensive remediation and monitoring" over long stretches of time – 30 years or so – before sites can be redeveloped. Bee'ah plans to generate close to 100 MW of power through biomass and solar energy. (The National 27.07)

5. ARAB STATE DEVELOPMENTS

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5.1. Lebanon's Inflation Rate Surged to 89.74% in June 2020

In the midst of the country's ongoing political and economic crisis and the intensifying depreciation of the Lebanese Pound's value on the parallel market, Lebanon's inflation rate in June 2020 stood at 89.74%, the highest monthly rate since the Central Administration of Statistics (CAS) began releasing this series in December 2008. Looking at inflation in the first half (H1) of 2020, the rate stood at 38.79% compared to 3.26% in H1/19. As a result, all the sub-components of Lebanon's consumer price index (CPI) increased over the studied period. For instance, the average costs of Housing and utilities, inclusive of water, electricity, gas and other fuels (grasping 28.4% of the CPI) added a yearly 1.48% by June 2020, as Owner-occupied rental costs (13.6% of Housing and utilities) rose by 4.22% year-on-year (YOY) while the average prices of water, electricity, gas and other fuels (11.8% of Housing & utilities) decreased by 2.56% YOY. Moreover, average prices of Food and non-alcoholic beverages (20% of CPI) soared by 108.88% in H1/20. Food overall has become more expensive mainly due to the collapsing currency, the dollar shortage in the market and the absence of proper monitoring authorities on the market players' pricing and profit margins. Similarly, the average prices of Transportation (13.1% of the CPI), Health (7.7% of the CPI) and Education (6.6% of CPI) increased across the board, by annual rates 34.76%, 3.81% and 4.06%, respectively, over the period. It is worth noting that Transportation costs continued to increase despite the 41% annual drop in the average of international oil prices which stood at $39/barrel by June 2020. Remarkably, the average costs of Clothing and Footwear (5.2% of CPI) surged by a substantial 130.07% YOY by June 2020. Likewise, average prices of Furnishings and household equipment (3.8% of CPI) and Alcoholic beverages and tobacco (1.4% of CPI) increased by 124.36% and 123.45%, respectively, in H1/20. It is worthy to note that the CAS disclosed in its latest statistics that many of the prices provided for March, April and May 2020 were missing, namely the following CPI components: Restaurant and hotels, Furnishings & household equipment, Clothing and footwear, as well as F&B. Therefore, the agency had to input its own figures to calculate the corresponding inflation rate for the period. (CAS 24.07)

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5.2. Lebanon Now Rated as Low as Venezuela After Moody's Rating Cut to Lowest Grade

Lebanon had its rating cut to the lowest grade by Moody's Investors Service, which said that bond investors will likely suffer major losses on their holdings as the government struggles to secure aid to ease a crippling financial crisis. Moody's lowered Lebanon's credit score to C from Ca, the same level as crisis-ravaged Venezuela. It reflects Moody's "assessment that the losses incurred by bondholders through Lebanon's current default are likely to exceed 65%," the agency said in a statement.

Lebanon, which has already defaulted on billions of dollars in debt this year, is struggling to secure an International Monetary Fund loan deal amid sharp domestic divisions over how to tally losses in the financial system. Moody's cited the collapse of the currency in the parallel market and the concomitant surge in inflation fuel a highly unstable environment. Moody's added that in the absence of key steps toward plausible economic and fiscal policy reform, official external funding support to accompany a government debt restructuring is not forthcoming. (Al-Arabiya 28.07)

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5.3. Jordan to Resume International Flights on 5 August with Set Rules

Jordan announced that international flights will resume on 5 August and airports are ready to receive international passengers, according to the Civil Aviation Regulatory Commission (CARC). Transport Minister Saif announced that the government is attempting to start flights with 22 countries in the green zone in regard to COVID-19, with ongoing diplomatic discussion between the Foreign Ministry and those countries to start in-bound and out-bound flights with them. Flights will resume with the list of countries that the Health Ministry categorized as being in the green zone. The Health Ministry is the sole entity responsible for the list and CARC will update the list of green-zone countries every two weeks, based on information received from the ministry.

To improve trust, there will be physical distancing rules applied in the airports, there will be thermal testing devices at certain points, and people are expected to heed the usual health rules of wearing masks and gloves. The commission will also ensure that airport and plane facilities are sterilized according to the set standards, with proper materials, to ensure passenger safety. (JT 26.07)

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5.4. UAE Starts First Nuclear Reactor at Barakah Site

On 1 August, the United Arab Emirates (UAE) announced that it has started operations in the first of four reactors at the Barakah nuclear power station - the first nuclear power plant in the Arab world. Emirates Nuclear Energy Corporation (ENEC), which is building and operating the plant with Korea Electric Power Corporation (KEPCO) said that its subsidiary Nawah Energy Company has successfully started up Unit 1 of the Barakah Nuclear Energy Plant, located in Abu Dhabi. That signals that Unit 1, which had fuel rods loaded in March, has achieved "criticality" - a sustained fission chain reaction. The ENEC said the start-up of Unit 1 marks the first time that the reactor safely produces heat, which is used to create steam, turning a turbine to generate electricity.

Barakah, which was originally scheduled to open in 2017, has been plagued by delays and is billions of dollars over budget. It has also raised myriad concerns among nuclear energy veterans who are concerned about the potential risks Barakah could visit upon the Arabian Peninsula, from an environmental catastrophe to a nuclear arms race. The vulnerability of critical infrastructure in the Arabian Peninsula was further laid bare last year after Saudi Arabia's oil facilities at Abqaiq and Khurais were attacked by 18 drones and seven cruise missiles - an assault that temporarily knocked out more than half of the kingdom's oil production.

The UAE has substantial oil and gas reserves, but it has made huge investments in developing alternative energy sources, including nuclear and solar. Experts though have questioned why the UAE - which is bathed in sunlight and wind - has pushed ahead with nuclear energy - a far more expensive and riskier option than renewable energy sources. When the UAE first announced Barakah in 2009, nuclear power was cheaper than solar and wind. But by 2012 - when the Emirates started breaking ground to build the reactors - solar and wind costs had plummeted dramatically. Between 2009 and 2019, utility-scale average solar photovoltaic costs fell 89% and wind fell 43%, while nuclear jumped 26%, according to an analysis by the financial advisory and asset manager Lazard. (Al Jazeera 02.08)

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5.5. Saudi Arabia Posts $29 Billion Deficit in Second Quarter as Oil Revenues Slump

Saudi Arabia posted a deficit of SAR 109.2 billion ($29.12 billion) in the second quarter this year as low oil prices hurt revenues, a finance ministry report published on 28 July. The coronavirus crisis has hurt the non-oil sectors of the world’s largest oil exporter this year, adding to the impact of historic price lows on the economy. Second quarter oil revenues fell by 45% year-on-year to $25.5 billion. Total revenues dropped 49% to nearly $36 billion.

Total second-quarter expenditures dropped annually by 17% to around $65 billion, the report on quarterly budget performance showed, although spending increased when compared to Q1 by 7.5%. Facing deep recession this year, Riyadh has introduced steps such as removing a cost-of-living allowance for state employees and tripling value-added tax to 15% to bolster state revenues. Economists have said this could restrict recovery as curbs aimed at reducing the spread of the COVID-19 are lifted.

The IMF has estimated the economy could shrink by 6.8% this year. Saudi Arabia, which in the first three months of 2020 posted a $9 billion deficit, has raised $12 billion in international markets so far this year and has borrowed SAR 41.1 billion ($10.96 billion) in the domestic market, the document showed. In addition to borrowing, the government has used around $13 billion in government reserves in the second quarter to finance its deficit, budget data showed. That is largely within a $32 billion drawdown limit targeted by the government this year. Between March and April, however, the kingdom used $40 billion in foreign reserves to back overseas investments of its sovereign fund, the Public Investment Fund. (Various 29.07)

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5.6. Rising Remittances Curb Egypt's Current Account Deficit in Third Quarter

A rise in foreign remittances helped Egypt's current account shrug off the effects of the COVID-19 pandemic during Q3/FY19/20, narrowing the deficit markedly to $2.8 billion from $4.5 billion a year earlier, according to official data released by the Central Bank of Egypt on 27 July. Remittances, a key source of hard currency for the country, increased by $1.7 billion to $7.9 billion during Q3/FY19/20 despite the global headwinds in March. This helped the current account deficit for the first nine months of the fiscal year shrink to $7.3 billion, compared to $9.8 billion a year earlier.

The CBE added that Egypt's non-oil trade deficit fell by $2.2 billion to $27.3 billion during the first three quarters of FY19/20, from $29.5 billion in the same period a year earlier. A key contributor was merchandise exports such as gold, radio and TV transmitters and pharma products, which rose by $1.2 billion to $13.6 billion. Imports of iron, coal, spare parts for cars, and pharma products dropped, contributing to the reduced deficit. In Q3, non-oil merchandise exports rose almost $300 million to $4.4 billion while imports fell 3.2% to $13.7 billion.

Foreign direct investment inflows more than halved during Q3 to $970.5 million from $2.3 billion in Q3/FY19/20, amid heightened uncertainty because of the pandemic. Tourism revenues, another key source of currency, came under pressure during the third quarter, falling 11.4% to $2.3 billion (against $2.6 billion the year before) as the government suspended international flights towards the end of March. The overall travel balance fell to $1.5 billion from $1.9 billion, exacerbated by an 11.4% rise in travel payments. Suez Canal receipts rose by $84.4 million to $1.4 billion in the third quarter. (Enterprise 28.07)

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5.7. Egyptian Program to Boost Consumer Spending Commences

A government initiative that aims to stimulate some EGP 125 billion worth of consumer spending was launched on 26 July, Cairo announced. All consumers (Egyptian and foreign residents alike) can buy select goods including electronics, appliances, clothes, leather products, and furniture through a dedicated website set up by the government. The same products will be available on sale in stores at the same time. Nearly 1,200 manufacturers and merchants have reportedly signed up to offer discounts on some 4,200 products. Terms and conditions of the program are online here; there is no limit for individual buying under the program.

In a related program, families on ration cards will get up to EGP 1,000 in additional spending power under the program. The statement suggests the government has earmarked as much as EGP 12.25 billion providing an additional EGP 200 per family member to a maximum of EGP 1,000 per qualifying family for spending under the program.

The program looks set to last until at least January 2021. Sources cited by the local press said that the initiative will run for the next six months instead of three months as originally announced by Finance Minister Maait. The program may then be extended further into 2021 if it proves successful. (Enterprise 26.07)

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5.8. Egyptian Court Strikes Down Effort to End Steel Tariffs

An Egyptian administrative court has rejected a petition submitted by the Chamber of Metallurgical Industries to cut import tariffs imposed on steel rebar and iron billets for three years. This is the second legal challenge mounted by small-scale rolling mills, which have threatened to shutter production, arguing that the Trade Ministry's 25% duty on steel rebar and 16% tariff on iron billets hampers their competitiveness. The chamber is set to hold an emergency summit to discuss the latest decision.

In April, the Trade Ministry postponed cutting import tariffs imposed on steel rebar and iron billets for a six-month period. The ministry had imposed a 25% duty on steel rebar and a 16% duty on iron billets for three years, which were to be gradually reduced over the period, but the first round of the plan was called off to keep larger factories afloat amid the pandemic. The Supreme Administrative Court had previously rejected a bid to slash the duties in October 2019, overruling an administrative court that had accepted the chamber's bid earlier that year. (Enterprise 26.07)

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5.9. Sudan's Prime Minister Announces Reforms to Rescue Economy

Sudan's Prime Minister Abdalla Hamdok announced a gradual floatation of the national currency and the removal of fuel subsidies as part of a plan to address the country's long-running economic crisis. The measures will be implemented after amendments to the 2020 budget in order to mitigate the impact of the coronavirus pandemic. PM Hamdok said the government would gradually reduce subsidies on petrol and diesel, although subsidies on medicine, electricity, bread and cooking gas would remain in place.

He also announced the appointment of civilians to replace military officials as governors in the country's 18 provinces, part of an ongoing transition to civilian rule after the removal of longtime dictator Omar Al Bashir last year. Battered by decades of US sanctions and mismanagement under Al Bashir, Sudan's economy is at risk of freefall. The annual inflation rate is more than 100% and shortages of electricity, bread, fuel and medicine are chronic. The currency recently hit a record low of 150 Sudanese pounds to the dollar on the black market compared with 55 at the official rate. Foreign debt stood at more than 190% of GDP is currently close to $60 billion. The coronavirus pandemic has hit the economy hard, causing a loss 40% of public revenues. Overall, the economy contracted 2.5% in 2019 and is projected to shrink 8% this year, according the IMF. (The National 23.07)

6. TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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6.1. Turkish Lira at Record Low as Mediterranean Drilling Plans Risk More EU Sanctions

Turkey's lira approached a record low against the euro on 27 July, driven by state interventions that have tied it to the dollar and also concerns that the European Union could sanction Ankara over Mediterranean drilling plans. The currency has fallen about 7% against the euro in two months, even as it has virtually flat-lined against the US currency. Turkey's central bank and state banks have sold tens of billions of dollars to stabilize the US exchange rate. But with the euro rising to its strongest level against the dollar in nearly two years, the lira has slipped with the greenback and stood at 8.0488 against the euro on 25 July. Earlier the lira was at 8.0556, its weakest since the height of Turkey's currency crisis in August 2018 when it touched 8.2029.

Following two months of stability brought about by heavy state bank spending, the Turkish lira is volatile once more, falling to about seven per US dollar and hitting record lows against the euro as August began. The slide came as state banks sold at least $2.5 billion on 3 and 4 August to prop up the currency as demand for foreign currency widened the nation's current-account deficit. The latest fluctuation comes after a global economic downturn caused by the COVID-19 pandemic sent shocks through the Turkish economy, devaluating the lira this spring and financial analysts now fear Turkey could experience a new currency crisis if monetary policies remain unchanged.

Along with Argentina's peso, the lira was one of few major emerging-market currencies to fall against the dollar since March, over a period in which the US currency has slid to a two-year low, underlining weakness in the Turkish currency. Amid the tumult, Turkish Central Bank Governor Uysal raised his end-year inflation forecast to 8.9%, up from 7.4%, citing rising oil and food prices. This projection assumed there would be no second wave of COVID-19. The economic impacts of COVID-19 continue to be felt in Turkey, particularly in the tourism sector, which has lagged as the nation remains off the European Union's list of safe travel countries. (Various 04.08)

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6.2. Turkish Exports & Imports Fall in July, Reversing June Increase

Turkey's exports and imports fell in July from the same month a year ago, reversing annual gains made in June, according to preliminary data published on 4 August by the Ministry of Trade. Exports dropped by 5.8% to $15.1 billion, while imports declined by 7.7% to $17.8 billion. Exports and imports had increased by an annual 16% and 8.3%, respectively, in June. The trade deficit shrank by 17% to $2.74 billion, the ministry said.

Turkey is seeking to boost exports and encourage consumer spending to help lift the economy out of a severe downturn caused by the COVID-19 pandemic. But the economy faces headwinds as the lira falls against major currencies and demand for goods in Europe, the country's biggest export market, remains depressed.

Exports in the first seven months of the year fell by an annual 14% to $90 billion, according to the figures. Imports dropped by 3.9% to $116.7 billion. The trade deficit for the January to July period widened by 56% to $26.6 billion, the ministry said. A bigger trade deficit for Turkey can put pressure on the lira because the country needs to find funds to finance the imbalance. The country's tourism industry, a major earner of foreign currency, remains in the doldrums, while foreign capital inflows have declined sharply. (Ahval 04.08)

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6.3. Turkish Inflation Falls to 11.8% in July

TurkStat reported on 4 August that Turkey's consumer price inflation rate fell to 11.8% in July, dropping faster than economists expected. Annual inflation slowed from 12.6% in June. The slowdown in consumer price inflation was spurred on by smaller price increases for clothing, footwear, household equipment, transport and communications.

The Turkish lira fell 2% to 7 per dollar last week, nearing a record low of 7.269 per dollar reached in May. A weaker lira makes imports more expensive. Turkey imports nearly all the energy it consumes. Producer price inflation accelerated to an annual 8.3% in July from 6.2% in June, TurkStat said. The lira traded up 0.2% at 6.94 per dollar after the data was released. (Ahval 04.08)

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6.4. Health Crisis Leads to €6.4 Billion Hole in Greek Budget

The health crisis has widened the hole in the Greek budget to €6.4 billion in the six-month period stretching from January to June, according to data published on by the General Accounting Office of the State on 27 July, which showed a primary deficit of €6.1 billion. Under normal circumstances, the budget should have recorded a primary surplus of €313 million as foreseen in initial projections. The figures showed that revenue losses (mainly from value-added tax and excise taxes) of €3.9 billion and inflated pandemic-related spending derailed the budget.

According to the data, the lockdown due to the coronavirus pandemic had a devastating impact, sinking receipts from VAT and excise taxes to the tune of around €1.7 billion – a course of affairs that is expected to continue in the coming months. Referring to the plummeting revenues, an official of the Finance Ministry staff pointed out that they will be significantly affected at least through September due to the situation in the struggling tourism sectors, a mainstay of the Greek economy. He said that July will be an extremely difficult month in terms of revenues, as expectations for growth are not confirmed by bookings.

The data from the State General Accounting Office showed that the amount of net revenues of the state budget amounted to €18.996 billion, showing a decrease of €3.903 billion, or 17% compared to the target set in the 2020 budget report – again mainly due to the reduction of economic activity due to the health crisis, as well as the impact of measures taken to deal with it. Revenues from taxes amounted to €18.262 billion, down €2.794 billion against targets. (eKathimerini 28.07)

7. GENERAL NEWS AND INTEREST

***ISRAEL:**

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7.1. IDF's Coronavirus Command to Begin Operations on 6 August

The IDF’s Coronavirus Command will begin operations on 6 August in an attempt to cut the chain of infections and bring the coronavirus pandemic under control. The Coronavirus Command, operating under the Homefront Command, will include other bodies in the military, Defense Ministry, Health Ministry as well as local municipalities as well as an advisory group of experts assisting Prof. Ronni Gamzu, the government’s coronavirus director.

The Coronavirus Command will operate at a national level to assist in breaking the chain of infections by improving the country’s testing capacity, while at the same time streamlining and connecting all various government bodies and civilian organizations into one system operated by the Health Ministry. While municipalities had a minor role during the first wave, they will now have a significant role in stopping the virus. It will also shorten laboratory processes, perform assessments and analyses of the virus for policymakers and oversee the epidemiological surveys to identify those who may have been in contact with confirmed coronavirus patients in order to quickly get them into quarantine.

The Coronavirus Command will include centers, complexes including a sampling center, isolation center, hotel command center, assessment complex, information system, testing center, and an epidemiological investigation center. A central command room will also be set up with the aim of being able to provide a complete picture of the virus in the country. With the amount of information the Command will have, it will have a digital data system will make assessments quicker and easier to manage.

It will be established in two stages, first for the short term based on the existing capabilities of the IDF and civilian bodies and then a headquarters will be established ahead of the winter and possible third wave of the virus. (JP 04.08)

***REGIONAL:**

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7.2. Tunisian President Appoints Mechichi PM-Designate

On 25 July, Tunisian President Saied appointed Hichem Mechichi as the new prime minister, to succeed Elyes Fakhfakh, who resigned over allegations of a conflict of interest. Mechichi, 46, a political independent and currently the interior minister, will have a month to form a new government that can win a vote of confidence in the Assembly of the Representatives of the People, Tunisia's parliament. If he fails, parliament will be dissolved and the country will go to new elections. Mechichi has served as an adviser to the president and is a member of the National Commission of Investigation on Corruption.

Tunisia faces a severe economic crisis, with citizens frustrated by a decline in living standards and public services amid the coronavirus pandemic. The economy is expected to shrink by a whopping 6.5% this year and the deficit may reach 7% of GDP. In parliamentary elections held in October, the moderate Islamist Ennahda party, which received less than 20% of the votes, was the largest party, making a stable government unlikely. (Media Line 26.07)

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7.3. Turkish Parliament Approves Bill Imposing Tighter Controls on Social Media

The Turkish parliament ratified a bill introducing new powers to control social media early on 29 July. The bill was passed by the ruling Justice and Development Party (AKP), which has a majority with an allied nationalist party. With the amendment, social media companies with more than one million users must appoint a legal representative in Turkey to address the authorities' concerns over content and includes deadlines for its removal. Companies could face fines, blocked advertisements or have their bandwidth slashed by up to 90%, essentially blocking access. Social network providers would have 48 hours to respond to orders to remove offensive content.

The law also imposes fines between TL 1 million to 10 million ($146,165 - $1.5 million) on social media companies who fail to swiftly remove hate speech and other illegal content from their platforms. Turkey was second globally in Twitter-related court orders in the first six months of 2019, according to the company, and it had the highest number of other legal demands from Twitter.

Meanwhile, the majority of Turkey's mainstream media has come under AKP government control, especially after the 2016's coup attempt. Turks have taken to social media and smaller online news outlets for critical voices and independent news. Following a failed military coup in 2016, the AKP government closed more than 150 news outlets and jailed more than 100 journalists, often on terrorism-related accusations. Many journalists also often face charges of "insulting the president". (Ahval 29.07)

8. ISRAEL LIFE SCIENCE NEWS

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8.1. Panaxia's Agreement with International Pharma Neuraxpharm is Finalized

Neuraxpharm, a leading European pharmaceutical company specialized in CNS, and Panaxia Global, the controlling owner of Panaxia Labs Israel (Panaxia Israel), Israel's largest medical cannabis manufacturer, announced they have entered a definite agreement to start a business collaboration for marketing Panaxia's medical cannabis products in Germany, Europe's largest and fastest-growing market for cannabis in Europe. The agreement, which anchors a previous MOU entered by the companies, includes exclusivity for Panaxia products, as well as an option for scaling the distribution to additional countries, also including further major European countries.

The agreement is one of a kind in the cannabis industry. It represents the first time a global pharma company of Neuraxpharm caliber marketing medical cannabis products as part of its broad prescription and non-prescription product portfolio. On top of distributing the products to pharmacies through local distributors, the venture will focus on marketing efforts to the relevant target audiences in Germany, namely the prescribing physicians, and the patients. The marketing activity is critical for the success of commercial sales and will be implemented according to the standards used in the pharmaceutical industry.

Following the signing of the agreement, Neuraxpharm will work to obtain an import permit of Panaxia's products to Germany. Panaxia will concurrently work to obtain an export license from Israel's health authorities. Panaxia started manufacturing the products to have a stock ready as soon as it receives the export permit. The first sales of Panaxia/Neuraxpharm products in Germany are expected to start as soon as the export permit is issued.

Lod's Panaxia is the only Israeli company that received an EU-GMP certification, which allows it to export all of its medical cannabis products to most of the European countries. Under the agreement, Panaxia will be responsible for manufacturing the product in compliance with EU-GMP standards, develop new and advanced products, such as tablets, suppositories, and inhaled products, and their registration according to the German regulation. Neuraxpharm will be responsible for branding, introduction and commercialization of the products to all authorized pharmacies in Germany. (Panaxia 22.07)

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8.2. Chemomab Approval for Phase II Clinical Trial Treatment of Sclerosing Cholangitis

Chemomab has received all necessary regulatory approvals in the UK and Israel, to commence a Phase IIa clinical trial for CM-101 as treatment for Primary Sclerosing Cholangitis (PSC). The clinical trial is a multicenter, double-blind, placebo-controlled study designed to evaluate the safety and efficacy profile of CM-101 in adult subjects with PSC. The primary endpoints of the clinical trial include change in Alkaline phosphatase (ALP) and Enhanced Liver Fibrosis (ELF) over 15 weeks of treatment coverage. Secondary endpoints will include safety and tolerability of CM-101 as well as elucidation of CM-101 pharmacokinetic profile and additional efficacy evaluation, as assessed by various liver health, fibrotic and fibrogenesis markers. The clinical trial will be conducted in the UK and Israel, and will enroll up to 45 patients randomized in a 2:1 ratio between drug and placebo.

Ramat HaChayal's Chemomab is a clinical-stage biotech company focusing on the discovery and development of innovative therapeutics for fibrosis-related diseases with great unmet need. Based on the unique and pivotal role of the soluble protein CCL24 in promoting fibrosis and inflammation, Chemomab generated a novel CCL24 blocking monoclonal antibody that is currently in development for the treatment of patients with primary sclerosing cholangitis (PSC), systemic sclerosis and nonalcoholic steatohepatitis (NASH). During Q3/20 Chemomab will initiate the first phase 2a clinical trial evaluating the safety and efficacy of CM-101 in subjects with Primary Sclerosing cholangitis (SPRING Study). (ChemomAb 21.07)

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8.3. Sorrel Medical Partners with Leading Global Pharmaceutical Manufacturer

Sorrel Medical has entered into a strategic partnership with one of the world's leading pharmaceutical companies to advance the development and introduction of next-generation wearable drug delivery solutions. The partnership will involve various molecule development initiatives across a range of configurations of Sorrel's wearable drug delivery platform. This partnership is entered in parallel to collaborations already in place for Sorrel Medical, as a provider of the device constituent of combination products.

Sorrel's discreet and versatile on-body injectors are specifically designed to enhance the patient experience and encourage adherence to treatment therapies, while reducing the risk of medication errors. The device attaches to the patient's body via a sticker patch, while multiple smart sensors – along with a series of internal system checks and visual, audio and tactile indicators – guarantee successful self-administration. Medication is injected subcutaneously through a reliable electro-mechanical pumping mechanism. The pre-filled and pre-loaded devices are available in cartridge and vial-based configurations ranging from 1 mL to 25 mL to meet a wide range of specific drug requirements.

Netanya's Sorrel Medical, an Eitan Group company, is a medical device company focused on the development and commercial manufacturing of platform-based, pre-filled and pre-loaded wearable injectors for the easy and efficient self-administration of large volume and highly viscous therapies. One of three privately held companies operating under the Eitan Group, Sorrel leverages core capabilities and expertise in drug delivery technology development, manufacturing and regulatory experience to offer a robust platform solution to global pharmaceutical and biotechnology companies. (Sorrel Medical 21.07)

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8.4. BELKIN Laser Finalizes Series B Funding Totaling $12.25 Million

BELKIN Laser, the Israel-based start-up offering a 1-second, non-invasive glaucoma laser treatment has finalized its round B financing with an oversubscription totaling $12.25 million. Rimonci Capital and Santen Ventures, Inc. co-led the round. They were joined by BioLight Life Sciences, CR-CP Life Science Fund, and C-Mer Eye Care Holdings.

Globally 140 million people have glaucoma or ocular hypertension (OHT), a leading cause of blindness, but there are only 200,000 ophthalmologists and just 6,000 glaucoma specialists to treat them worldwide. BELKIN's automated, non-contact, painless treatment is activated by a touchscreen, controlled by a high-resolution image acquisition algorithm and a proprietary eye tracker. This unique technology, the brainchild of Prof. Michael Belkin, can be easily used by all ophthalmologists, dramatically increasing the number of treated patients, both in central and rural areas, while opening a new revenue stream for their clinics and hospitals.

Prior to this round the company raised $6.6 million, which includes the Israel Innovation Authority incubator grant at the Rad Biomed Accelerator, as well as the prestigious European Horizon 2020 grant of $3 million. An additional $2.5 million investment was raised as part of the Series A financing round led by ZIG Ventures from Singapore.

Yavne's BELKIN Laser, an Israeli clinical-stage medical device company, established in 2013 and is developing an intuitive, automated one-second glaucoma laser treatment, aimed at promoting accessibility to first-line drop-less glaucoma care by allowing any ophthalmologist and other eye care providers to treat many more patients in any location. (BELKIN Laser 21.07

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8.5. InspireMD Gains Registration Clearance of its CGuard System in Brazil

InspireMD has obtained registration from the Brazilian registration authority, Agéncia Nacional de Vigiláncia Sanitária (ANVISA), for its CGuard MicroNet- covered stent, clearing it for sale and distribution in Brazil. Regulatory approval of CGuard EPS in Brazil reflects not only the ANVISA'S recognition of CGuard's differentiating features versus conventional carotid stents, but also the need for safer treatments for carotid artery disease. Brazil ranks as the sixth largest populated country in world and the largest healthcare market in Latin America. With a population over 213 million, Brazil represents an important step toward expanding commercial availability of InspireMD products into new territories.

The CGuard Embolic Protection System is an advanced platform solution designed to deliver the flexibility of the traditional open cell stent with an advanced protection from peri procedural and post procedural embolic events caused by plaque prolapse through the stent strut that can lead to stroke. CGuard's unique MicroNet technology mitigates the prolapse and associated embolization and has shown superior clinical outcomes for patients against alternative carotid stent types, conventional or next generation double layer stents, as well as invasive procedures such as endarterectomy, a major surgical procedure. InspireMD's CGuard has created a new dimension in protected treatment of carotid artery disease with the potential to truly establish a new standard of care for management of carotid artery disease and stroke prevention.

Tel Aviv's InspireMD seeks to utilize its proprietary MicroNet technology to make its products the industry standard for carotid stenting by providing outstanding acute results and durable stroke free long-term outcomes. (InspireMD 23.07)

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8.6. Study Finds Utility of MeMed's Host Immune Technology for Severe COVID-19 Patients

Researchers at Israel's Rabin Medical Center (comprised of Beilinson and HaSharon Hospitals) in collaboration with MeMed, have published prospective data on the potential utility of the analysis of IP-10, a host immune biomarker, in managing the care and treatment of patients with severe COVID-19 infection.

Initial data from the prospective study shows that continuous and rapid measurements of IP-10, a biomarker associated with inflammatory disease including infectious diseases and immune dysfunction, can be a valuable resource for predicting disease severity and progression, monitoring inflammatory status and personalizing treatment strategies for patients with severe COVID-19. The research findings were published in medRxiv (the preprint server for health sciences).

The Rabin Medical Center study team used MeMed's pioneering technology platform MeMed Key, which enables highly sensitive measurements of multiple host immune proteins, including IP-10, within minutes at the point of need. Over the course of the study, the researchers evaluated more than 502 serial IP-10 measurements from 52 patients admitted to the ward and ICU at the Rabin Medical Center's HaSharon Hospital. High IP-10 levels correlated with increased COVID-19 severity and mortality. Personalized immunomodulation, therapeutic interventions aimed at modifying the immune response, was shown to decrease IP-10 levels.

Tirat HaCarmel's MeMed's mission is to translate the immune system's complex signals into simple insights that transform the way diseases are diagnosed and treated, profoundly benefiting patients and society. MeMed Key is a first-of-its-kind technology platform, enabling highly sensitive measurements of multiple proteins, within minutes, at the point of need. It opens the way to quantification of a vast array of human proteins in healthy and disease states, where and when it actually matters. The MeMed Key development program has been partially funded by the US Department of Defense and the EU Commission. MeMed Key has received a CE Mark in Europe and AMAR clearance from the Israeli Ministry of Health. (MeMed 23.07)

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8.7. Citrine Global "Cannovation Center" in Israel Addresses Emerging Cannabis Industry

On 21 July, the board of directors of Citrine Global Corp. approved for its wholly-owned Israeli subsidiary CTGL - Citrine Global Israel to take part in a joint venture for the establishment of a "Cannovation Center" - Cannabis Innovation Center - in Israel to address the needs of the emerging cannabis, CBD and hemp industry. CTGL - Citrine Global Israel, Ltd. will hold around 60% of the Cannovation Center.

The Cannovation Center is a unique, all-in-one platform with factories for producing cannabis, hemp and CBD products, laboratories and a logistics and distribution center, for supporting the cannabis eco-system, including cannabis growers, cannabis product developers, researchers and businesses, that operate in a field that requires interdisciplinary professional expertise and compliance with a wide set of regulatory demands, including IMC-GMP production standards, 24/7 surveillance and security, special recycling procedures and more. The Cannovation Center in Israel will provide solutions for companies in Israel and worldwide, leveraging Israel's leadership in cannabis innovation and promoting the production and distribution of cannabis, hemp and CBD products for local and global markets. The Cannovation Center is in the process of obtaining a government grant. The Israeli Government provides grants and subsidies specific to the cannabis industry as part of its strategy for boosting the economy through technological innovation.

Citrine Global Corp.'s business activity is comprised of creating value and implementing expansion strategies for growth-stage technology companies, offering multi-strategy solutions combining strategic marketing, business development, real estate and asset management services and financing solutions. The company operates in the Israeli market, via its fully-owned subsidiary CTGL – Citrine Global Israel, which targets Israeli startups and technology companies in the fields of Healthcare, Wellness, Food Tech and Israeli Medical Cannabis companies. (Citrine Global Corp 23.07)

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8.8. Israel's Largest Health VC Raises Fund to $750 Million on Virus Concerns

Israel's largest venture capital investor in life sciences, aMoon, boosted the size of its biggest fund to $750 million after demand for new health-care technology rose during the coronavirus pandemic. Existing and new investors contributed to the fund, known as AMoon II, which topped out at $660 million last year, co-founder and managing partner Yair Schindel said in an interview. AMoon partnered with Credit Suisse Group AG to secure the new funds.

So far, AMoon has invested about $200 million from the fund in nine companies, and is in advanced talks with another three. AMoon expects to complete the initial investments in the portfolio within two years, bringing the total number of companies to around 20. The fund invests between $10 million and $25 million for startups, and reserves capital for subsequent investment rounds.

Ra'anana's aMoon Fund is a leading healthtech & life sciences venture fund. Their team is passionate about building successful businesses and helping biopharma, digital health and medical technology companies realize their potential. They partner with management teams who use technology and cutting-edge science to accelerate cures for the world's most life-threatening conditions and those providing solutions for global healthcare's biggest cost drivers. (AMoon 22.07)

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8.9. Protalix BioTherapeutics & SarcoMed USA Develop Treatment of Pulmonary Sarcoidosis

Protalix BioTherapeutics has entered into a non-binding term sheet with Houston, Texas' SarcoMed USA Inc. The arrangement, if consummated, would relate to the development and commercialization of PRX–110, or alidornase alfa, for the treatment of Pulmonary Sarcoidosis and related diseases. SarcoMed USA was formed in 2017 to investigate if a novel DNase 1 compound could influence the chronic pulmonary inflammation seen in Pulmonary Sarcoidosis patients.

On 21 July, the U.S. FDA granted Orphan Drug Designation for alidornase alfa for the treatment of Sarcoidosis. The FDA grants Orphan Drug Designation to drugs or biologics intended to treat or prevent rare diseases or conditions that affect fewer than 200,000 individuals in the United States.

Carmiel's Protalix is a biopharmaceutical company focused on the development and commercialization of recombinant therapeutic proteins expressed through its proprietary plant cell-based expression system, ProCellEx. Protalix was the first company to gain U.S. FDA approval of a protein produced through plant cell-based in suspension expression system. Protalix's unique expression system represents a new method for developing recombinant proteins in an industrial-scale manner. (Protalix 23.07)

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8.10. RedHill Biopharma Increases Patient Access to Talicia with EnvisionRx Formularies

RedHill Biopharma announced that EnvisionRx, a Pharmacy Benefit Manager (PBM) and division of EnvisionRxOptions, a wholly owned subsidiary of Rite Aid, added Talicia (omeprazole magnesium, amoxicillin and rifabutin)1 to its Formularies, as the unrestricted branded agent for H. pylori treatment, effective 1 July 2020. The addition of Talicia® to the EnvisionRx national formularies as the unrestricted brand will allow its 3.5 million members nationally to gain access to Talicia. Talicia is the only rifabutin-based therapy approved for the treatment of H. pylori infection and is designed to address the high resistance of H. pylori bacteria to clarithromycin-based standard-of-care therapies. The high rates of H. pylori resistance to clarithromycin have led to significant rates of treatment failure with clarithromycin-based standard-of-care therapy and are a strong public health concern, as highlighted by the FDA and the World Health Organization (WHO) in recent years.

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 adults, Talicia for the treatment of Helicobacter pylori (H. pylori) infection in adults and Aemcolo for the treatment of travelers' diarrhea in adults. (RedHill Biopharma 27.07)

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8.11. Nanox Exceeds $100 Million Crossover Investment

Nano-X Imaging (Nanox) has secured over $100 million in crossover equity investments from global investors since December 2019. Funds raised are planned to primarily support the rollout of the Nanox.ARC deployments worldwide. Israeli-based A-Labs Advisory and Finance was the lead advisor to the financing round.

The financing round was initiated in November 2019 and was delayed in closing due to the COVID-19 pandemic. Since November 2019, Nanox has signed agreements for the deployment of thousands of units of the Nanox System, its innovative medical imaging system and diagnostics services in eleven global regions. The Company aims to revolutionize early-detection healthcare by deploying a global medical imaging infrastructure at an affordable price-per-scan service model to maximize availability and accessibility of medical imaging to all socio-economic communities.

Neve Ilan's Nanox is developing a commercial-grade digital X-ray source designed to be used in real-world medical imaging applications. Nanox believes that its novel technology could significantly reduce the costs of medical imaging systems and plans to seek collaborations with world-leading healthcare organizations and companies to provide affordable, early detection imaging service for all. (Nanox 28.07)

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8.12. Zebra Medical Gets First FDA Clearance for Early Detection of Breast Cancer

Zebra Medical Vision announced its sixth FDA 510(k) clearance for its mammography solution, HealthMammo, which has already received a CE mark. Zebra Medical's algorithm empowers breast radiologists by prioritizing and identifying suspicious mammograms, providing a safety net for radiologists. The suspicious mammograms are identified faster and read earlier than the current "first-in first-out" standard of care. This is Zebra Medical Vision's first solution for Oncology to receive FDA clearance, as part of the company's AI1 "All-In-One" bundle. Zebra Medical is also the first startup to receive FDA clearances for AI based technology across three imaging modalities - CT, x-ray and mammography, providing coverage for roughly 80% of the total imaging volumes.

Zebra Medical's HealthMammo solution is an automatic AI tool that indicates "suspicious" or "not suspicious" for every 2D mammography performed. The mammograms are automatically sent to Zebra Medical's imaging analytics platform, where they are processed and analyzed for suspected breast lesions. The HealthMammo product then returns its result to the radiologist, either by signaling within the worklist or by notifying the user in a dedicated application. The algorithm can be used in single reader paradigms, supporting triage and workflow improvement (as cleared by the FDA) or in double reading paradigms, already available outside of the US, supporting the second radiologists and reducing their workload.

Kibbutz Shefayim's Zebra Medical Vision's Imaging Analytics Platform allows healthcare institutions to identify patients at risk of disease and offer improved, preventative treatment pathways to improve patient care. Zebra Medical Vision has raised $57 million in funding to date, and was named a Fast Company Top-5 AI and Machine Learning company. (Zebra Medical Vision 27.07)

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8.13. FutuRx Announces New Investor - Leaps by Bayer

FutuRx announced that Leaps by Bayer, the impact investments unit of Bayer AG, will join FutuRx as an investor for incepting and incubating early stage biotech companies. Both Leaps by Bayer and FutuRx invest in paradigm-shifting technologies in the life sciences, aiming to change the world for the better.

Leaps by Bayer leads impact investments into solutions to some of today's biggest challenges in health and agriculture. The investment portfolio includes more than 30 companies. They are all working on potentially breakthrough technologies to overcome some specific challenges such as, regenerating lost tissue function, reducing the environmental impact of farming, preventing or curing cancer, and others.

Leaps by Bayer will work closely with the incubator's management team and investors to support its incubated portfolio companies and will participate in seed investment rounds in the new companies to be incepted at FutuRx going forward.

Ness Ziona's FutuRx is the leading Israeli biotechnology incubator, established in 2014 by Johnson & Johnson Innovation – JJDC, OrbiMed Israel Partners, and Takeda Pharmaceutical Company, through its venture group Takeda Ventures, after winning the tender of the Israeli Innovation Authority. The incubator is focused on innovative, early stage therapeutic technologies, and has established 20 companies to date. (FutuRx 28.07)

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8.14. Datos Health Partners With Vaica Medical for Remote Care Platform

Datos Health and Vaica Medical announced a partnership to include medication adherence information as part of Datos' offering of analyzed data relating to the overall status of patients' health and wellbeing. The first implementation for this collaboration began in Q3/20 with the Psychiatry Division at Sheba Medical Center, as part of an overall program to introduce comprehensive remote psychiatric care (i.e. telemedicine) to the home environment.

The partnership addresses the general lack of patient adherence to treatments and the challenge this poses by negatively impacting patients' recovery, resulting in a greater burden on healthcare providers. Vaica's comprehensive medication adherence technology, synchronized with patient-generated data collated and evaluated by Datos' remote care platform, enables clinicians to stay up-to-date regarding the status of patients, facilitating enhanced decision making. Concurrently, the Datos mobile app enables more personalized care by ensuring patients are well-informed, take greater responsibility for their own treatments, and remain engaged with their care providers.

Tel Aviv's Datos Health facilitates the increasing transition of care from the hospital to the home. A robust and flexible, automated remote care platform, the user-friendly yet cost-effective Datos solution enables any hospital department to rapidly and seamlessly build and deploy new remote care processes and workflows. Datos offers an agnostic care delivery across any device, data source, patient profile, and treatment protocol, and helps health systems realize the potential of patient-generated data through strong patient engagement.

Tel Aviv's Vaica Medical is a digital health company that offers an innovative patient-support platform coupled with smart medication management IoT devices that can improve patient outcomes and increase value for pharmaceutical companies and healthcare providers. Vaica's proven solutions typically increase medication adherence rates from 50% to 96%. (Datos Health; Vaica Medical 28.07)

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8.15. PolyPid Fast Tracked by FDA for Prevention of Surgical Site Infections

PolyPid announced that D-PLEX100 has received Fast Track Designation from the U.S. FDA for the prevention of post abdominal surgery incisional infections. The FDA's Fast Track designation is a process designed to facilitate the development and expedite the review of drugs to treat serious and life threatening conditions and fill an unmet medical need. Fast Track designation allows for early and frequent communication with the FDA throughout the entire drug development and review process, and allows for a rolling review of a D-PLEX100's New Drug Application. It also enables eligibility for Accelerated Approval and Priority Review, if relevant criteria are met.

PolyPid's lead product candidate, D-PLEX100, is a novel product candidate designed to provide local prolonged anti-bacterial activity directly at the surgical site to prevent SSIs. Following the administration of D-PLEX100 into the surgical site, the PLEX technology enables a prolonged and constant release of the broad-spectrum antibiotic doxycycline, resulting in high local concentration of the drug for a period of up to four weeks for the prevention of SSIs, with additional potential to treat antibiotic-resistant bacteria at the surgical site. D-PLEX100 has received two Qualified Infectious Disease Product (QIDP) designations from the FDA for the prevention of sternal wound infection post-cardiac surgery and for the prevention of post-abdominal surgery incisional infection.

Petah Tikva's PolyPid is focused on developing targeted, locally administered and prolonged-release therapeutics using its proprietary PLEX (Polymer-Lipid Encapsulation matriX) technology. PolyPid's product candidates are designed to address diseases with high unmet medical needs by pairing PLEX with drugs to deliver them directly to precise sites in the body at predetermined release rates and over durations ranging from several days to several months. PolyPid's lead product candidate, D-PLEX100, is in Phase 3 clinical trials for the prevention of sternal SSIs and abdominal SSIs. (PolyPid 03.08)

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8.16. Biosight Granted Fast Track Designation for Treatment of Acute Myeloid Leukemia

Biosight announced that that the U.S. FDA has granted Fast Track designation for BST-236 (aspacytarabine) for the treatment of acute myeloid leukemia (AML) in adults who are 75 years or older, or who have comorbidities that preclude use of intensive induction chemotherapy. BST-236, Biosight's lead product candidate, is a novel antimetabolite, designed to provide the benefit of intensive chemotherapy while avoiding much of its toxicity. The company is currently enrolling patients in its Phase 2b study, evaluating BST-236 as a single-agent first-line AML therapy for patients unfit for standard chemotherapy, and recently announced a collaboration with the European cooperative group, GFM, for the initiation of a phase 2 trial of BST-236 in relapsed/refractory myelodysplastic syndrome (MDS) and AML patients, to begin in Q4/20.

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

Airport City's Biosight is a private Phase 2 clinical stage biotech company developing innovative therapeutics for hematological malignancies and disorders. Biosight's lead product, BST-236 (aspacytarabine), is an innovative proprietary anti-metabolite which addresses unmet medical needs by enabling high-dose chemotherapy with reduced systemic toxicity. (BioSight 04.08)

9. ISRAEL PRODUCT & TECHNOLOGY NEWS

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9.1. PV Nano Cell Program on Turnkey Printing Solutions for Mass-Production Customers

PV Nano Cell has launched a new, mass-production customer focused program to offer turnkey printing solutions for high-volume manufacturing. Last year PV Nano Cell launched its upgraded solution offering for the printed electronics, mass-production applications. The company designed & implemented a complete solution approach that allows customers to fully realize the potential of additive manufacturing through inkjet-based electronics printing for mass production applications.

The company as now announced that in the past few months it has made remarkable advancements in developing and implementing turnkey solutions for mass-production printing customers. These turnkey solutions include full implementation of the printing solution in the customer's automated production line.

Migdal HaEmek's PV Nano Cell (PVN) offers the first-ever complete solution for mass-produced inkjet based, printed electronics. The proven solution includes PVN's proprietary Sicrys, silver-based conductive inks, inkjet production printers and the complete printing process. The process includes ink properties' optimization, printer's parameters setup, printing modifications & tailored printing instructions per application. In the heart of PVN's value proposition lies its unique and patented conductive silver and copper inks - Sicrys. Those are the only inks made of Single Nano Crystals – which allows the inks to have the highest stability and throughput required to drive optimal mass-production results for wide range of applications. PVN's solutions are used all over the world in a range of digital printing applications including: photovoltaics, printed circuit boards, flexible printed circuits, antennas, sensors, heaters, touchscreens and other. (PV Nano 22.07)

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9.2. Fiamm and Galooli Join to Introduce a New Phase in Smart Batteries

Italy's FIAMM Energy Technology is a multinational company active in the production and distribution of batteries for vehicle starting and industrial use, born as a result of the separation from the FIAMM Group of the business of automotive batteries and industrial batteries with lead technology.

Tel Aviv's Galooli is a global leader in the field of IoT analytics for connected assets. Its cutting-edge technology enables organizations to perform smarter, reduce operational costs, and increase revenues. To date, Galooli monitors and secures connected assets in thirty-five countries worldwide.

The collaboration of the two companies introduces a new level in fighting industrial-battery theft, which has become a global phenomenon for many operators of remote assets in the telecom and railway industries, among many others. The Fiamm-Galooli joint work has yielded the most secure battery available - a FIAMM battery equipped with a built-in Galooli unit that increases the battery lifetime, maximizes its performance, enables monitoring and management of its activity remotely, as well as analyzing and predicting its output. The solution is already commercial and available in the global markets. (Fiamm, Galooli 23.07)

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9.3. CRN Recognizes Tikal Center As 2020 Emerging Vendor for Unified Communications

Tikal Center has been selected as a 2020 Emerging Vendor for Unified Communications by CRN Magazine, a brand of The Channel Company and the leading news source for solution providers and the IT channel. The CRN Emerging Vendor list is an annual award recognition that features new technology companies using channel partner strategies to drive growth and deliver innovative products and technologies.

Tikal Center has been named as an Emerging Vendor in the category for Unified Communications. The company received this recognition for widening the market reach of its Cloud-based call center solutions with its strong channel-based go-to-market strategy. Tikal Center has recently built and is currently expanding a global network of sales channel partnerships with value added resellers, system integration firms, telcos and managed service providers in local markets. The company reports that many of the its local channel partners are hosting its Tikal Call Center solution and offering call center services to their business customers.

Petah Tikva's Tikal Center and its innovative business communications technologies are powering intelligent call center operations and services of all customer types and sizes around the world. The company's Tikal Call Center is a single, unified platform that includes a full feature set for inbound, outbound and blended operations with advanced AI-driven features, reporting and management controls. The modern architecture of the Tikal Call Center allows for flexible integration with external applications and facilitates rapid deployment in any Cloud environment or on premise scenario. (Tikal Center 23.07)

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9.4. Granulate Launches Real-Time Continuous Optimization Solution in AWS Marketplace

Granulate, provider of a leading real-time continuous optimization solution announced support for SaaS Contracts in AWS Marketplace. Granulate's innovative solution is designed to optimize workload performance and allows businesses to cut compute costs and increase revenue without any code changes. The new globally available capability enables seamless procurement and deployment of Granulate's product. The automated and accelerated purchasing process for Granulate platform via AWS Marketplace ensures fast time-to-value for customers leveraging Granulate's solution to gain autonomous real-time performance and cost optimization across their Amazon Web Services (AWS) and hybrid environments.

AWS Marketplace streamlines customer adoption of technology such as Granulate via a consolidated purchase environment and integration with their AWS accounts. AWS Marketplace SaaS Contracts simplifies the process even further by enabling customers to prepay for Granulate based on expected usage tiers through contracts up to two-years-long. Granulate's cost is integrated into the customer's AWS bill once they subscribe, resulting in a consolidated, easy to process, and significantly lower bill, thanks to Granulate's optimization solution.

Tel Aviv's Granulate provides a real-time continuous performance optimization solution that can effortlessly improve server throughput 5X, reduce latency by 40% and cut cloud compute costs by up to 60% with no code changes required. It's an AI-driven low-level optimization layer that employs real-time continuous automatic adaptations and optimizations on the OS kernel level that are tailored for your app. (Granulate 22.07)

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9.5. SQream Strategic Contract With a Leading Tier-1 Mobile Operator

SQream has signed a multi-year, multi-million dollar contract with a tier-1 mobile operator. SQream enables operators to provide better quality of service with lower downtime and reduced network costs, and improved personalized service offerings. This agreement further cements SQream's growing market share in the telecom industry, which includes Orange, LG UPlus, AIS, Cellcom and others.

SQream was selected because it was able to show that it could significantly reduce data access, preparation and query execution time. For example, SQream DB was able to reduce from almost 10 minutes to 30 seconds, close to 180 times faster, a query that previously took hundreds of man hours to compile and optimize, and which could be prepared in a fraction of the time using SQream. When this new level of efficiency is applied to multiple queries and petabytes of data, SQream's ability to provide rapid data access and analytics is game changing. The operator plans to deploy the SQream data acceleration platform across the organization to facilitate the rapid access and analytics of up to 25 petabytes of data.

Tel Aviv's SQream develops and markets SQream DB, designed to obtain unparalleled business intelligence from massive data stores. Global enterprises use SQream DB to analyze more data than ever before, while achieving improved performance, reduced footprint, significant cost savings and the ability to scale the amount of data they analyze to hundreds of terabytes and more. SQream DB is available both on premise and in the cloud. (SQream 22.07)

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9.6. Upstream Collaborates With Microsoft to Deliver Secured Connected Vehicle Solution

Upstream Security is expanding its collaboration with Microsoft through the Microsoft Connected Vehicle Platform (MCVP) and has joined the Microsoft Intelligent Security Association. Upstream is one of the first cloud-based automotive cybersecurity platforms to offer in-depth integration with the MCVP. MCVP provides one consistent, cloud-connected, horizontal platform across digital scenarios on top of which customer-facing solutions can be built, including in-vehicle infotainment, advanced navigation, autonomous driving, telematics and prediction services as well as over-the-air updates (OTA). It includes the enterprise-grade global availability and scale that comes with Microsoft Azure. Upstream's solution provides automotive car manufacturers a turnkey solution for connected vehicles that ensures the safety and security of the vehicles, drivers and passengers alike.

The integration encompasses multiple options for automotive data ingestion using MCVP components by the Upstream platform as well as a set of real-life playbooks leveraging the integration of Upstream with Azure Sentinel, and the MCVP for investigation, containment, and remediation of multiple cybersecurity detection scenarios. In addition, the solution provides OEMs and connected fleet security operators with simulation capabilities of multiple pre-built and user-defined scenarios using Upstream's AutoStream application running on the MCVP environment.

Herzliya's Upstream Security is a cloud-based data platform purpose-built for connected vehicles and smart mobility services. Upstream's platform fuses machine learning, data normalization and digital twin profiling technologies to detect anomalies in real-time using existing automotive data feeds. The result is unparalleled cybersecurity, quality assurance, and predictive maintenance insights, readily available and seamlessly integrated into the customer cloud. (Upstream Security 29.07)

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9.7. Nova Unveils Next Generation Integrated Metrology Solutions

Nova announced two break-through Integrated Metrology solutions, reinforcing the company's Optical CD portfolio technology leadership. The new platforms, Nova i570 HP and Nova ASTERA, will enhance Nova's ability to support customers in the most advanced Memory and Logic nodes. The new portfolio will strengthen Nova's partnerships with its customers for the development and manufacturing of next-generation IC architectures.

The Nova ASTERA platform is a first of a kind in the industry, providing stand-alone level performance in a compact form factor of integrated metrology. The new platform utilizes multi-channel measurements, providing the best solution in the market in terms of accuracy, precision, tool-to-tool matching and extendibility. The platform brings unmatched capability to the world of integrated metrology, enabling robust measurement for challenging OCD applications in DRAM, 3DNAND and Logic. Nova ASTERA offers the fastest available application time-to-solution, utilizing advanced physical and machine learning algorithms.

The Nova i570 HP normal channel SR platform is the embodiment of Nova's mission, as the Integrated Metrology market leader, to provide the highest performance platform for high volume manufacturing fabs. The new addition to the i5XX series offers the highest throughput in the market, supporting the new faster CMP polishers and allowing better within-wafer variation control by measuring more sites, as well as pre and post-wafer measurements. Enriched with Nova's advanced modeling and algorithmic solutions, the i570 HP provides major enhancements in metrology accuracy, precision and tool matching capabilities.

Rehovot's Nova is a leading innovator and key provider of metrology solutions for advanced process control used in semiconductor manufacturing. Nova delivers continuous innovation by providing state-of-the-art high-performance metrology solutions for effective process control throughout the semiconductor fabrication lifecycle. Nova's product portfolio, which combines high-precision hardware and cutting-edge software, provides its customers with deep insight into the development and production of the most advanced semiconductor devices. (Nova 27.07)

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9.8. Tower Semiconductor Announces a New RF Switch Technology

Tower Semiconductor announced a new radio frequency (RF) switch technology with record figure of merit targeting the 5G and high-performance RF switch markets. This new switch technology enables more efficient, novel RF system architectures in applications including mobile, base-station and mmWave communications. Tower Semiconductor is engaged with multiple customers and partners to bring this technology to market for next-generation products. This new switch technology demonstrates a record RF device figure of merit: Ron x Coff < 10 femtoseconds vs. 70-100 femtoseconds in use today for the most advanced applications. The switch performs over an extremely wide range of frequencies spanning MHz to all frequency bands discussed for 5G, and further into the mmWave. This results in extremely low insertion loss and very small device size.

The switch is also nonvolatile so consumes no energy when in the on-state or off-state, making it attractive for IoT, and other power and battery sensitive product applications. Finally, Tower has demonstrated the versatility of this patented technology by integrating it with some of its other process platforms such as SiGe BiCMOS and Power CMOS. Tower Semiconductor will be offering multi-project wafer runs (MPWs) in 2021 for select customers.

Migdal HaEmek's Tower Semiconductor provides technology and manufacturing platforms for integrated circuits (ICs) in growing markets such as consumer, industrial, automotive, mobile, infrastructure, medical and aerospace and defense. Tower Semiconductor focuses on creating positive and sustainable impact on the world through long term partnerships and its advanced and innovative analog technology offering, comprised of a broad range of customizable process platforms such as SiGe, BiCMOS, mixed-signal/CMOS, RF CMOS, CMOS image sensor, non-imaging sensors, integrated power management (BCD and 700V), and MEMS. Tower Semiconductor also provides world-class design enablement for a quick and accurate design cycle as well as Transfer Optimization and development Process Services (TOPS) to IDMs and fabless companies. **(**Tower Semiconductor 03.08)

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9.9. infiniDome Announces the Availability of GPSdome OEM Board Anti-Jamming Solution

infiniDome announced the immediate availability of GPSdome OEM Board, its board-level product line delivering GPS signal protection for UAV/UAS, Fleet Management and Critical Infrastructure. The GPSdome OEM Board is designed for OEMs to fully integrate anti-jamming technology and deliver unmatched power and weight differentiation. For those customers seeking to retrofit their existing larger drones and realize quick time-to-market, infiniDome also offers the simple to mount and ready to deploy GPSdome product in an IP-67 housing that is the size of a deck of playing cards.

GPSdome OEM Board is the industry's only dual-use (commercial and military) GPS anti-jamming protection offered as a PCB solution. When integrated into a GNSS receiver, GPSdome OEM Board not only detects the attack, but also shields the received signals from being overpowered by jammers. Protecting GPS/GNSS signals ensures continuity of navigation and timing signals which assures normal operations during a jamming attack. These assaults can have drastic effects, including losses in property and services as well as the potential risk to lives.

Caesarea's infiniDome provides front-end cyber solutions protecting wireless communications from jamming interference. infiniDome's products protect against attacks on GPS-based systems, critical for autonomous vehicles, drones, connected fleets and critical infrastructure. infiniDome's products have been successfully proven in the field and sold to customers globally. (infiniDome 30.07)

10. ISRAEL ECONOMIC STATISTICS

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10.1. Israel's Composite State of the Economy Index for June 2020 was Virtually Unchanged

The Bank of Israel's Composite State of the Economy Index for June remained virtually unchanged, indicating stability of the economy in June, contrary to previous months, when the Index declined. The Index stabilized at a low level, due to the sharp declines during the first wave of the COVID-19 pandemic between March and May. In view of the uniqueness of the crisis, the intensity of the changes in the Index should not be indicative of the precise intensity of the changes in activity. This is particularly true regarding the relative intensity between the various months. This is because final data for some of the indicators are published with a lag, and affect the publication of the Index trend. With the cancellation of most closures and restrictions in the second half of April and during May, activity in most industries began to increase, and a return to proper economic activity began. This change is reflected most strongly in the Retail Trade Revenue Index - After a sharp increase in May, its level was just 5% lower than it was in February, before the outbreak of COVID-19 in Israel. The change was also seen in the revision of the Composite Index for May, which shows that the economy continued to contract in May but at a significantly slower pace than in April.

The increase in the Index reflects increases in most components in May. In addition to the Retail Trade Revenue Index, there were also significant increases in the Services Revenue Index, the Industrial Production Index, and services exports. It also reflects increases in June in most components reported thus far, including continued recovery of the job vacancy rate from its sharp decline at the height of the crisis, and an increase in consumer goods imports following declines between January and May, a signal of the start of a recovery in private consumption. Alongside these, the accumulated negative impact of the various indicators on the trend of the Index between March and April moderated its increase. (BoI 02.08)

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10.2. Despite Global Pandemic, Israeli Startups Raise $700 Million in July

Israeli startup companies raised nearly $700 million in July, according to data released by the high tech sector. Industry insiders told financial daily Globes that the real figure is likely higher as some companies prefer not to make their records public.

Israel's high tech industry raised a record $8.3 billion in 2019; $6.4 billion in 2018, and $5.24 billion in 2017. The first half of 2020 began strongly with $5.25 billion raised, and the $700 million raised in July brings the total for the first seven months of the year to almost $6 billion – on course to exceed last year's record, and all despite the global coronavirus pandemic.

According to the report, companies that develop remote working, healthcare, and cybersecurity instruments have done especially well. Globes noted that nine companies raised two-thirds of the amount: Taxi-hailing app Gett saw a $100 million financing round followed by blood count device company Sight Diagnostics

($71 million), medical imaging company Nanox ($59 million), SaaS cloud company OwnBackup ($50 million), sales tech company Chorus.ai ($45 million), robotic solutions company Ecoppia ($40 million), Explorium ($31 million), cybersecurity company CyCognito ($30 million), and digital farming company Taranis, which raised $30 million. (ILH 03.08)

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10.3. Average Salary in Israel Falls to NIS 11,459

The Central Bureau of Statistics announced that Israel's average salary in May was NIS 11,459, down from NIS 12,137 in April but up from NIS 10,581 in March. The figure is being significantly influenced by the Covid-19 crisis with the latest fall due to the fact that hundreds of thousands of people on low salaries were sent on unpaid leave in March and April and returned to work in May. The top sector in Israel in terms of the average salary is high-tech, where the average salary in May was NIS 24,773, down from NIS 25,090 in April. (CBS 04.08)

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10.4. Ministry of Finance Forecasts Israel's Economy Shrinking by 7.2% in 2020

The Chief Economist at Israel's Ministry of Finance sees Israel's economy recovering more slowly than previously thought because of the COVID-19 crisis, with the economy contracting by 7.2% in 2020. Overall, it is felt that the economy will not return to pre-pandemic levels until 2023, should the virus persists through the winter and requires parts of the economy to shut down.

However, the Chief Economist at the Ministry of Finance also has a less severe forecast on the assumption that the COVID-19 crisis will continue only through to the end of the year, in which case the economy would shrink 5.9% in 2020 and grow 5.7% in 2021. In terms of unemployment, the Chief Economist at the Ministry of Finance sees 9.7% unemployment at the end of 2020 with a slight fall to 8% in 2021. But in the worse scenario of returning to lockdown, unemployment would stand at 15% at the end of 2020 and 12.4% in 2021. (MoF 02.08)

11. IN DEPTH

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11.1. ISRAEL: Chevron Enters Israel

Oded Eran posted in INSS Insight on 28July that the oil giant announced its acquisition of Noble Energy, and thereby strengthened the American presence in the energy sector in the Eastern Mediterranean. This is a development with major strategic, political, and economic importance for Israel – and for the world at large

On 20 July 2020 the American oil giant Chevron Corporation announced its acquisition of Noble Energy, also an American company, which is a partner in the consortium that owns the Leviathan natural gas field, the site of two-thirds of Israel's natural gas reserves. The official announcement of the acquisition states that Chevron was acquiring profitable assets in Israeli waters and strengthening its status in the Eastern Mediterranean Basin. The involvement of a large US corporation like Chevron will raise Israel's standing in the East Mediterranean Gas Forum, which also includes Egypt, Jordan, the Palestinian Authority, Cyprus, Greece and Italy. Great importance likewise lies in the timing of the announcement, which was issued against the background of the growing global doubt in the stability of the energy sector, and in the Israeli context, the declining trust of investors in the economic stability of some of Israel's energy companies.

Much strategic, political, and economic significance has been assigned to the announcement of the American gas and oil corporation Chevron that it reached an agreement to acquire Noble Energy, the

American partner (holding 39.7%) in the consortium controlling the Leviathan natural gas field. Noble Energy also retains holdings in the Tamar gas field. The importance of the announcement stems from the size of the American company and the timing of the announcement. Chevron is considered to be one of the seven largest companies in the sector in the world in terms of the scope of its assets ($237 billion at the end of 2019), the scope of its sales ($140 billion in 2019), and its production capacity. Without a doubt, the move brings the American presence in the energy sector of the Eastern Mediterranean to a new level, which until recently was limited to the relatively minor involvement of energy giant Exxon in Cyprus and Noble Energy, which is a small American company in Israel. American companies discovered the potential in the region only after European companies carried out successful drilling in Egypt's economic waters.

Chevron's entry into Israel bears a number of political aspects. Chevron has extensive operations in Arab and Muslim countries, and has indirect significance regarding the efforts of countries and bodies around the world to boycott Israel. The involvement of an American company on the scale of Chevron will endow Israel with reinforced political status in the East Mediterranean Gas Forum, which also includes Egypt, Jordan, the Palestinian Authority, Cyprus, Greece and Italy. The government of Jordan continues to withstand internal pressures exerted by wide circles within the kingdom who oppose normalization with Israel and Noble Energy's deal with the Jordanian electric company, whereby Jordan will be provided with three billion cubic meters of natural gas annually from the Israeli gas fields in the Mediterranean Sea over a period of 15 years. The likelihood that Jordan will cede to the pressures exerted on it to cancel the agreement with Noble Energy will decrease in light of the disparity in size and power between the two American companies.

The entry of large American corporations into the eastern zone of the Mediterranean Sea may also have a restraining impact on the intentions of other actors, international and regional alike, regarding its political and economic future. Russia has a long-time presence in the Middle East, which it might consider expanding in light of the tendency of US administrations since the Obama presidency to reduce the American presence in the region. Russia's desire to expand its activity in the exploration for natural gas is well known, beyond its partnership in the consortium that acquired a concession in one of the regions explored in Lebanon's economic waters. Turkey too, which in recent years has pursued an aggressive policy in the region, will need to take into consideration the presence and interests of two huge American corporations, Chevron and Exxon, which can be expected to exert pressure on Washington to "calm" Erdogan. Like other large American corporations, Chevron and Exxon also invest millions of dollars in lobbying Congress and the US administration.

On the surface, the change in ownership between the two American companies at the Israeli gas fields will not necessarily accelerate resolution of the controversy between Israel and Lebanon regarding the demarcation of the economic waters between them. Nonetheless, if Chevron finds it necessary and has an interest in doing so, it will certainly be able to use its economic and political clout to pressure the US administration to speed up its efforts to find a solution.

The entry into the region of an economic giant such as Chevron also conveys an important economic message, beyond the safety net with which it provides the natural gas sector in Israel. Indirectly, it constitutes additional recognition of the economic stability of the Israeli economy and its prevailing legal and administrative norms. On the one hand, the parties and the movements that have thus far opposed Israeli government policy regarding energy related matters, including the ratio of export of the natural gas and the location of the facilities designated for transporting the gas to Israel, will now face an adversary that has extensive economic and presumably political power. On the other hand, the Israeli government will need to prove that its decisions pertaining to energy matters are not dictated by the considerations of an economic giant such as the Chevron Corporation. Even the involvement of a relatively small American corporation such as Noble Energy led to accusations that Israeli government decisions were influenced by American lobbying of the government and company.

Since early 2020, the energy market has been treading water. From late 2019, the price of natural gas on the world market has dropped by 30%, and it is not expected to change as long as the pandemic continues to squeeze economic activity. The price drop makes it difficult for Israeli companies to mobilize the financial resources necessary to fund the continuation of exploratory drilling. Low natural gas prices raise the question of the profitability of production, even in the event of discovery of additional natural gas. A strong economic entity such as Chevron, with its proven abilities in the chain of operations that begin with locating oil and natural gas resources and conclude with the provision of electricity or gasoline to its customers, gives its Israeli partners a safety net.

Leviathan Gas Field

An important question from a political and an economic standpoint concerns the impact that Chevron's involvement in the realm of natural gas production will have on the transport to external markets, and particularly the possibility of a Mediterranean gas pipeline from the Eastern Mediterranean to a port of entry in Europe. The pipeline, which is preferred from an economic and technical perspective, is what would connect up to the network of pipelines that exists in Turkey and is linked to Europe. Turkey's policy on the Cyprus conflict, its hostility toward Israel, and its rivalry with Egypt – as well as, but not solely because of the military and political intervention in the conflict in Libya – reduces the political feasibility of laying such a pipeline.

An alternative that is already employed is the conveyance of natural gas from Israel to Egypt, both for local consumption and, alternatively, for its liquefaction and transport in tankers to markets outside the region. In this context, Chevron's acquisition of Noble Energy at this stage is of no practical significance. A change in global natural gas consumption patterns, accompanied by a rise in prices, will require investments and the increased capacity of the natural gas facilities in Egypt, with the involvement of American corporations such as Chevron and Exxon.

Although the Israeli government is promoting the Eastern Mediterranean natural gas pipeline project, considerable doubt still exists regarding its technical, economic, and political feasibility. At a length of 1,900 kilometers, 1,300 of which are at sea, the pipeline, if and when it is completed, will transport approximately 10 billion cubic meters of natural gas from Israel and Cyprus to Europe each year. The cost of the pipeline has been estimated at 6 billion euros. In early January 2020, Greece, Cyprus and Israel signed the framework agreement for the construction of the pipeline, and in July of this year the Israeli cabinet ratified the agreement. Turkey has already expressed its firm opposition to the project and its dispatch of a drilling ship to Cypriot waters and its agreement with the Libyan Government of National Accord regarding the demarcation of economic waters (November 2019) should be seen as part of Ankara's response to the alliance between Israel, Greece and Cyprus in the natural gas sector.

On the one hand, Chevron's joining the activity in the Eastern Mediterranean increases the security of potential investors in the gas pipeline. On the other hand, this in itself cannot increase the quantities that will be transported through the pipeline or decrease the political risks involved with laying it. In addition, although the European Union is participating in the feasibility survey for the pipeline and has included it in the category of projects with shared interest for companies, this does not constitute a long-term EU commitment regarding the laying of the pipeline. It is doubtful whether the involvement of an American giant such as Chevron will change the manner in which the European Union views the issue.

None of these issues detract from the strategic, political and economic importance of the Chevron Corporation's entry into the Israeli and Mediterranean natural gas sector. Moreover, this development comes at a critical time – against the background of a growing global doubt in the stability of the energy sector, and the Israeli dimension of this phenomenon: the weakening of the investors' faith in the economic stability of some Israeli energy companies. (INSS 28.07)

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11.2. LEBANON: Moody's Downgrades Lebanon's Rating to C from Ca

Moody's Investors Service (Moody's) has downgraded the Government of Lebanon's issuer rating to C from Ca, and has not assigned an outlook to the rating. Moody's also downgraded Lebanon's senior unsecured

Medium Term Note (MTN) Program rating to (P)C from (P)Ca, and affirmed the other short-term rating at (P)NP.

The C rating reflects Moody's assessment that the losses incurred by bondholders through Lebanon's current default are likely to exceed 65%. The country is steeped in an economic, financial and social crisis, which very weak institutions and governance strength appear unable to address. The collapse of the currency in the parallel market and the concomitant surge in inflation fuel a highly unstable environment. In the absence of key steps toward plausible economic and fiscal policy reform, official external funding support to accompany a government debt restructuring is not forthcoming.

The decision not to assign an outlook to the rating is based on the very high likelihood of significant losses for private creditors and the fact that C is the lowest rating in Moody's rating scale.

Lebanon's long-term foreign currency bond ceiling remains unchanged at Ca while the foreign currency deposit ceiling has been lowered to C from Ca previously. The long-term local-currency bond and deposit ceilings have been lowered to Caa2, respectively, from Caa1 previously. The short-term foreign currency bond and deposit ceilings remain Not Prime (NP).

RATINGS RATIONALE: Very Weak Institutions and Governance Strength Undermine the First Reform Steps to Restore Some Stability

Lebanon is steeped in a severe economic, financial and social crisis, with the level of economic activity plunging at a fast rate, the currency plummeting in the parallel exchange rate market, inflation skyrocketing, and an increasing part of the population without a job or income prospects. On 16 March, Lebanon defaulted on its international bond due on 9 March after the grace period expired. On 23 March, Lebanon announced it would cease servicing other outstanding foreign-currency debt; four days later, the public debt restructuring commitment was extended to include local-currency debt.

Recurring delays with the implementation of fiscal and economic policy reforms, outlined in the government's reform program presented on 28 April as basis for negotiations with the International Monetary Fund (IMF) for an external support package to accompany a government debt restructuring, have stalled discussions with the IMF and with other international official donors. Limited progress has been achieved in key prerequisites, including a forensic audit of the Banque du Liban (BdL), the adoption of comprehensive capital controls legislation, and a general consensus among domestic stakeholders in favor of the government's debt restructuring and reform plan. In this environment, Moody's expects ultimate losses to private creditors to exceed 65%, prompting positioning of the rating at the lowest level in the rating scale.

Exhausted fiscal and monetary policy implementation capacity and diminished governance performance, especially with respect to control of corruption, inhibits the likelihood of a rapid transition to a new and more sustainable growth model once the debt restructuring is implemented. Over the longer term, a lower growth potential and a weak track record of fiscal discipline reduce the sovereign's ability to carry debt, warranting a deeper debt write-off that is consistent with the C rating category, or a higher probability of future re-default in the event of insufficient effective debt relief to restore long-term debt sustainability.

The continued drawdown of Lebanon's foreign exchange reserves is reflected in the acute devaluation of the local currency in the parallel market by over 80%. This is fueling significant import compression and contributing to a spike in inflation readings to almost 90% year-over-year as of June 2020 from 6.7% at the end of 2019. The resulting erosion of consumers' purchasing power accompanied by investment contraction deepen the expected double-digit economic slump in 2020 and set the stage for severe social disruptions.

Moody's projects the debt/GDP ratio to increase further to about 200% of GDP in 2020, driven by the exchange rate effect assuming an adjustment in the official peg to LBP3,500 per US dollar as outlined in the government's reform plan. Looking forward, Moody's projections show that the debt trajectory remains particularly sensitive to adverse growth and foreign exchange dynamics, underscoring the potential for further loss accumulation in the absence of a restructuring agreement with the support of the IMF. Access to previously pledged international investment support is conditional on the implementation of an IMF reform program, neither of which are likely to be secured in the next few months.

Environmental, Social & Governance Considerations

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

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

Governance considerations are a driver of today's rating action. Sectarian fragmentation also impacts governance with control of corruption and political stability representing key challenges. The BdL's reduced monetary and financial policy effectiveness in light of exhausted external buffers adds to the government's weak fiscal policy track record, thus driving Moody's very weak overall governance assessment.

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

C is the lowest rating in Moody's rating scale. Moody's currently believes that if there are any upward movements in Lebanon's sovereign rating after the debt restructuring, they are likely to be limited for a considerable period of time. It is unlikely Lebanon's rating would move from its current position prior to restructuring, given the extent of macroeconomic, financial and social challenges and Moody's expectation of very significant losses.

For Lebanon's issuer rating to rise above levels associated with very high probability of future default and significant losses, the implied pace of fiscal consolidation and/or structural reform implementation would be much faster than is currently expected, over a number of years. A further precondition for a substantive upgrade would also be that the key drivers of the country's debt dynamics - such as economic growth, interest rates, privatization revenue, and the ability to generate and sustain large primary surpluses - were seen to be evolving in a way that would ensure debt sustainability in the future. (Moody's 27.07)

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11.3. LEBANON: All Fall Down

Maha Yahya posted on 23 July in Diwan that today, four of the five pillars that had sustained Lebanon are collapsing, creating fears for the future.

Lebanese politicians are pushing their country over the precipice. Eight months into a complex crisis that is threatening Lebanon's foundations, they have yet to take steps to stem the collapse. On the contrary, they have pursued a malign business-as-usual approach as they hedge their bets on a system that is no more.

Today, four of the five key pillars that have long sustained Lebanon are crumbling. First, the power-sharing arrangement that has characterized the country since its foundation is no longer working and is characterized by persistent and debilitating blockages. This arrangement rests on an equitable distribution of government posts among the country's different sects. It was also based on a double negative of a "no to the East" and "a no to the West," whereby Christians would not seek Western involvement in Lebanon's affairs, and Muslims would not seek Arab intervention.

The power-sharing system is in no danger of immediate collapse. However, the last time it was contested, Lebanon entered into a fifteen-year civil war between 1975 and 1990. The Taif Accord, the settlement ending that conflict, foresaw Lebanon's transition to a civil state in which sectarian representation in parliament would end. In exchange, all sects would be represented in a new Senate, whose authority would be limited to deciding on major national issues. Yet those parts of the accord were never implemented. Today, sectarian governance has become far more entrenched in state institutions, making change extremely difficult.

Second, Lebanon's role as a merchant republic, based primarily on banking and services, is at an end. In 2018, financial services contributed 8.5% of GDP and the tourism sector (mainly hotels and restaurants) 3.1%. Today, losses in the banking sector are estimated at $83 billion. In a country that imports almost everything it consumes, informal capital controls and the cancellation of lines of credit to businesses show a banking system that no longer functions.

Similarly, around 800 tourism-related establishments closed permanently between October 2019 and January 2020. Tourism and related services employed 25% of Lebanon's labor force, but some 25,000 individuals lost their jobs in the sector during that same period. It's likely that this figure has increased because of Covid-19 containment measures. The scale of the crisis is threatening the basic integrity of Lebanon's economy. Experts now estimate the economy will contract by 25% in real terms over the next two years.

This economic collapse and the ensuing destruction of wealth is wiping out the country's third pillar, namely the middle class, historically one of the most affluent, resourceful, and professional in the region. Lebanese society is being rapidly impoverished, while the youngest and brightest seek opportunities elsewhere. One in three Lebanese have reportedly lost their jobs, and many others are likely to be pushed into the informal sector. The Lebanese pound has lost some 80% of its value on the black market.

To cite but one example of the effects of this, the average annual salary of an assistant professor at the American University of Beirut is LL94 million. This used to be equivalent to $63,000 a year, or around $5,000 per month. At today's exchange rate of $1 = LL8.000, the monthly salary has dropped to $11,000 a year, or $900 a month.

The middle class is swelling the ranks of the poor, with the World Bank estimating that around 50% of Lebanese now live below the poverty line, while thousands are going hungry. Clothes, food and fuel are becoming unaffordable as year-on-year purchasing power has been halved, with inflation reaching 90% in June 2020. The price of basic goods increased by around 55% in May alone. All this represents an epic collapse with a generational impact.

A fourth pillar of the Lebanese system, namely freedoms, is also being eroded. Since independence, Lebanon has been renowned for freedom of speech and a flourishing press. By the end of the 1940s the country was publishing 39 dailies and 137 periodicals in three languages. In its heyday Lebanon acted as a safe haven for dissidents and refugees, boasting a cultural and intellectual life unparalleled in the region, a role it continued to play until recently, albeit much less effectively.

The decline in fundamental freedoms and the repression of free speech is apparent in the alarming increase and systematic targeting of activists, dissidents, and refugees over the past few years, with the help of more aggressive security services and a pliant judiciary. While Lebanon's constitution upholds freedom of speech within the bounds of the law, its penal code criminalizes defamation against political and religious officials. Since 17 October at least 60 individuals have been arrested or summoned for interrogation because of things they posted on social media. More recently, there were reports that the country's top prosecutor ordered a security agency to investigate social media posts offensive to the president. In response, a coalition of fourteen organizations has been formed to defend freedoms.

Finally, the Lebanese system's fifth pillar, the army and the internal security forces, is also feeling the impact of the economic crisis. Like all Lebanese, military and security personnel have seen their incomes and pensions disappear. The salary of the army's commander has declined in dollar terms to around $750 a month, while that of a colonel has gone down to $300 and a soldier to $150. The personnel may be faring better than those who have lost their jobs, but they no longer enjoy many of the benefits they previously did. In an environment of heightened tensions, economic pressure on the military and security sector will only grow. More worrisome, this is happening as crime rates have risen in recent months.

In response to this dire situation, national-level decision making has been slow, with politicians displaying callous disregard for the country. They continue to seek short-term gains and are looking for ways to hang on to power, plunging Lebanon deeper into crisis. By dragging their feet they are imposing further losses on depositors, who cannot withdraw their U.S. dollars from banks except in pounds, and at an official rate far lower than the black market rate.

Agreement on an economic rescue plan is critical for unlocking desperately needed financial assistance. Yet, the government and parliament are still bickering over the size of Lebanon's financial losses as the government negotiates with the International Monetary Fund. Rather than introduce reforms, the politicians have continued to behave much as they did in the past. This was evident in recent civil service appointments that privileged political clientelism over merit. Without reforms, external support will not materialize.

Meanwhile, political parties are returning to their sectarian reflexes, fracturing the Lebanese polity even more. Trends visible on the ground point to increasing fragmentation, with villages, towns, and neighborhoods initiating self-protection mechanisms. Against the background of COVID-19, increasing crime rates, and collapsing state institutions, parties have revived their protection rackets and are providing food and medicine to constituents in need. This is happening even as many Lebanese seek a nonsectarian state that upholds their rights as citizens, not merely as members of a sect.

Lebanon's problems can only be addressed if its political leaders place their own, long-term interests after the country's short-term gains. That means an agreement to shoulder some of the losses stemming from the crisis and bringing in a government capable of envisioning and implementing an immediate stabilization program and a medium- to long-term recovery program. So far, however, these do not seem to be priorities for Lebanon's political leadership. (Diwan 23.07)

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11.4. GCC: Covid-19, Diversification and the Future of Food Security in the Gulf

On 21 July, Emma Soubrier posted at the Arab Gulf States Institute in Washington that the pandemic is forcing a reprioritization of people-centered challenges that Gulf leaders seem to be willing and ready to undertake.

The COVID-19 pandemic has been a great revealer and accelerator of major vulnerabilities pertaining to human security all over the world and the Arabian Peninsula has been no exception. In addition to the challenges to health systems, and to their economic diversification models at large, one of the most salient stress tests the outbreak has represented for the Gulf countries is linked to food security.

Defined at the 1996 World Food Summit as a situation "when all people, at all times, have physical and economic access to sufficient safe and nutritious food", food security relies on four pillars: physical availability, economic and physical access, food utilization, and stability over time.

At first glance, food insecurity does not come across as a burning issue for the Gulf Cooperation Council member states, as their wealth usually ensures abundant and stable access to food supplies. In fact, four of them (Qatar, the United Arab Emirates, Kuwait and Saudi Arabia) are in the top 5 countries in the MENA region and in the top 30 countries worldwide in the 2019 Global Food Security Index.

However, the Gulf region has poor agricultural conditions, that is it is "[an environment] characterized by high temperatures, poor soil quality and low annual rainfall, and regarded as most vulnerable to water scarcity, salinity and climate change". Having great environment constraints and high demand, the GCC countries import more than 80% of their food. Their main vulnerability thus stems from their extreme dependence on international markets for supplies and this is what the COVID-19 pandemic has come to threaten.

As it began to disrupt the global food system, with restrictions on internal and international movement affecting supply chains, the coronavirus outbreak spurred fears of food insecurity in the Gulf. These find roots in the experience of the 2008 global food crisis, when the Gulf states discovered their vulnerability, "not because they [could not] pay for their food imports, but because countries were not willing to sell". In late March, these memories were stirred as onions temporarily disappeared from Kuwaiti grocery stores, with the so-called "onion crisis" spreading to Saudi Arabia in April.

Apart from these somewhat anecdotal instances, however, it seems that no major disturbance occurred on Gulf food markets as a direct consequence of the COVID-19 pandemic. As it turns out, this too might have a lot to do with the 2008 global food crisis. Lessons learned from then led the FAO, IFAD, WFP and the World Bank to issue a joint statement urging countries to not give in to "panic-driven policy responses" that would increase stress on international markets, for example. Gulf countries have nevertheless taken targeted measures to address these issues.

The pandemic is forcing a reprioritization of people-centered challenges that Gulf leaders seem to be willing and ready to undertake both at home and abroad. When it comes to food security, they had already ramped up their efforts after the 2008 global food crisis. For instance, the FAO notes that they have significantly reduced risks linked to food security by holding large food reserves. In addition to their enhanced storage capacity, governments increased financial assistance and subsidies to boost local agricultural production. It was, however, quickly established that, because of water scarcity, this would not be sustainable without endangering the environment and that self-sufficiency was an unattainable goal. Consequently, most Gulf countries turned to a diversification of their food suppliers and, crucially, to investments in arable land abroad – in Africa, as well as Europe and the US.

On these bases, some new national initiatives since the beginning of the coronavirus outbreak include the formation of a dedicated Food Security Council in the UAE in January and renewed efforts to support farmers and facilitate food imports in Saudi Arabia. To strengthen its food security, Kuwait turned to increased international cooperation and investment in agriculture technology (agri-tech), notably in a start-up based in the UAE, Pure Harvest. As for Qatar, it has arguably found itself in a better situation than many, having drastically increased its domestic output since the beginning of the diplomatic spat with its neighbors in June 2017 and the air, land and sea blockade imposed by them. On this note, it is worth mentioning that at the regional level, the pandemic led to an encouraging cooperation initiative amid the GCC in mid-April, with the six members adopting a Kuwaiti proposal to establish a joint network to protect food supplies.

Going forward, as policymakers in the Gulf look to redefine national security, the spotlight the pandemic has put on these aspects might accelerate other policy changes. On the domestic front, this could include serious budget rebalancing to support mounting investment in research and development pertaining to food and water security. On the international front, this could push them to "strike a balance between fostering a highly diversified pool of food providers while maintaining a strong but more limited pool of strategic agricultural partnerships". This could be a starting point to inject new, greener energy into traditional cooperation schemes, for instance between Europe and the Gulf.

While Gulf security always encompassed much more than ensuring regime survival and defending the integrity of the territory against potential aggressors, the COVID-19 pandemic comes as a reality check for governments in the region and beyond, urging them to shift their focus onto human-centric dimensions of security. Maintaining food security, in particular, is "a matter of state policy linked to both national security and social stability".

As they embark on the journey to safeguard their security in an all-encompassing way, Gulf leaders can perhaps find solace in the idea that this is a challenge that is bound to be faced by an increasing number of countries around the world as climate change continues to impact populations. Showing up early to this field as a model of marginal environment having tackled these tests could thus become a new, sustainable, and constructive method to boost their status and influence on the global stage.

Emma Soubrier is a visiting scholar at the Arab Gulf States Institute in Washington. (AGSIW 21.07)

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11.5. GCC: GCC Railway - A Train Across A Fractured Gulf?

Sebastian Castelier observed in Al-Monitor on 27 July that limited progress has been made since a 1,350-mile-long rail network stretching across Gulf Cooperation Council (GCC) countries was announced more than 15 years ago.

Repeatedly delayed, the megaproject is now expected to be partially completed in 2023, linking Saudi Arabia to the United Arab Emirates (UAE) and Oman, Saudi newspaper Al-Jazirah reported. Although the report specified Bahrain and Kuwait would be added to the network two years later, Qatar, part of the original proposal, is not mentioned. Saudi Arabia, the UAE, Bahrain and Egypt imposed a blockade on Qatar in June 2017, accusing the emirate of backing Islamist radicals and Iran. Doha denies the charges. “The prospect of one single railway network that integrates all six of the GCC states seems uncertain,” Kristian Coates Ulrichsen, a fellow for the Middle East at the Baker Institute for Public Policy at Rice University in Houston, told Al-Monitor. Once a symbol of unity, the ambitious project could pay the price of a political crisis that has weakened regional cohesion.

In an interview with the president of Al-Monitor, Andrew Parasiliti, in late June, Qatar's Ambassador to the United States Meshal Al-Thani said some countries are “trying to undermine” the work of the GCC. The Secretariat General of the GCC did not respond to requests for comment sent by Al-Monitor.

Since 2014, low crude prices have destabilized Gulf economies and delayed investments in megaprojects. The $15 billion railway project, which connects domestic rail infrastructures built separately by each country, is highly vulnerable to cuts in capital expenditures. The COVID-19-induced economic downturn is adding further pressure, as the debt of GCC governments is expected to soar by “a record-high” this year, S&P Global Ratings said.

According to Ulrichsen, portions of the railway could still see the light of day based on economic interests — the UAE completed a domestic line in 2015 to carry sulfur from the Al Dhafra region to the port of Ruwais. Yet even the construction of limited links “may still be vulnerable to regional tensions and the ongoing economic uncertainties,” he added.

Talking to Al-Monitor, Olivier Le Ber, Middle East and North Africa Transport Manager at the World Bank, pointed out the close interrelation between each portion of the GCC railway. For example, “The rail segment in Qatar is not meaningful unless connected to the Saudi network,” he said in reference to technical aspects. Until December 2016, the World Bank was mandated by the Secretariat General of the GCC to help in designing the project. “We provided advice mainly on technical harmonization toward the adoption of common guidelines for all six countries — for example, selecting the same signaling system to avoid changing locomotives at the border," Le Ber said. During its advisory mission, the World Bank also recommended establishing a single rail operator to centralize the exploitation of the network, rather than six independent entities. “So far, and to our knowledge, they don’t seem to be working on this option,” he said. Etihad Rail and the Saudi Railway Company did not respond to requests for comment.

Facilitate Trade

Yet the prospect of a railway running from the Gulf's northernmost state of Kuwait all the way to Oman remains a source of enthusiasm. In 2018, the former GCC Secretariat General said it could have "a far-reaching impact" in terms of socio-economic development.

Many Gulf citizens view the project as a positive development. "All the region will be united, cooperating together to be one GCC, which is very helpful, beneficial and productive to all," Omar Haitham BuAisha, a Saudi communication specialist, told Al-Monitor. "It would also reduce the GCC's carbon footprint," Le Ber added. Etihad Rail estimated rail transportation cuts carbon dioxide emissions by 70 to 80% compared to trucking. Indeed, besides easing the mobility of millions of passengers, the GCC railway could carry up to 29 million tons of freight, boost regional trade and reduce transportation costs.

Although trade barriers are low, intra-GCC non-oil trade remains weak. Established in 1981, the GCC lacks uniform economic policies, highlighted by Saudi Arabia's recent decision to triple its value-added tax while Oman, Qatar and Kuwait have yet to implement it.

In the long term, GCC countries could also take advantage of a rail network to facilitate trade with the wider Middle East. According to Le Ber, the Kingdom of Saudi Arabia is currently exploring opportunities to connect its rail tracks to neighboring Iraq and Jordan. A promotional video released by Israel's Ministry of Foreign Affairs in August 2019 also said the Jewish state intends to revive the Hejaz railway and connect it with Saudi Arabia.

Disrupt the Supply Chain

By easing freight movements, the GCC railway would strengthen alternative hubs from where imported commodities and hydrocarbons shipments could enter/exit the region while avoiding security risks faced by tankers traveling through the Strait of Hormuz.

Iran regularly threatens to close the strategic chokepoint that serves as a transit for most crude exported by GCC countries. In this context, ports located out of the Hormuz corridor, such as Oman's Duqm or terminals on the Red Sea coasts, could emerge as cost-effective gateways.

However, such a scenario would disrupt the current GCC supply chain and challenge the role played by the UAE's Jebel Ali port as a major re-export hub for the Gulf region. Re-exports between Dubai and other Gulf countries account for about half of the total intra-GCC trade in 2017. Surely more than any other megaproject, the GCC railway requires regional interests to be placed above national ones and for Gulf policymakers to look in the same direction.

Earlier this month, King's College London assistant professor Andreas Krieg told Al-Monitor, "Multilateralism in the Gulf has been replaced with unilateralism and bilateralism." Although the coronavirus crisis threatens the GCC's hydrocarbon-centered model of development and urges the region to diversify its economy earlier than expected, attempts for further economic integration are likely to remain dictated by political fault lines. (Al-Monitor 27.07)

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11.6. OMAN: Oman's Bittersweet Economic Relations With China

Robert Mogielnicki posted on 21 July at the Arab Gulf States Institute in Washington that Oman's precarious reliance on energy exports to China and insufficient Chinese investment in non-oil segments of the Omani economy leave the sultanate in a weak position to address urgent economic challenges.

Lujaina bint Mohsin Darwish recently became chairperson of the Oman-China Friendship Association following the death in April of Omar Al Zawawi, a prominent businessman and government advisor. Established in October 2010, the Oman-China Friendship Association "aims at developing and strengthening the friendly relations between the Sultanate of Oman and the People's Republic of China." Corporate members of the association include the OMZEST Group, Omantel, and Huawei. This period of transition for the association and Omani politics, coupled with the coronavirus pandemic and low oil prices, has underlined the imbalance in ties between Oman and China.

On 23 June, Moody's Investors Service cut Oman's sovereign rating for the second time in 2020, citing dim prospects that the sultanate will be able to offset oil revenue losses without accumulating unsustainable debt or eroding its limited financial buffers. The Omani government under the new sultan is racing to shore up the country's finances and, in the process, is restructuring the state and decision-making mechanisms. Support from external lenders and foreign investors is crucial for economic recovery in Oman.

Yet there are good reasons for skepticism toward Oman's economic partnership with China. The convergence of a global health emergency and an oil market rout has underlined China's mixed role in Oman's fragile economy. Oman exports too much of its crude oil to China, while the Asian powerhouse invests too little in the sultanate's non-oil industries. The imbalanced nature of this economic relationship places Oman in a weak position to address mounting economic challenges.

Despite decades of economic diversification initiatives, Oman's oil and gas sector accounts for approximately 72% of government revenue. China consumes the vast majority of exported Omani crude oil. In April and May, China imported nearly 90% of Oman's crude oil exports. This was not always the case. Between 2000 and 2017, China's share of Oman's crude oil exports increased from 35.2% to 82.5%.

The growth in Chinese imports of Omani crude oil coincided with a decrease in the relative importance of other Asian importers. Prior to 2012, Oman maintained a more diverse group of crude oil trading partners, including Japan, India, South Korea and Thailand. Japan actually imported more Omani crude oil than China in the early 2000s.

Crude oil also accounted for 92.4% of Oman's total exports to China in 2018; the next largest export group was chemical products, such as cyclic hydrocarbons. This overreliance on hydrocarbon-based exports within Oman's bilateral trade with China has changed little over the past decade, leaving no obvious path for export diversification to this important trade partner.

The level of Chinese engagement with Oman's oil sector contrasts with lackluster activity in other economic spheres. Despite high expectations surrounding the economic impact of the Belt and Road Initiative on Gulf Arab economies, China is not a top foreign direct investor in Oman. The United Kingdom, the United Arab Emirates, the United States and Kuwait each accounted for greater shares of Oman's total inward foreign direct investment stock than China by the third quarter of 2019. Inward foreign direct investment stock from China totaled $1.25 billion, just slightly more than what was invested by the small country of Qatar. Progress on a $10 billion joint industrial park in the special economic zone at Duqm has moved slowly.

Omani policymakers also confront stubbornly high unemployment rates – estimates of youth employment reach 49%. The economic downturn related to the coronavirus outbreak and energy market outlook threatens to further exacerbate employment pressures in Oman. Employment generation, therefore, is an important component of in-country value (the contribution to social and economic development in the host country) related to foreign investment propositions. However, there are long-standing concerns over the proclivity of Chinese firms to utilize Chinese labor rather than local human resources.

A major challenge is that many foreign investments are channeled through Omani free zones and special economic zones in Sohar, Salalah and Duqm. Zone authorities not only offer lax labor regulations and other preferential business terms but also often compete among themselves for foreign investments. Omani officials recognize that nearby Iran possesses adequate ports and free trade zones, thereby increasing regional competition for limited investments. The reported Chinese-Iranian cooperation agreement suggests that China may begin leveraging Iranian business hubs to a greater degree over the coming years.

China has made some advances within Oman's non-oil industries and state-led initiatives. Oman's government raised $1 billion by selling a 49% stake in the Oman Electricity Transmission Company to the State Grid Corporation of China. In March, the Asian Infrastructure Investment Bank agreed to become a lender for the 500-megawatt Ibri II solar power project in Oman. The $60 million investment is the Chinese bank's first renewable energy project financing in the Gulf Arab region. Chinese firms are likewise involved in developing Oman's digital infrastructure and providing technology-related training.

China will remain an important trade and investment partner for Oman. Indeed, Oman's fiscal well-being over the short term is closely tied to continued demand for crude oil from China. Omani efforts to diversify its economic partnerships should start with those in the hydrocarbon sector but ultimately need to go much deeper.

Robert Mogielnicki is a resident scholar at the Arab Gulf States Institute in Washington. (AGSIW 21.07)

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11.7. SAUDI ARABIA: Robust But Weakening Balance Sheet & High Economic Strength

Saudi Arabia's credit strengths include a robust but deteriorating government balance sheet, underpinned by still-moderate debt levels and substantial fiscal and foreign currency buffers, Moody's Investors Service said in an annual report on 21 July. A large stock of proved hydrocarbon reserves with low extraction costs and prudent financial system regulation also support the sovereign credit profile. "The Saudi government has made some initial progress in its ambitious and comprehensive reform plans to diversify fiscal revenue streams and the economy away from hydrocarbons," said Alexander Perjessy, a Moody's Vice President - Senior Analyst. "However, their full implementation will be challenging and their positive impact will only be felt over the longer term."

Saudi Arabia's credit challenges include its economic and fiscal exposures to declines in global oil demand and prices, such as those in 2020, and socioeconomic challenges posed by rapid population growth and elevated unemployment. Geopolitical risk also weighs on the credit profile, driven by regional security threats and tensions with Iran.

The negative outlook reflects increased risks to fiscal strength stemming from the shock to global oil demand and prices triggered by the coronavirus pandemic and 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.

Evidence that the government is able to contain the deterioration in its balance sheet and stabilize and ultimately reverse the debt trajectory through implementation of additional fiscal consolidation measures, possibly supported by a faster recovery in oil prices, would likely lead to the outlook being stabilized. The increasing likelihood of a materially larger fiscal deterioration – with a markedly faster rise in the government's debt burden or erosion of reserve buffers than in Moody's baseline scenario - would likely put downward pressure on the rating. (Moody's 21.07)

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11.8. EGYPT: Fitch Affirms Egypt at 'B+'; Outlook Stable

On 27 July, Fitch Ratings affirmed Egypt's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'B+' with a Stable Outlook.

Key Rating Drivers

Egypt's ratings and Outlook are supported by a recent track record of fiscal and economic reforms, policy commitment to furthering the reform program and ready availability of fiscal and external financing in the face of the COVID-19 pandemic. The ratings are constrained by still large fiscal deficits, high general government debt/GDP and weak governance scores (as measured by the World Bank governance indicators), which underline political risks.

The coronavirus shock is negatively affecting Egypt's external finances, GDP growth and fiscal performance. We currently view the shock as a material but possibly temporary disruption to what were previously strong positive trends. The reforms in recent years have provided Egypt with a degree of flexibility to weather this shock at its current rating. Nonetheless, the pandemic still presents risks to Egypt's credit metrics depending on the duration of the global health crisis.

We forecast real GDP growth to be 2.5% in the fiscal year ending June 2021 (FY21), well below average growth of 5.5% in FY18 and FY19. We expect growth to recover to 5.5% in FY22 and to be maintained at just over 5% in the medium term, assuming tourism gradually returns, further growth in the energy and manufacturing sectors and gradual improvements in the business environment. Similarly, following deterioration this year, we forecast improvements in the budget deficit, government debt and the current account balance in 2021-2022.

The pandemic has hit Egypt's external finances, resulting in $18 billion (5% of GDP) of outflows from the local currency debt market, loss of tourism revenues (which were $13 billion in 2019) and likely some decline in remittance inflows (which were close to $27 billion in 2019). The worst of the portfolio outflows appears to be over, with some renewed inflows reported in July.

The Central Bank of Egypt's (CBE) foreign reserves and the net foreign assets of the banking sector declined by a combined $18 billion (5% of GDP) between February and June, despite net inflows of $8.6 billion (2.5% of GDP) from Eurobond issuance and IMF funds. Egypt received $2.8 billion under the IMF's Rapid Financing Instrument and a $2.0 billion disbursement under the $5.2 billion 12-month Standby Arrangement agreed with the IMF in June. The decline in reserves partly reflects some exceptional FX intervention by the CBE to moderate the impact of the portfolio outflows on the exchange rate.

We forecast the current account deficit (CAD) to widen to 5.0% of GDP in 2020 from 3.1% in 2019, with a decline in imports partially offsetting slashed tourism revenue and an assumed 20.0% decline in remittances. Net FDI will also decline. In 2021-2022 we assume smaller CADs averaging 3.6% as receipts recover from the coronavirus-induced trough.

We forecast the CBE's official gross foreign reserves to fall to $37 billion at end-2020, slightly down from their current levels ($38 billion end-June), and from $44 billion at end-2019. In 2021-22 we forecast reserves to edge up in dollar terms, but to decline to around five months of current external payments, from close to six months in 2019.

Exchange rate policy and the duration of the crisis are two risk factors to these external forecasts, especially in combination, for example, if current account receipts remain depressed for longer than anticipated and exchange rate flexibility remains limited. Currency volatility has been minimal so far in 2020, likely because of support from CBE and public sector banks making FX available at the prevailing exchange rate. Real effective appreciation in recent years has eroded much of the competitiveness gain from the 2016 devaluation. Over the medium term, continued exchange rate rigidity could lead to further pressure on Egypt's CAD and undermine the sustainability of its external finances, in our view.

Overall, policymaking has remained conservative, with only modest fiscal and monetary loosening since March. The CBE cut its policy rate by 300bp to 9.25% early in the crisis in March, but real interest rates remain firmly positive given the trend of disinflation. We forecast average inflation of 6.0% in 2020 and 7.5% in 2021. In response to the pandemic, CBE rolled out a number of measures including for banks to extend customer loan maturities until mid-September and to waive a range of fees. Some deterioration in banks' asset quality is likely. Capital adequacy metrics appear to provide some buffer, although leverage ratios are materially lower.

Fiscal stimulus has been limited so far and we expect Egypt to remain committed to its reform program. Since March, the government has announced fiscal stimulus totaling EGP180 billion (2.8% of GDP). At the same time, the government has increased a range of fees and is aiming to make some savings within the budget. The FY21 budget was targeting a 2.0% of GDP budget sector primary surplus, while the government is now aiming for a surplus of 0.5% of GDP.

Our forecast is more cautious (including weaker nominal GDP), for a small budget sector primary deficit of 0.4% of GDP and for the budget deficit to widen to 9.5% of GDP from 8.8% in FY20. We expect a primary surplus to re-emerge in FY22 and for the overall deficit to narrow to around 8%. The temporary widening of the deficit will interrupt the strong downward trend in general government (GG) debt/GDP, which we project to increase to 86% in FY20 and 88% in FY21 before resuming a downward path. GG debt/GDP fell from 103% in FY17 to 84% in FY19.

Public finances remain a core weakness of the rating. Government debt/GDP levels are significantly higher than the current 'B' median of 65%, as are debt/revenue and interest/revenue metrics. However, more than 50% of GG external debt is owed to multilateral institutions, with which Egypt has good relations, and the domestic banking sector provides considerable domestic financing flexibility.

Relatively weak governance, together with security and political risks, continue to weigh on the rating. Egypt scores well below the 'B' median on the composite World Bank governance indicator, albeit with slight recent improvement. The potential for political instability remains a significant tail risk, in Fitch's view, given ongoing structural problems including high youth unemployment and deficiencies in governance. Intermittent security issues have previously hit the economy via the tourism sector. Specific geopolitical risks have increased, to the south with Ethiopia and to the west with Turkish involvement in the conflict in Libya.

The government has sought to mitigate the risk of domestic discontent by bolstering social safety nets (including cash transfer schemes), maintaining food subsidies, increasing the minimum wage and pensions, boosting electricity provision and implementing some structural reform measures to improve the business environment (up 14 places in the last two years to 114th out of 190), while the space for political opposition and freedom of expression is restricted, in Fitch's view.

Rating Sensitivities

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

- **Structural:** Significant improvement across structural factors over the medium term, such as governance standards, the business environment and income per capita, to levels closer to 'B' and 'BB' rated sovereigns.

- **Public Finances:** Sustained progress on fiscal consolidation leading to a further substantial reduction in the gross general government debt/GDP ratio to a level closer to the 'B' median over the medium term.

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

- **External Finances:** Renewed signs of external vulnerability, including persistent downward pressure on international reserves and the emergence of financing strains.

- **Macro:** A prolonged hit to economic growth from the COVID-19 shock and/or backsliding on the country's economic reform program, which could result in greater risks to macroeconomic stability and cause the removal of the +1 QO notch on Macro.

- **Public Finances:** Failure to resume a path of narrowing the fiscal deficit and reducing government debt/GDP following the negative impact of the coronavirus pandemic.

Key Assumptions

Assumptions in line with Fitch's latest Global Economic Outlook (June 2020), including for gradual recovery in global GDP growth and for Brent crude to average $35/b in 2020, $45/b in 2021 and an average of $54/b in 2022-2023. (Fitch Ratings 27.07)

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11.9. TUNISIA: Political Instability Raises Sovereign Financing Risks

Fitch Ratings on 21 July said the resignation of Tunisia's Prime Minister, Elyes Fakhfakh, on 15 July raises the risk of a renewed political deadlock that will further delay reforms and impede efforts to agree a new program with the IMF. Although Tunisia faces limited immediate financing pressures, its funding position will become much more challenging in 2021 without the support that an IMF deal would provide.

The prime minister's resignation reflects challenges to government stability stemming from a volatile political environment, in the context of Tunisia's democratic transition. The parliament that was elected in October 2019 is highly fragmented, making it complicated to form a coherent governing majority – after the election it took until February for the parliament to approve a new government. Strains between influential participants have risen in recent months, notably between Ennahda, the largest party in parliament, and its erstwhile coalition partners.

Forming a new government against this backdrop will be difficult and would require a coalition of at least four parties across the political spectrum. Any future cabinet's support base in parliament will be heterogeneous and fragmented, constraining its ability to implement legislation, and the risk of snap elections will linger.

The political deadlock will delay the approval of reforms and raises significant risks around our assumption of an agreement on a new IMF program before the end of 2020. An arrangement with the Fund is required to unlock some official creditor support, including a €600 million (2% of GDP) loan from the EU. Implementation of reforms under any new IMF program will be challenging in the face of continued social and labor union opposition, as well as popular unrest aggravated by the economic fallout from the coronavirus pandemic. We forecast a 6% GDP contraction in 2020 – the sharpest on record.

We still expect the government to be able to cover its funding needs in 2020 with support from official creditors, even without a new IMF program. This support does, however, include a $745 million emergency loan from the IMF, approved in April. Tunisia will face a fiscal funding gap of around TND4 billion ($1.3 billion, or 3.6% of GDP) in 2020, according to our estimates, reflecting our revised forecast of a central government deficit of 7.6% of GDP in 2020, up from 3.9% in 2019. Robust official creditor support for Tunisia has played an important role in balancing the external vulnerabilities stemming from the country's large funding needs.

Tunisia's funding position will become significantly more challenging after 2020, particularly in the absence of a new IMF program. The country faces $2.2 billion in external debt maturities in 2021, including two USAID-guaranteed bonds, valued at $500 million each. In a sign of the increasing liquidity pressures, the outgoing government has indicated that it had started talks with several bilateral creditors to reschedule loan repayments due this year. Tunisia has $500 million in repayments on bilateral debt due in 2020 and is not eligible for relief under the G20's Debt Service Suspension Initiative.

The sovereign's exposure to external funding stress is amplified by the fact that around 73% of government debt was denominated in foreign currency as of end-2019. Downward pressures on the dinar are likely to re-emerge given Tunisia's wide current account deficit, in our view, although the country's foreign-currency reserves of around $7.6 billion, as of end-June, should provide some support to the exchange rate in the near term. (Fitch 21.07)

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11.10. MOROCCO: Morocco's Revised Budget Reflects Severe Hit from Pandemic

On 20 July, Fitch Ratings said Morocco's (BBB-/Negative) recent supplementary budget for 2020 foresees the largest fiscal deficit and GDP contraction in decades. This is broadly in line with our expectation of a severe hit to the country's economy and public finances from the coronavirus pandemic-related shock, which is reflected in the Negative Outlook on its sovereign ratings.

The revised budged foresees a deterioration of the 2020 central government (CG) deficit to 7.5% of GDP, its largest level in at least three decades, and nearly double both the initial budget target of 3.8% (excluding privatization receipts) and the 3.9% deficit recorded in 2019. The significant downward revision to the forecast budget balance reflects a combination of a 18.6% (around 4% of GDP) fall in tax revenues compared with initial projections, a moderate 5% (2% of GDP) increase in CG spending as well as a 5% contraction in GDP. This forecast takes into consideration large external and domestic grants covering two-thirds of the government's MAD33 billion (3% of GDP) special pandemic fund and limiting the budget cost of combating the pandemic.

We view the government's revised fiscal projections and underlying economic assumptions as broadly realistic and expect the authorities to strive to prevent further deterioration of the fiscal balance, in line with their long-standing adherence to prudent policies. However, the recent emergence of new infection clusters in industrial zones in Morocco highlights the uncertainty surrounding the duration and magnitude of the pandemic and associated disruptions to economic activity. Three-quarters of the special pandemic fund's balance has already been spent or pledged, pointing to the risk of further pressure on public finances should the pandemic cause further disruptions. The authorities estimate that each day of lockdown reduced GDP by around 0.1% and tax revenues by around 0.05% of GDP. Morocco has significantly eased domestic containment measures since 25 June.

The revised budget contains no major tax measures but aims to provide economic relief while limiting the rise in spending. The authorities estimate that around 1.5% of GDP in spending will be geared towards supporting the economic recovery and have enhanced the mechanism for state guarantees on bank loans to SMEs, under which 1.7% of GDP in loans has been extended so far. The revised budget also increases the government's investment spending by 22% (2.5% of GDP). Higher spending on health and other goods and services is offset through savings on payroll and other recurrent expenditure as well as through lower spending on butane gas subsidies as international prices are now projected to be 17% below the initial budget assumptions.

The government has also allocated MAD16 billion (1.5% of GDP) to support state-owned enterprises (SOEs). Around MAD6 billion has been earmarked to shoring up the national airline, Royal Air Maroc (RAM), including MAD2.5 billion in loan guarantees. Support to RAM will be conditional on the implementation of a comprehensive restructuring plan, including a 30% reduction in capacity and headcount, according to media reports. Total SOE debt is comparatively high, at around 25% of GDP, of which around 14% of GDP is guaranteed by the sovereign, raising contingent liability risks in a volatile economic environment.

We estimate the CG's gross borrowing requirements at MAD146 billion (13.4% of GDP) and expect the government's funding plan to be equally split between domestic and external sources. Increased borrowing will lead CG debt to rise to 72% of GDP in 2020 from 65% in 2019. General government debt will be lower, at 58% of GDP, reflecting sovereign debt holdings by public funds, but still higher than the forecast 'BBB' category median of 52%.

We revised the Outlook on Morocco's ratings to Negative from Stable in April, reflecting increased downside risks to the sovereign's credit profile from the severe impact of pandemic on the economy and public and external finances. (Fitch 20.07)

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