

**The FORTNIGHTLY**

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

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ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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* 1. Israeli & Moroccan Ministers of Science & Technology Sign Cooperation Agreement

Israel’s Science and Technology Minister Farkash-Hacohen and Morocco’s Higher Education, Scientific Research and Innovation Minister Miraoui signed in Rabat on 26 May an agreement for bilateral collaboration. This was the first agreement of its kind between the two countries and it covers several fields such as artificial intelligence, agricultural technologies, water management and water desalination, battling desertification, food processing technologies, development of biotechnologies, renewable and clean energies, medical and pharmaceutical industries, smart cities and the automotive industry, information technology and innovation in space.

The ministers agreed to establish a joint working team that will oversee the implementation of the agreement, including the establishment of joint funding for research and development, scientific meetings and more.

The Israeli minister was in Morocco to participate at the conclusion of a three-day conference that took place in Casablanca titled “Connect to Innovate.” The conference was organized by the nonprofit organization Start-Up Nation Central and focused on connecting Israeli and Moroccan high-tech businesspeople. Farkash-Hacohen invited her Moroccan counterpart to visit Israel. Miraoui signaled that he would like to arrive to Israel with a delegation of heads of Moroccan universities, a visit that could take place in the very near future. (Al-Monitor 26.05)

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* 1. Israel Launches its Sovereign Wealth Fund

Israel launched its long expected sovereign wealth fund, when the Minister of Finance signs the order to establish it on June 1. This follows the announcement by Israel Tax Authority that the levies collected under the Natural Resources Profits Law has exceeded NIS 1 billion. Known as the Israeli Citizens' Fund, it was established in order to handle projected future windfall profits expected from the discovery of the Tamar and Leviathan gas fields. The fund will be managed by the Bank of Israel.

Israel's sovereign wealth fund is supposed to contain all the revenues that enter the state coffers from the excess profit taxes that have been imposed on Israel's gas fields since 2011 (Sheshinski 1), as well as the revenues from excess profit taxes imposed on natural resource production since 2016, including potash, bromine and phosphates (Sheshinski 2). The law establishing the sovereign wealth fund was enacted in 2014. The fund is designed to manage the revenues to maximize the long-term interests of Israel's citizens for generations to come.

According to the law, the fund could commence operations as soon as the NIS 1 billion threshold has been crossed. One year after that date, which will be 1 June 2023, the fund can begin distributing up to 3.5% of its revenues annually for social, economic and educational aims according to proposals submitted to the government and subject to approval by the fund's institutions headed by its council.

The fund has accrued NIS 1.14 billion to date with an additional NIS 836 million in levies collected from natural resources that have not yet been placed in the fund. Most of the money to date has come from the Tamar gas field. (Globes 30.05)

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* 1. Israel & UAE Sign a Comprehensive Economic Partnership Agreement

On 31 May, Israel and the UAE signed a free trade agreement, reducing or removing tariffs and over time targets ‎lifting annual bilateral trade to more than $10 billion. The pact was signed in Dubai by Israel's Economy and Industry Minister Barbivai and UAE Minister of Economy bin Touq Al Marri, after months of ‎negotiations. Tariffs will be eliminated on 96% of goods with the UAE.

The UAE-Israel Business Council predicts there will be almost 1,000 Israeli companies working in or through ‎the UAE by the end of the year doing business with South Asia, the Far East and Middle ‎East. The domestic market doesn't represent the entirety of the opportunity, for the opportunity ‎is really setting up in Dubai, as many companies have, in order to target the broader ‎region. Emirati-Israeli trade reached $1.2 billion in 2021, according to official Israeli data.‎

For oil-rich UAE, the deal with Israel is its second bilateral free trade agreement after ‎signing a similar accord with India in February. It is in bilateral trade talks with several ‎other countries, including Indonesia and South Korea. The UAE has been aggressively pursuing these deals in a bid to strengthen its economy ‎ as a major business hub following the hit it took from the COVID pandemic. (Variouos 31.05)

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* 1. Arizona Governor's Israel Visit Focused on Desert Tech

In early June, Arizona Governor Doug Ducey visited Israel. He is one of Israel's biggest friends and heads a state with the third largest trade with Israel after California and New York. Combined trade between Israel and Arizona in 2021 amounted to $680 million, 1.3% of all Israel's trade. Ducey said that the aim of his visit to Israel was to attract more Israel tech companies, entrepreneurs, startups and investors to Arizona.

Income tax for companies in Arizona is 4.9% compared with 7.25% in New York and 8.84% in California. At the same time non-federal income tax in Arizona for residents is just 2.5% compared with 10.9% in California and 13.3% in New York.

Ducey stressed that his visit to Israel focused on companies engaged in desert agriculture, water desalination, efficient use of irrigation and solar energy. Another area that Ducey looked at while in Israel was border protection. While in Israel, Ducey met with President Herzog, Prime Minister Bennett, Leader of the Opposition Netanyahu, Jerusalem Mayor Lion and a range of technology companies. (Globes 06.06)

ISRAEL MARKET & BUSINESS NEWS

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* 1. Viola Credit Closes $700 Million for its Alternative Lending Income Funds

Viola Credit announced the final closing of the Viola Credit Alternative Lending Income Fund II (ALF II) with $700 million of investable capital including its flag ship fund and related managed accounts. ALF II will follow the strategy of its prior vintage and will provide minimally dilutive asset-based lending capital solutions to emerging and established global FinTech, PropTech and InsurTech companies that are disrupting traditional financial markets.

ALF II will continue to enjoy its robust network and deep long-standing relationships with the technology ecosystem to provide asset backed lending transactions for FinTech platforms to scale their origination business. The fund will partner with FinTech platforms across the US, Western Europe, UK, Australia, and New Zealand that disrupt traditional lending sectors. As of the final close, the fund has already called more than 40% of its capital commitments and plans to partner with 13-15 additional Fintech platforms.

Herzliya's [Viola Credit](https://www.viola-group.com/fund/violacredit/) is a global credit investment manager focused on supporting the growth of the innovation economy. It's part of the Viola Group, Israel's largest technology investment house with over $4B in assets under management. Viola Credit provides customized credit solutions to global technology companies, including best-in-class FinTech, PropTech, and InsurTech companies that are disrupting traditional financial markets. Viola Credit's data-driven investment and risk management operations are key to providing unique solutions to its portfolio companies. (Viola Credit 26.05)

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* 1. Brenmiller Energy Selected to Supply Heat Energy to Wolfson Hospital in Israel

Brenmiller Energy, a clean-energy company that provides Thermal Energy Storage (TES) systems to the global industrial and utility markets, announced that the Government Procurement Administration of Israel issued its intent to engage the company as a sole supplier for the purchase of heat energy at Wolfson Hospital in Israel. Under the proposed engagement, Brenmiller will install, at its expense, its thermal energy storage system bGen, integrate it with the hospital's local energy system, and maintain the installed system.

Brenmiller plans to enter into an approximately $5 million, seven and one-half year agreement with Wolfson Hospital under which it will supply heat energy at prices to be agreed between the parties. It is unknown yet whether the agreement with Wolfson hospital will be exempt from a tender process. In the event, it is determined that a tender is required for such engagement, then there is no certainty that the Company will secure the project.

Rosh HaAyin's [Brenmiller Energy](https://bren-energy.com)’s innovative thermal energy storage solutions are accelerating the electrification and decarbonization of the global economy. Founded in 2012, its patented technology heats crushed rocks to very high temperatures, enabling utility and industrial customers to cost-effectively store energy and then convert this energy into steam, hot water or hot air for a variety of applications. The Company has raised more than $90 million and is traded on the Tel-Aviv Stock Exchange and NASDAQ. (Brenmiller Energy 27.05)

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* 1. Perception Point Named on FinTech Global's Third Annual CyberTech 100 List

Perception Point announced that it has been named on the third annual CyberTech100 list. The CyberTech100 list, launched by specialist research firm FinTech Global, recognizes the world's most innovative solution providers helping financial services firms prevent cyber-attacks, protect customer information and mitigate digital risks. Perception Point was voted on to the prestigious list by a panel of analysts and industry experts, who selected the company from a list of over 1,000 businesses.

Perception Point's offering includes an all-inclusive managed Incident Response Service composed of cyber security experts who efficiently analyze and manage incidents, reducing companies' SOC team resources by up to 75%. The company recently announced the acquisition of Hysolate, a next-gen web isolation platform operating at the endpoint level, to expand its offering to encompass web security. Perception Point's portfolio is game-changing in its ability to transparently protect organizations without impacting their workflow.

Tel Aviv's [Perception Point](https://perception-point.io) is a Prevention-as-a-Service company for the fastest and most accurate next-generation detection and response to all attacks across email, cloud collaboration channels, and web browsers. The solution's natively integrated incident response service acts as a force multiplier to the SOC team, reducing management overhead, improving user experience and delivering continuous insights; providing proven best protection for all organizations. (Perception Point 31.05)

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* 1. Air Doctor Raises $20 Million to Grow its Global Footprint

Air Doctor has secured $20 million in funding for scaling the company globally. This second round of investment capitalizes on the worldwide influx in travelers after the COVID-19 pandemic and will enable the company to enter its next phase of growth. Led by Lightspeed Venture Partners, joining this round are Vintage Investment Partners and Munich Re Ventures, alongside The Phoenix, one of Israel's leading insurance providers, as well as Kamet Ventures, which led the company’s previous round.

The Air Doctor platform connects travelers who fall ill abroad with local private doctors through an easy-to-use mobile and web app. Air Doctor’s outpatient medical network covers 74 countries and includes over 20,000 medical professionals who provide either in-person or telemedicine consultations. Following the COVID-19 pandemic, medical assistance while traveling has become a major concern for travelers and insurers alike. Air Doctor’s platform provides the assurance travelers need to enjoy their trip.

Launched in Israel in 2018, Beit Nekofa's [Air Doctor](https://www.air-dr.com/) is a startup that connects travelers seeking medical attention with local doctors whilst abroad through their intuitive mobile and desktop app. With a global network of over 20,000 medical professionals across 2,000 cities in 74 countries, Air Doctor provides travelers with peace of mind and aims to make healthcare accessible. (Air Doctor 31.05)

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* 1. Seemplicity Raises $32 Million for Security Teams to Scale Risk Reduction Efforts

Seemplicity launched with $32 million in funding. The funding includes a $26 million Series A round led by Glilot Capital Partners through its early growth fund, Glilot+, with participation from new investors NTTVC and Atlantic Bridge and existing investors S Capital and Rain Capital. The company previously raised a $6 million seed round led by S Capital. Seemplicity is already serving over 20 customers globally, including Fortune 500 and publicly traded companies.

Seemplicity's Productivity Platform has a simple goal - to connect security findings with those who can fix them, thus removing security teams as the bottleneck. Seemplicity aggregates, normalizes and orchestrates findings from multiple siloed security tools to generate a single consistent security backlog. This enables security teams to easily build out and automate risk reduction workflows in the platform, streamlining handovers between teams and synchronizing all stakeholders, including developers, DevOps, and cloud engineers. By consolidating the data from cloud misconfiguration, vulnerability management, AppSec, penetration testing, API security, SaaS security, and other security tools into a unified platform, Seemplicity cuts out time wasted on manual operations by as much as 80% and increases remediation throughput by 6X.

Founded in 2020, [Seemplicity](http://www.seemplicity.io) is revolutionizing the way security teams drive and scale risk reduction efforts across organizations by orchestrating, automating, and consolidating all remediation activities into one workspace. As the first productivity workflow platform created for modern security teams, Seemplicity transforms the remediation process into a streamlined and collaborative effort that can easily be utilized by developers, DevOps, and IT across the organization, helping them achieve complete operational resilience and establish a truly scalable security program. (Seemplicity 31.05)

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* 1. Ultima Genomics Raises $600 Million

[Ultima Genomics](https://www.ultimagenomics.com/) has come out of stealth and announced $600 million in financing. Founded in 2016, the company has 350 employees including 50 in Israel at development centers in Rehovot and Hod Hasharon. The company has now revealed that it has developed a sequencing machine, which it claims, backed up by research set to be published in leading scientific periodicals, allows genome sequencing for $100, compared with the $500-600 it costs using its rival's product. In addition, Ultima Genomics claims that its genomic sequencing is faster and deeper - in other words, it provides more data about the genome, more quickly.

The benefits of these improvements, which are allowed through patents that the company has not yet revealed, are mainly in two directions. Through this technology, the company estimates it will be possible to achieve genome sequencing even down to single cells, and thus diagnose illnesses even earlier than at present, mainly cancer. In addition, sequencing that is cheaper, faster and richer in information, will allow much quicker progress in projects that compare the genetics of the actual morbidity of large numbers of people, in order to map the genes involved in various diseases. Ultima Genomics said the reason for the secrecy over the years was the desire to reach the point where the company could prove its product, before making any announcements. (Ultima Genomics 02.06)

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* 1. Laminar Doubles Funding in Less Than Six Months to $67 Million

Laminar has raised an additional $30 million, nearly doubling its funding to $67 million in less than six months on the back of significant demand for its solutions. The additional funding, with participation from Tiger Global Management and Salesforce Ventures, follows seed and initial Series A investments of $37 million in November 2021. The funding comes at a pivotal time for Laminar as it continues its first-to-market product rollout with the announcement of three new capabilities within the Laminar Cloud Data Security Platform – giving the company a significant lead in the public cloud data security startup race.

Since emerging from stealth last fall, Laminar has seen significant demand from CISOs and their security teams for its cloud data security solutions, which in turn is driving investor excitement. Including Laminar’s $67 million of venture capital, the various cloud data security startups have now raised a combined more than $200 million in funding, validating the industry need for visibility into and security of public cloud data. The latest round will be utilized to fund even faster product innovation, to grow sales and marketing to capture the market demand and for the buildout of its global team. Laminar’s new investors each bring unique expertise to aid the company on its industry-disrupting journey.

Founded in 2020, Tel Aviv's [Laminar](http://www.laminarsecurity.com)’s Cloud Data Security Platform protects data for everything you build and run in the cloud across cloud providers and cloud data warehouses such as Snowflake. The platform autonomously and continuously discovers and classifies new datastores for complete visibility, prioritizes risk based on sensitivity and data risk posture, secures data by remediating weak controls and actively monitors for egress and access anomalies. Designed for the multi cloud, the architecture takes an API-only approach, without any agents, and without sensitive data ever leaving your environment. (Laminar 02.06)

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* 1. Vayyar Imaging Secures $108 Million Led by Koch Disruptive Technologies

Vayyar Imaging has finalized a $ 108 million Series E financing round led by Koch Disruptive Technologies (KDT), bringing the company's total funding to over $ 300 million. The new round includes first-time Vayyar backers GLy Capital Management and Atreides Management LP, alongside existing investors including KDT, Battery Ventures, Bessemer Ventures, More VC, Regal Four, and Claltech.

Founded with a vision of detecting early-stage breast cancer using RF technology, Vayyar has since expanded its business into senior care, automotive, retail, public safety and other industries. The company provides solutions powered by its leading-edge system-on-chip, proprietary software stack, and breakthrough Machine Learning algorithms. In the automotive space, Vayyar manufactures 4D imaging radar-based platforms that transform safety across the in-cabin, ADAS and motorcycle (ARAS) domains. In senior care, the company offers Vayyar Care, a unique remote monitoring solution, integrated with the world's leading nurse call systems, that protects the aging population with automatic fall detection and data that drives predictive behavioral analytics.

Yehud's [Vayyar](http://www.vayyar.com), the global leader in 4D imaging radar, supplies the world's most advanced radar-on-chip platforms to gather life's essential data, providing solutions for senior care, automotive, security, smart home, robotics and more, while maintaining privacy at all times. Vayyar's mission is to deliver the next generation of sensing technology that is miniature, affordable, and versatile enough to impact everyone's lives, enabling a safer world. (Vayyar Imaging 06.06)

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* 1. Save A Train Attracts Strategic Investor to Make Train Digitalization Faster

Ramat HaSharon's [Save A Train](https://www.saveatrain.com/), the leader in digital B2B Rail ticketing worldwide and the largest global rail distributor, has secured an unsolicited amount by a strategic investor, the owner of GOTEC Group, a worldwide automotive supplier. Save A Train plans to use the proceeds of this investment to substantially increase its headcount and to further expand its presence and strength in this relatively underdeveloped but nevertheless key market of the travel & transportation industry.

During the recent pandemic Save A Train saw its global rail tickets sales shrink just like the rest of the travel industry but nevertheless saw its clients list more than doubling. Currently Save A Train has contracts with 7 out of the 10 largest travel companies worldwide.

Founded in 2016, Save A Train aims to digitize and simplify international train travel for B2B partners. Save A Train has built a solid rail technology that solves the problems that other competitors, as well as railway companies failed to solve. The Save A train system acts as the backbone of train ticketing globally, and created a solution to many of the problems this complicated and overlooked mobility vertical has. (Save A Train 07.06)

REGIONAL PRIVATE SECTOR NEWS

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* 1. Fintech Solution Provider FOO Expands Operations into Saudi Arabia

Dubai's [FOO](https://foo.mobi/), a B2B fintech solutions provider, has expanded operations into Saudi Arabia to support digital transformation efforts sweeping across the nation. FOO works with banks, fintech companies and retailers across the MENA region to provide digital products that enhance business models and customer experience. Key products include solutions for remittances, digital wallets, tokenized transactions, fully automated micro-lending and BNPL.

By setting up offices in Riyadh as a foreign investment company, the company will focus on providing solutions for the digital bank, central bank digital currency based on blockchain, virtual card issuance and tokenization and merchant acceptance platforms, all enabled using its EKYC solutions. The fintech solution provider also plans to recruit a local talent pool to create job opportunities in the kingdom and form local strategic partnerships that support mutual growth. Furthermore, with this expansion, FOO aims to enable companies to embrace digital transformation by creating intellectual property and enhancing digital know-how to help them shape and improve user experiences.

Meanwhile, digital transformation in Saudi Arabia has been accelerated by the kingdom’s Vision 2030 – a national strategy to enhance digital offerings across governmental and private sectors. Major targets include creating 25,000 jobs in the ICT sector and increasing the market size of IT and emerging technology industries by 50%. (FOO 25.05)

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* 1. Air Products Signs Joint Development Agreement Toward Ammonia Facility in Oman

Allentown, Pennsylvania's Air Products, OQ, Oman's leading integrated energy group, and ACWA Power signed a joint development agreement (JDA) toward a multibillion-dollar investment in a world-scale green hydrogen-based ammonia production facility powered by renewable energy in Oman. The JDA signing follows a memorandum of understanding signed in December 2021.

Envisioned for Oman's Salalah Free Zone, the joint venture project would be based on proven, world-class technology and include: the innovative integration of renewable power from solar, wind and storage; production of hydrogen by electrolysis; production of nitrogen by air separation; and production of green ammonia. It is anticipated that the green hydrogen-based ammonia production facility would be equally owned by the project partners.

Air Products is a world-leading industrial gases company in operation for over 80 years. Focused on serving energy, environment and emerging markets, the Company provides essential industrial gases, related equipment and applications expertise to customers in dozens of industries, including refining, chemicals, metals, electronics, manufacturing, and food and beverage. Air Products is also the global leader in the supply of liquefied natural gas process technology and equipment. The Company develops, engineers, builds, owns and operates some of the world's largest industrial gas projects, including: gasification projects that sustainably convert abundant natural resources into syngas for the production of high-value power, fuels and chemicals; carbon capture projects; and world-scale low- and zero-carbon hydrogen projects supporting global transportation and the energy transition.

OQ is wholly owned by the Government of Oman through the Oman Investment Authority (OIA) and is Oman's leading integrated energy group with businesses operating across the energy value chain. OQ was established in 1996 to pursue investment opportunities in the energy sector both inside and outside Oman. (Air Products 26.05)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. Dubai’s dnata to Invest $100 Million in Green Operations over Next Two Years

Dubai’s air and travel services provider dnata has announced that it would invest $100 million in green operations in the next two years to enhance environmental efficiency across its global network. The company’s ongoing investment in infrastructure, equipment and process improvement will help reduce its carbon footprint by 20% by 2024, and by 50% by 2030.

In recent years, dnata has invested in technologies to optimize resources and improve operational efficiency. It installed renewable energy features, such as solar panels, heat recovery units and electric vehicle charging, at its existing facilities in the UK, Singapore and Ireland. It will also incorporate carbon reduction initiatives in the construction and operation of its new cargo centers in The Netherlands and Iraq. Choosing green options is a consideration in its fleet planning, too, as it has increased investments in electric and hybrid ramp, ground support (GSE) and forklift equipment, and refurbished existing GSE with new technologies to further decrease emissions.

Meanwhile, dnata’s catering team has invested in process improvement to minimize its environmental footprint. It has been working with many of its airline customers to analyze consumption trends and use predictive data to optimize the loading of F&B for in-flight catering. dnata has also taken initiatives across its business units to conserve water consumption and recycle materials, such as paper, plastic, cardboard, wood, glass, metal, used cooking and mineral oils. Earlier this year, the company committed to reducing its waste to landfill by 20% by 2024. Its environmental framework has also been part of its travel businesses. (dnata 03.06)

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* 1. Abu Dhabi Launches Regulatory Policy for EV Charging Infrastructure

The Abu Dhabi Department of Energy (DoE) announced the criteria for establishing a network of EV charging stations across the UAE capital. The policy for electric vehicle charging is in line with Abu Dhabi’s economic diversification strategies and commitment to the Paris Agreement on climate change. Given that the largest demand for energy comes from the industry, construction and transport, DoE recognizes that decarbonizing these sectors requires electricity from clean and renewable sources. Therefore, one of their main focuses is to support the transition towards electricity and away from fossil fuels. DoE’s policy supports Abu Dhabi’s Low Emission Vehicle Strategy aimed at diversifying the sources of energy used in the transition towards electrification.

A key barrier to customers purchasing EVs is ‘range anxiety’ – in other words a concern that they will not be able to find somewhere to charge their EV when using it away from home. The policy will enable necessary investments into this EV charging infrastructure and help tackle this range anxiety. This should in turn, also encourage consumers to purchase and use EVs in the emirate. (GB 26.05)

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* 1. Veolia & HAC Complete Wastewater Treatment Plant in Egypt's Dakahl

The completion of work on the Senbellawein wastewater treatment plant in the Dakahlia governorate of Egypt was announced. The announcement was made by Egyptian flagship Hassan Allam Holding, which was awarded the contract for the plant alongside French environmental giant Veolia.

The contract won in 2018 was for the engineering, procurement and construction (EPC) of a plant capable of handling 33,000 m3 of effluent per day. The plant will handle wastewater from several villages near the town of Senbellawein. To this end, the Veolia-Hassan HAC consortium has laid 85 km of sewerage networks. The two partners will maintain the new installations for at least 12 months. The construction of the Senbellawein wastewater treatment plant is part of the National Rural Sanitation Program (NRSP). Implemented by the Egyptian Ministry of Housing, Utilities and Urban Communities, the program aims to ensure good quality sanitation services for a rural population of about 50 million Egyptians.

While nearly 90% of urban households are connected to sanitation services, this figure drops to 18% in Egyptian rural areas. To implement this program, the Egyptian government introduced a performance-based subsidy scheme for local water and sanitation companies when it was launched in 2015. Through this scheme, the Egyptian authorities recorded the connection of 167,000 rural households to sanitation networks in 2018. (Afrik21 29.05)

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* 1. SCZone Signs Initial Agreement with H2 Industries for Waste-to-Hydrogen Plant

The Suez Canal Economic Zone (SCZone) has signed a MoU with New York's H2 Industries to establish Egypt’s first waste-to-hydrogen plant in East Port Said. The plant will cost $4 billion to establish, the company said, without disclosing how it will be financed. The company is in talks for financing, but H2 Industries will first work on feasibility studies for the project before signing final contracts during COP27 in November in Sharm El Sheikh.

The announcement brings to $14 billion the total value of preliminary agreements that international companies have signed with SCZone to produce green hydrogen and green ammonium. The company will use local “organic waste, including plastic waste” as a feedstock. The waste will be secured at the Mediterranean entrance to the Suez Canal. H2-Industries hasn’t disclosed the exact chemistry behind its waste-to-hydrogen technology, describing it as a thermo-chemical process that doesn’t burn waste. H2’s Egypt plant will produce hydrogen and captured CO2.

Cairo is taking steps to capitalize on investment momentum ahead of COP27 by establishing the SCZone as a regional green energy hub. Prior to the H2 Industries announcement, major global companies have signed $10 billion worth of preliminary agreements for green ammonia and hydrogen projects in Ain Sokhna in the past three months alone. (Ent 02.06)

ARAB STATE DEVELOPMENTS

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* 1. Lebanon’s Inflation Rate Accelerates to 222.88% in April 2022

According to the Central Administration of Statistics (CAS) revealed that Lebanon’s monthly inflation rate jumped from 110.24% in April 2021 to register a record high of 222.88% in April 2022. The cost of Housing and utilities, inclusive of water, electricity, gas and other fuels (grasping 28.5% of the CPI) added a yearly 115.73% by April 2022. Also, Owner-occupied rental costs increased by 17.43% year-on-year (YOY) and the average prices of water, electricity, gas and other fuels followed a significant increase by 397.92% YOY. In April 2021, gas and other fuels were still subsidized by BDL, whereas in April 2022, BDL had officially ended the fuel subsidy, thus raising fuel prices sharply. In addition, Lebanon’s fuel crisis worsened with Russia’s invasion of Ukraine, putting increasing pressure on fuel prices.

The prices of food and non-alcoholic beverages (20.6% of CPI) surged by 406.5% yearly. The average prices of Transportation (13.1% of the CPI) and Health (7.8% of the CPI) recorded hikes of an annual 470.93% and 411.94% respectively by April 2022. Also, Restaurant and Hotels (2.6% of CPI) increased yearly by 229.42% by April 2022, as Lebanon witnessed a growing number of cases of COVID-19 in April 2021 and people were nervous to go out to restaurants. Costs of Clothing and Footwear (5.4% of CPI) surged by 163.7% by April 2022, and the prices of Communication (4.6% of the CPI) increased by 5.36%. Prices of Furnishings and household equipment (3.7% of CPI), Alcoholic beverages and tobacco (1.6% of CPI), and Recreation, amusement, and culture (2.3% of the CPI) increased by 194.92%, 206.49%, and 191.71%, respectively, by April 2022.

More than 70% of the Lebanese people are now living under the poverty line, while the majority of them are unable to secure basic needs. The high inflation rate is mainly linked to the huge depreciation of the national currency (It increased from LBP/USD 12,200 in April 2021, to LBP/USD 25,760 in April 2022) combined by the worldwide inflation due to several economic and political factors, such as the Russian invasion of Ukrainian that led to the increase of food and energy prices. (CAS 26.05)

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* 1. Jordan's King Abdullah Attends Launch of Economic Modernization Vision

On 6 June, King Abdullah attended the launch of the Economic Modernization Vision, which will be a national roadmap across governments. The vision, which will be implemented in three phases over 10 years, includes 366 initiatives in various sectors, as part of eight national economic growth drivers that focus on unleashing Jordan’s full potential to achieve comprehensive sustainable growth and generate job opportunities.

The vision, aimed at meeting the expected demand for 1 million jobs for Jordanians in the next decade, identifies drivers for employment and economic growth, which will require JOD41 million in investments and financing throughout the upcoming decade, the majority of which is expected to come from the private sector, including foreign direct investment and public-private partnership projects.

Prime Minister Khasawneh said the Economic Modernization Vision is a national project that the government will adopt and implement. He said the government will also present to Parliament, in its next session, a draft law that regulates the investment environment, adding that the outcomes of the committee to modernize the public sector will be ready this month. The session covered the importance of public-private partnerships in implementing the vision and expanding investments in food security, the textile industry, ICT and new industries, and the impact of these investments on creating job opportunities and increasing exports. (Petra 06.06)

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* 1. Jordan's Trade Deficit Rises by 20.3% in First Quarter of 2022

Jordan's trade balance deficit increased during the first quarter of 2022 by 20.3%, to reach JOD2.283 billion, compared with the same period in 2021 that stood at JOD1.899 billion, the Department of Statistics (DoS) announced. According to a DoS report on foreign trade, the volume of total exports in the January-March period of 2022 increased by 39.6% to JOD1.992 billion, compared with the same period of 2021, when it stood at JOD1.427 billion. The value of national exports also increased this year by 43.1%, or JOD1.815 billion, compared with 2021, when it stood at JOD1.268 billion.

The report also revealed that the value of re-exports stood at JOD177.6 million, marking an 11.3% increase, compared with 2021, which amounted to JOD159.5 million. Jordan's imports in 2022's first quarter rose by 28.6% to JOD4.276 billion, compared with JOD3.326 billion in 2021. (Petra 30.05)

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* 1. Jordan’s Trade Deficit with the EU Increases by 6.5%

Jordan's trade deficit with countries of the European Union (EU) increased by 6.5% during the first quarter of 2022, to reach nearly JOD619 million, compared with JOD581 million during the same period of 2021, the Department of Statistics (DoS) announced. A DoS report indicated that the volume of national exports to EU countries during the January-March period of 2022 totaled JOD63 million, marking a 44.2% increase, in comparison with JOD44 million during the same period of 2021.

The department revealed that imports from EU countries also increased by 9.1%, reaching JOD682 million, compared with JOD625 million during the same period of comparison. Data showed that Holland was the top importer of Jordanian products, with a value of JOD12 million, while Germany was the EU’s largest exporter to Jordan with a value of JOD146 million during the first three months of the year. (Petra 31.05)

►►Arabian Gulf

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* 1. UAE, Egypt & Jordan Agree on $10 Billion Industrial Partnership Investment Fund

On 29 May, the UAE, Egypt and Jordan signed an industrial partnership agreement in Abu Dhabi to enhance economic growth in the three countries across five key sectors. The five areas that the three countries will cooperate on include food, agriculture and fertilizers; pharmaceuticals; textiles; minerals and metals and petrochemicals.

By way of the industrial partnership agreement, a $10 billion investment fund has been allocated and will be managed by ADQ Holding. Under the partnership, a tripartite supreme committee, headed by the signing ministers, will be established. In addition, there will be an executive committee composed of undersecretaries of the ministries and representatives from relevant authorities and sectors. The committee will work with the private sector to increase opportunities, and the participating nations will identify the stakeholders and the course of action to deliver on the projects. The three nations’ combined industrial capacity represents around 26% of the total industrial capacity of the MENA region.

With regards to food and agriculture, Egypt is a leading producer and processor of food and agricultural processes. The Jordan Valley has diverse agricultural areas, bio-climatic and environmental conditions, and a variety of agricultural products with high technical specifications. The innovative technologies, fertilizer components and basic plastic products available in the UAE will be harnessed in agriculture and irrigation. The value of the agricultural and food products market in the three countries was estimated at $52 billion in 2019, with an annual growth rate of 11%. The value of imports such as wheat, fodder, fruits, vegetables, meat and fish reached $37 billion in 2019. In the area of fertilizer production, the three countries have an estimated annual production of 7.6 million tons.

As for pharmaceuticals, the UAE, Egypt and Jordan are amongst the largest drug manufacturing centers in the region, with more than 200 pharmaceutical factories and exports to 90 countries worth more than $1 billion. The value of the pharmaceutical market in these countries is estimated at $9 billion, with an annual growth rate of 7%. The value of the pharmaceutical market of imports reached $5 billion in 2019. (GB 30.05)

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* 1. UAE Reports Nearly Dhs500 Billion in Non-Oil Foreign Trade for First Quarter

The UAE has reported that its non-oil foreign trade in the first quarter of this year reached Dhs499.7 billion. The figure was close to Dhs500 billion mark – the first time in the country’s history, according to the Federal Competitiveness and Statistics Centre. The Q1/22 figure of Dhs499.7 billion marked a growth of 20.5% over the Dhs414.6 billion that the country reported in the same period in 2021. This figure is also up 26.3% compared the first quarter in 2019.

China was ranked first in the list of top 10 countries trading with the UAE in Q1/2, valued at Dhs57 billion, followed by India at Dhs46.2 billion and Saudi Arabia at Dhs32.5 billion. Gold topped the list of leading commodities included in the UAE’s non-oil foreign trade, with a value of Dhs84.4 billion and accounted for 17% of the country’s total non-oil foreign trade. It was followed by diamonds at Dhs40 billion, telephone and communication devices at a value of Dhs37 billion, mineral oils with a value of Dhs24.6 billion, ornaments and jewelry at Dhs21 billion, and cars that were valued at Dhs19.5 billion.

The UAE’s non-oil foreign trade for 2021 amounted to nearly Dhs1.9 trillion, a 27% growth compared to 2020, and 11% more compared to 2019. The value of national non-oil exports last year amounted to about Dhs354 billion, a growth of 33.3% as compared to 2020. The total value of re-exports amounted to Dhs521.3 billion, achieving a growth of 27.7% compared to 2020. The total value of the country’s imports during 2021 amounted to about Dhs1tn, a growth of 23.8% as compared to 2020.

The contribution of the non-oil sector to the UAE’s GDP amounted to 72.3% in 2021, up from 71.3% in the previous year. The hotels and restaurants, wholesale and retail, and health and social services sectors contributed 21.3%, 14.1% and 13.8% respectively to the country’s GDP in 2021. The UAE’s overall GDP for 2021 at constant prices increased 3.8%. Its GDP was recorded at Dhs1.489 trillion, with the growth rate exceeding the estimates of international institutions, which earlier forecasted a growth of 2.1% for 2021. (FCSC 25.05)

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* 1. Ajman Free Zone Reports 45% Growth in E-Commerce Sector in 2022

Ajman Free Zone (AFZ) has reported a growth of 45% in its e-commerce sector since the beginning of this year. The growth can be attributed to the authority’s diverse offerings, primarily warehouse solutions and the evolving e-commerce sector in the UAE. Warehousing solutions, which are at the core of AFZ’s operations, are designed to fill logistical gaps. Additionally, the dedicated logistics cluster also benefits e-commerce businesses by providing access to end-to-end warehousing capabilities.

The free zone’s partnerships with major entities, such as Ajman Chamber, Ajman Port, Noon and banking institutions further facilitate the ease of doing business in the UAE. Last month, the freezone signed a Memorandum of Understanding with Zajel, a company specializing in logistics and transport. (AFZ 02.06)

►►North Africa

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* 1. Egypt Grants New Incentives to Foreign Investors

Egyptian Prime Minister Mostafa Madbouly announced during a press conference on 15 May that the government has granted the so-called golden license to several projects in a bid to attract foreign investments, as part of a series of initiatives to confront the prevailing economic crisis in Egypt. “The golden license is granted once directly by the prime minister to some projects. These projects include green hydrogen, electric cars, infrastructure and seawater desalination and renewable energy projects,” Madbouly said.

The golden license is one of the many economic incentives announced by the Egyptian government in recent years to attract investments to Egypt. Under the Egyptian Investment Law No. 72 of 2017, the companies that obtain this license are granted a one-time approval to establish, operate and manage a specific project, as well as receive the needed licenses and building the necessary facilities, without the need for multiple approvals and procedures required by government agencies.

Article 20 of the Investment Law stipulates, “Under a decree issued by the Cabinet of Ministers, the companies incorporated to conduct strategic or national projects that contribute in attaining the development of the partnership projects between the private sector and the state, the public sector or the public business sector in the areas of public utilities and infrastructure, new or renewable energy, or the roads, transportation, or ports may be granted one approval for the establishment, operation and management of the project, including the building licenses and allocation of the real-estate properties required for the project. Such approval shall be effective without the need for any other procedures.”

A priority are green hydrogen projects, which are environmentally friendly, especially since Egypt will be hosting the UN Climate Change Conference 2022 (COP27) and thus must provide a green economy example before hosting this global summit. The Central Bank of Egypt’s April figures showed that net foreign investment reached its lowest level in the last five years in 2021, as it recorded about $5.1 billion, compared to $5.9 billion in 2020, i.e., a 12.5% decrease. Egypt ranked 93rd out of 141 countries in the Global Competitiveness Index, according to the latest report issued in early 2021. (Al-Monitor 26.05)

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* 1. The World Bank Grants $350 Million for Morocco's Climate-Resilient Blue Economy

The World Bank has announced the granting of a $350 million loan to Morocco to support the implementation of a blue economy development program in the face of climate change, which is having a major impact on this North African kingdom. The blue economy development program aims to stimulate job creation and economic growth, while improving the sustainability and resilience of natural resources, as well as food security.

The Moroccan government will use the $350 million loan to develop institutional frameworks, improve integrated natural resource management and strengthen certain sectors for a blue economy resilient to climate change in coastal areas. Concretely, through two components, Rabat plans, in the first instance, to set up an inter-ministerial commission and regional coordination mechanisms to strengthen coordination of the development of the blue economy.

The second component focuses on investment in key areas of the blue economy, including sustainable tourism and the aquaculture sub-sector; vocational training dedicated to blue economy management; protection and management of ecosystem services; and improving climate resilience in coastal areas.

For example, marine surveys will be carried out to estimate, on a scientific basis, the health of fish stocks and determine the measures to be taken to manage them. The quality of beaches, a major asset for coastal tourism, will be monitored, while satellite imagery of coastal areas will be used to measure erosion and inform decisions on coastal development. The program also includes the creation of 14 new aquaculture operations, including shellfish and seaweed farming. The World Bank predicts that this activity could attract future investment and generate new jobs for women and young people. (Afrik21 30.05)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Turkish Consumer Inflation Soars to 73.5%

Turkey’s consumer inflation has hit a 24 year high of 73.5% and the Turkish lira has lost 49% of its value since September as President Erdogan pursued a controversial policy to lower interest rates and promote growth at the expense of inflation spiraling out of control. Consumer prices rose 2.98% in May to bring annual inflation to 73.5%, the highest since 1998, according to data released by the Turkish Statistical Institute (TUIK).

In May, the highest monthly increase, 6.5%, was in the alcoholic beverages and tobacco group. Food prices, a key driver of Turkey’s inflation storm, rose at the relatively modest rate of 1.6% in May, according to TUIK, with annual food inflation reaching 91.6%. In the transportation group, which is assigned the second largest weight in the inflation basket after food, prices rose 3.4% in May, bringing the annual rate to nearly 108%. Prices in the hotels, cafes and restaurants group rose almost 5.5% in May, with the annual rate climbing to 76.8%. Housing, clothing and household equipment prices also continued to rise in May.

At the behest of Erdogan, the Central Bank cut its policy rate by 500 basis points over four months, bringing it to 14% in December from 19% in September. Consumer inflation stood at 19.6% in September, while the price of the dollar averaged 8.5 liras. Inflation has jumped by nearly 54% since then, driven mainly by a wave of dollarization fueled by the rate cuts and the resulting negative yields of the lira. The currency has lost 49% of its value since September, plunging to some 16.5 versus the dollar in early June despite a government-backed scheme to stop the flight from the lira through so-called FX-protected lira deposits in which the treasury compensates for losses incurred from the currency's depreciation. (Al-Monitor 03.06)

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* 1. Turkey's Economy Grows by 7.3% Based on Consumer Spending & Exports

Turkey’s economy expanded by an annual 7.3% in the first quarter of the year, led by consumer spending and sales of exported goods. On a quarterly basis, GDP grew by 1.2%, the Turkish Statistical Institute said.

Consumption by households soared by an annual 19.5% in the first quarter after the central bank cut interest rates to 14% from 19% late last year. Exports increased by 16.8% helped by a cheaper lira – the currency lost 44% of its value against the dollar in 2021. Losses for the lira meant Turkey’s annual GDP in dollar terms contracted to $793.8 billion at current prices from $803 billion in the 12 months to December last year. The economy expanded by 11% in 2021.

In terms of industries, GDP expanded the most in banking and insurance, growing by 24.2% from a year earlier. Turks are taking out more loans because interest rates on borrowing are lagging inflation. Consumer price inflation accelerated to an annual 70% in April, a two-decade high. Rates on consumer and business loans average less than 30% per year, according to central bank data. The lira, which has lost an additional 19% of its value this year, was trading down 0.2% at 16.41 per dollar after the data was published. (Ahval 31.05)

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* 1. Greek Economy Expands by 2.3% in First Quarter and Shows Resilience

Greece’s economy expanded in January-to-March at a faster pace compared to last year’s fourth quarter but its growth rate decelerated on an annual basis, the Greece's statistics service ELSTAT said on 7 June. Seasonally adjusted data showed the GDP grew by 2.3% from an upwardly revised 0.8% growth rate Q4/21. The data also showed the economy expanded at an annual 7% clip in the first quarter, slowing from an upwardly revised 8.1% growth pace in the previous quarter. Strength in consumer spending, which was up 11.6% year-on-year in the first quarter, coupled with a 12.7% increase in investments offset a drag from net exports.

Last year the economy’s overall performance topped budget projections for a 6.9% rebound as domestic demand stayed strong. The economy shrank by 9% in 2020, experiencing the second-biggest recession in the Eurozone. The International Monetary Fund (IMF) sees Greece’s economy expanding by 3.5% this year due to higher energy prices and the Ukraine crisis. In April the fund cut a previous 5.4% growth forecast. Athens projects growth of 3.1% this year, picking up to 4.8% in 2023. (eKathimerini 07.06)

GENERAL NEWS AND INTEREST

\*ISRAEL:

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* 1. Israel Awarded 2023 Ice Hockey Women's World Championship

Israel will host the IIHF Ice Hockey Women's World Championship for Division III for the first time ever in 2023, the International Ice Hockey Federation announced at its recent annual congress. The Israeli women's national team, which made its historic international debut in Belgrade in March, was only established in July 2021. The tournament is slated to begin on 27 March 2023 at the Canada Center in Metula in northern Israel. The venue has a capacity of 800 seats. (Various 29.05)

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* 1. Suriname Plans to Open an Embassy in Jerusalem

Suriname plans to open an embassy in Jerusalem though a date is not yet set, Suriname's foreign minister Ramdin told Foreign Minister Lapid at a meeting on 30 May. Just four countries – the United States, Honduras, Guatemala and Kosovo – currently have embassies in Israel's capital of Jerusalem.

The two ministers also signed an agreement to hold bilateral diplomatic consultations, and Lapid offered to send Suriname humanitarian aid to help the country recover from the severe flooding that hit northern Suriname in April. Ramdin said he was not sure when the facility would open.

Suriname has territory some eight times larger than that of Israel and is home to approximately 650,000 residents. The Jewish community numbers some 500 members, most of whom live in the capital city, Paramaribo. One of the community's oldest synagogues was removed almost entire intact and shipped to Israel, where it is on display at the Israel Museum in Jerusalem. (Israel Hayom 31.05)

\*REGIONAL:

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* 1. IBM and MBZUAI Sign Agreement to Advance AI Research With New Center

A Memorandum of Understanding was signed between the Mohamed bin Zayed University of Artificial Intelligence (MBZUAI) and IBM to advance AI research. MBZUAI is the world’s first graduate research university dedicated to artificial intelligence (AI). The partnership aims to boost fundamental AI research and speed up scientific discoveries that might unleash AI’s potential to tackle some of humanity’s most pressing problems.

Central to the collaboration is the establishment of a new AI Centre of Excellence to be based at the university’s Masdar City campus. The center will leverage the talents of IBM researchers in collaboration with MBZUAI faculty and students and will focus on the advancement of both fundamental and applied research objectives. The initiative seeks to develop, validate and incubate technologies that harness the capabilities of AI to address civic, social, and business challenges. Further, the collaboration aims to provide real-life applications, particularly in the fields of natural language processing, as well as AI applications that seek to further climate and sustainability goals and accelerate discoveries in healthcare.

IBM will provide targeted training and technologies as part of the initiative, which supports the university’s vision to be a global leader in advancing AI and its application for the good of society and business. For example, through the IBM Academic Initiative, IBM will provide MBZUAI students and faculty with access to IBM tools, software, courseware and cloud accounts for teaching, learning, and non-commercial research. In addition, through the IBM Skills Academy program, MBZUAI will have access to curated AI curricula, lectures, labs, industry use cases, design-thinking sessions, and an AI Practitioner certification. The planned relationship is subject to the parties reaching definitive agreements. (MBZUAI 26.05)

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* 1. Turkey Officially Changes Its Name at the UN to ‘Turkiye’

Turkish Foreign Minister Cavusoglu formally requested the United Nations that his country be referred to as ‘Türkiye’, a move seen as part of a push by Ankara to rebrand the country and dissociate its name from the bird, turkey and some negative connotations that are associated with it.

President Erdogan’s government has been pressing for the internationally recognized name to be changed to ‘Türkiye’ (tur-key-yay) as it is spelled and pronounced in Turkish. In December, Erdogan ordered the name change to better represent Turkish culture and values, including demanding that ‘Made in Türkiye’ be used instead of ‘Made in Turkey’ on exported products. Turkish ministries began using “Türkiye” in official documents. (Various 07.06)

ISRAEL LIFE SCIENCE NEWS

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* 1. Lumenis OptiLight Wins 2022 MedTech Breakthrough Award for Ophthalmology

Lumenis Be announced that its OptiLight has received the highly competitive MedTech Breakthrough Award for “Best New Technology Solution for Ophthalmology.” This year, MedTech’s range of health and medical technology categories attracted more than 3,900 nominations from over 15 countries, from which MedTech selected OptiLight for this prestigious recognition. The win follows Lumenis’ MedTech awards for Best Overall Medical Device Company in 2021 and Best New Surgical Technology Solution in 2020.

OptiLight is a groundbreaking, light-based treatment. It is the first and only light treatment FDA approved for management of dry eye disease, a very common condition that causes dry, gritty eyes and fluctuating vision for an estimated 49 million Americans. Lumenis’ patented, innovative Optimal Pulse Technology (OPT) offers targeted, uniform, precise, and controlled treatment that safely and effectively breaks the vicious cycle of inflammation associated with dry eye disease.

Lumenis introduced OptiLight in May 2021 and recently launched a national media campaign featuring singer-songwriter and actress Mandy Moore (This Is Us) to increase awareness for dry eye disease and encourage people who might be suffering from this condition to seek out a physician who offers OptiLight.

Yokneam Illit's [Lumenis](http://www.lumenis.com) is a leading energy-based medical device company for aesthetic and ophthalmic applications in the area of minimally invasive clinical solutions. It is regarded as a world-renowned expert in developing and commercializing innovative energy-based technologies, including Laser, Intense Pulsed Light (IPL) and Radio-Frequency (RF). For nearly 50 years, Lumenis’ groundbreaking products have redefined medical treatments and have set numerous technological and clinical gold standards. Lumenis has successfully created solutions for previously untreatable conditions, as well as designed advanced technologies that have revolutionized existing treatment methods. (Lumenis Be 26.05)

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* 1. STK’s REGEV Hybrid Fungicide Wins “Best Biochemical Product of the Year”

STK Bio-Ag Technologies received the Best Biochemical Product of the Year Award from the World BioProtection Forum at an award dinner and ceremony held on 23 May in Birmingham, UK. The “Best Biochemical Product of the Year” was awarded to STK’s REGEV ‘hybrid’ fungicide based upon the “innovativeness, scientific value/uniqueness and market impact of the product”, according to the World BioProtection Forum’s criteria. An international panel of 20 senior agricultural executives and research scientists evaluated many successful products based on a point system. The judges’ collective decision to award this honor to REGEV was based on what the STK scientific and development team had discovered, tested, proven and successfully commercialized in diverse countries and regions of the world.

REGEV hybrid fungicide is a marriage of chemistry and biology. REGEV is the first product of its kind, a hybrid solution that delivers effective and sustainable disease control for a wide variety of fruits, vegetables, row crops and broad acre crops. It serves as an easy ‘bridge’ for most growers who have never tried any product having biological content. That’s because REGEV is used exactly the same way as the grower’s current synthetic chemical pesticide… no mixing, nothing different in applying or storing, no having to learn anything new about biology… only with REGEV, the grower substantially improves resistance management due to REGEV’s ‘multiple modes-of-action’. The grower also reduces chemical residues on produce significantly, making the grower’s products more exportable to countries, regions and food chains having strict chemical residue limits (MRL’s).

Petah Tikva's [STK](http://www.stk-ag.com) creates breakthrough biologic formulations from plant extracts that effectively protect agricultural and aquafarming harvests and significantly reduce their exposure to chemicals. STK applies cutting-edge science and technology to commercialize the naturally-occurring, disease-resistant qualities in a variety of plants. Their bio-agro food protection solutions enhance the safety, yield and quality of multiple crops. (STK 27.05)

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* 1. Filterlex Medical Positive Results from In-Human Study of Embolic Protection Device

Filterlex Medical announced results from a first-in-human (FIH) study demonstrating the safety, feasibility, and performance of the CAPTIS device. CAPTIS is a next-generation, full-body embolic protection device that reduces risk of stroke and other complications during left-heart procedures when embolic particles are released into the bloodstream. The trial was a prospective, single-arm study involving 20 patients who underwent a successful Transcatheter Aortic Valve Replacement (TAVR) procedure while using the CAPTIS embolic protection device.

The easily-deployed CAPTIS device is securely positioned in the aorta, protecting its surface, while facilitating a seamless TAVR procedure, without additional arterial access.

Caesarea's [Filterlex Medical](http://www.filterlex.com) is a cardiovascular medical device startup developing CAPTIS, a full-body embolic protection device. In 2016, Filterlex joined Alon MedTech Ventures incubator. The company's founders have vast clinical knowledge and extensive experience in medical device development, commercialization, and marketing. This project has received funding from the European Union's Horizon 2020 research and innovation program under grant agreement No 881076. (Filterlex Medical 31.05)

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* 1. NeuroSense Enrolls First Patient in Phase IIb ALS Trial for its Combination Therapy

NeuroSense Therapeutics has enrolled the first patient in its Phase IIb PARADIGM trial for its lead drug candidate PrimeC for the treatment of amyotrophic lateral sclerosis (ALS). PARADIGM will enroll 69 people living with ALS in Israel, Italy and the U.S. The double blind, placebo controlled, multicenter trial will randomize participants at a 2:1 ratio to receive PrimeC or placebo, respectively. Clinical trial endpoints include assessment of ALS-biomarkers, evaluation of clinical efficacy, and improvement in quality of life to demonstrate an attenuation in disease progression. NeuroSense expects to complete enrollment by the end of 2022 and to report top-line results in Q2/23.

PrimeC is a novel, patented formulation consisting of specific doses of two FDA-approved drugs, ciprofloxacin and celecoxib, designed to work synergistically on multiple targets by regulating microRNA synthesis, modulating iron accumulation, and reducing neuroinflammation. The Phase IIb study is designed to utilize an optimized dose and improved formulation which aims to maximize the synergistic effect between the compounds in the combination drug, relative to the formulation used in the prior Phase IIa study.

Herzliya's [NeuroSense Therapeutics](https://www.neurosense-tx.com/) is a clinical-stage biotechnology company focused on discovering and developing treatments for patients suffering from debilitating neurodegenerative diseases. NeuroSense believes that these diseases, which include amyotrophic lateral sclerosis (ALS), Alzheimer's disease and Parkinson's disease, among others, represent one of the most significant unmet medical needs of our time, with limited effective therapeutic options available for patients to date. Due to the complexity of neurodegenerative diseases and based on strong scientific research on a large panel of related biomarkers, NeuroSense's strategy is to develop combined therapies targeting multiple pathways associated with these diseases. (NeuroSense 01.06)

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* 1. Netafim Shows Corn Grown with Drip Irrigation Reduces its Carbon Footprint

Netafim announced the results of a Life Cycle Analysis (LCA) study showing that corn grown using drip irrigation creates the least environmental impact and optimal land use when compared to flood and sprinkler irrigation methods. The results of Netafim's corn LCA, conducted by EcoChain during 2020, show that drip irrigation is a much more advanced offering than flood or sprinkler irrigation in terms of minimizing negative environmental impact and optimizing yield.

They found that corn grown with drip irrigation releases 53% fewer carbon emissions when compared to flood-irrigated corn and 39% fewer carbon emissions when compared to sprinkler irrigation. Drip-irrigated corn requires 24% less fertilizer than when it is grown with flood irrigation, and nearly 17% less fertilizer that is used to grow corn with sprinklers. Drip-irrigated corn produces 45% more per kg per hectare when compared to flood, and 23% more when compared to sprinklers. In addition to corn, Netafim has also proven that rice grown using its drip irrigation technology out-produces conventional paddy rice farming, uses 70% less water, and diminishes methane emissions to almost zero.

Tel Aviv's [Netafim](http://www.netafim.com) is the world's largest irrigation company and the global leader in precision irrigation solutions committed to fighting scarcity of food, water and land, for a sustainable future. With 33 subsidiaries and 17 manufacturing plants worldwide, Netafim offers innovative, tailor-made irrigation and fertigation solutions to millions of farmers from smallholders to large-scale agricultural producers, in over 110 countries. (Netafim 01.06)

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* 1. ScImage & DiA Imaging Analysis Team Up to Infuse AI into Echocardiography Labs

Los Altos, California's ScImage, a leading provider of Enterprise Imaging solutions and DiA Imaging Analysis announced a commercial partnership to combine ScImage's unique Cloud architecture with DiA's AI-based automated cardiac ultrasound solution, LVivo Seamless. The collaboration leverages each company's strengths to give echocardiography (echo) labs greater access to the latest innovations in healthcare imaging technology. ScImage's intelligent Cloud computing infrastructure together with DiA's AI-based algorithms, will now be available to more echo-cardiologists and other imaging specialists, enabling them to maximize workflow efficiency in the echo lab environment and improve patient care.

Running behind-the-scenes as an integrated part of echo lab workflow, DiA's AI-based LVivo Seamless automatically selects and analyzes the optimal cardiac ultrasound images, generating key clinical indications of left and right ventricle function on all echo studies. The results are automatically inserted into PICOM365 structured reports and immediately presented on the PICOM365 viewer for an efficient and fluent echo lab workflow.

Beer Sheva's [DiA Imaging Analysis](http://www.dia-analysis.com) is a global leading provider of FDA cleared and CE marked ultrasound AI software solutions that automate the way clinicians use and analyze ultrasound images. The company's LVivo product line for cardiac and abdominal automated analysis allows clinicians with varying levels of ultrasound experience to automatically analyze ultrasound images on their ultrasound devices near bedside and on healthcare IT system workstations remotely, with increased speed, efficiency and accuracy. (DiA Imaging Analysis 07.06)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. Qisda Selects MOV.AI Robotics Engine Platform for its Autonomous Mobile Robots

MOV.AI announced that Taiwan's Qisda will leverage the Robotics Engine Platform to provide its customers with Automation and Logistics Robots that handle dirty, dull and dangerous jobs. The demand for robots to relieve humans from dirty, dull, and dangerous jobs is growing, and so is the need for automation solutions that will help solve the supply chain crisis. Qisda, a leading Original Design Manufacturer (ODM) developer with R&D and manufacturing sites in multiple locations across the globe, designs and manufactures a portfolio of automation and logistics robots that meet these needs in a wide range of use cases in healthcare, logistics, retail, and security.

MOV.AI's Robotics Engine Platform will be integrated into the Qisda Robot Platform, allowing Qisda to easily develop its Autonomous Mobile Robot (AMR) portfolio based on an open, unified software infrastructure. The platform contains development tools, off-the-shelf algorithms, deployment tools, operation tools and frameworks, and an open API. The ROS-based platform provides robot manufacturers and automation integrators with navigation, localization, calibration, and the enterprise-grade tools they need for advanced automation. It includes a visual Integrated Development Environment (IDE), off-the-shelf algorithms and integrations, fleet management, flexible interfaces with warehouse environments such as ERP and WMS, and cyber-security compliance.

Tel Aviv's [MOV.AI](http://www.mov.ai) is changing AMRs as we know them. It provides AMR manufacturers and integrators with the tools they need to create enterprise-grade robots quickly, allowing users to benefit from automation products that are flexible. MOV.AI is a Robotics Engine Platform based on ROS and packaged in an intuitive web-based interface. It contains everything needed to build, deploy and operate intelligent robots. (MOV.AI 26.05)

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* 1. Tactile Mobility Launches Comprehensive Virtual Tire Health Monitoring

Tactile Mobility launched its Tire Health Monitoring solution, providing a 360 degree view of tire health status. The new offering provides a continuously updated, objective understanding of how tires behave throughout their usable lifetime, helping drivers to better gauge how their tires are currently performing and how they will continue to perform. The new offering joins Tactile Mobility's core 'Tactile Processor Platform,' a suite of software-based solutions aimed at greatly enhancing driver and passenger safety.

Whereas traditional Tire Pressure Management Systems (TPMS) lack the ability to monitor tire wear, tire mismatch and tire aging, Tactile Mobility is addressing this gap by generating real-time actionable insights about the vehicle, road, and vehicle-road dynamics. The Tire Health Monitoring solution addresses six key tire conditions affecting vehicle safety.

Haifa's [Tactile Mobility](https://tactilemobility.com/) enables the next phase of mobility development by leveraging existing vehicle sensors and artificial intelligence to equip vehicles with the missing sense of "touch" – for the first time in history. By generating, collecting, and processing data from existing in-vehicle sensors about the vehicle, road, and surrounding environment, Tactile Mobility enables OEMs, Tier-1 suppliers, insurers, and city maintenance and planning departments to offer their customers innovative products, driving efficiency and performance as well as a safe driving experience. (Tactile Mobility 31.05)

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* 1. DSIT Unveils KnightShield Mobile Task Force Underwater Security System

Givat Shmuel's [DSIT](https://dsit.co.il/) – a subsidiary of Rafael - has unveiled its KnightShield mobile task force underwater security system. The system supports task force underwater protection, simultaneously protecting multiple ships anchored at ports, port entrances, and designated areas of port basins from swimmers, UAVs, SDVs and sabotage attempts.

Based on the sophisticated technology implemented in PointShield, DSIT’s advanced Diver Detection Sonar (DDS) Systems, KnightShield covers medium ranges in ports, delivering exceptional reliability and precision. Providing fully automatic detection, tracking, classification, and alerts regarding underwater intrusion, smugglers, and sabotage attempts, the system detects hostile divers – whether using closed or open breathing apparatus – as well as AUVs, SDVs, DPVs, and UUVs. Housed in a 20 ft. ISO container, KnightShield is easily transported, as needed, between platforms and dock locations such as ports, harbors, and terminals. Designed for use during deployment of expeditionary forces and escalated threat levels, the solution can be easily stored when not required.

Recently DSIT, signed an MOU with the Al Fattan Group from the UAE for the supply of its advanced underwater sonar systems. These systems will be used for the protection of sensitive facilities and strategic assets in the UAE. The MOU includes the development of local capabilities for all customer-related activities including the installation, implementation, support, and maintenance of the systems. (DSIT 01.06)

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* 1. Stratasys Named Official 3D Printing Partner of Toyota Racing Development

Stratasys has been named an official partner of Toyota Racing Development (TRD). The partnership will make its debut with 3D printed production parts on the forthcoming Toyota GR86 for the GR Cup, a new single-make racing series sanctioned by SRO America.

TRD is expanding its use of additive manufacturing from prototyping to end-use parts by integrating Stratasys Fortus 450mc, F370 and the new composite-ready F370 CR 3D printers into their manufacturing facilities in Salisbury, N.C. and Costa Mesa, Calif. The industrial-grade 3D printers will be used to create end-use parts, including an FDM Nylon 12CF hood vent for their new production vehicle the Toyota GR86, as well as to create a wide range of end-use parts across the TRD product portfolio. Further, TRD has been a long-standing customer of Stratasys Direct Manufacturing, utilizing various additive manufacturing technologies for prototyping. TRD will further utilize Stratasys Direct services to 3D print a clamp for the GR86, utilizing the Stratasys H350 3D printer powered by SAF technology and using sustainable Stratasys High Yield PA11 material.

Rehovot's [Stratasys](http://www.stratasys.com) is leading the global shift to additive manufacturing with innovative 3D printing solutions for industries such as aerospace, automotive, consumer products and healthcare. Through smart and connected 3D printers, polymer materials, a software ecosystem and parts on demand, Stratasys solutions deliver competitive advantages at every stage in the product value chain. The world’s leading organizations turn to Stratasys to transform product design, bring agility to manufacturing and supply chains, and improve patient care. (Stratasys01.06)

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* 1. Cervello Named "Best Solution in Railway Cybersecurity"

Cervello announced its fourth consecutive win at the Annual Global InfoSec Awards as "Best Solution in Railway Cybersecurity". The award, granted by Cyber Defense Magazine, a leading electronic information security magazine, is a testament to Cervello's continued success in providing rail organizations with the highest level of security while still prioritizing business continuity.

Tel Aviv's [Cervello](https://cervello.security/) is a trusted leader in railway cybersecurity that ensures safety, reliability, and business continuity for rail organizations across the globe. By deploying Cervello's patented security solution, fleets are presented with a contextual reflection of their operations while continuously monitoring their mission-critical assets. Fleet operators and infrastructure managers can thus eliminate safety risks and more effectively prevent incidents by minimizing threats against their networks. (Cervello 06.06)

ISRAEL ECONOMIC STATISTICS

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* 1. One in 10 Israelis Lives in Jerusalem

As part of events marking Jerusalem Day, which this year celebrated 55 years since the city was liberated and reunified in the 1967 Six-Day War, the Jerusalem Institute for Policy Research has published its 36th annual report on the city, which provides an in-depth statistical look at the capital.

The report said that Jerusalem remains Israel's second-largest metropolitan area, encompassing 86 communities and home to 1,373,000 residents. One out of every 10 Israelis is a Jerusalemite and the city proper remains Israel's largest, by a large margin. At the end of 2020, Jerusalem was home to 951,000 people. The city's growth is identical to population growth nationwide.

Like other metropolitan areas in Israel and abroad, Jerusalem is seeing its population decline, and in 2020 lost some 7,800 residents, with 38% of former Jerusalemites moving to other communities in the greater Jerusalem area. The year 2021 saw an unusually high rate of population loss, with the Central Bureau of Statistics reporting that the city's residents had dropped by 10,900. Partial statistics from the CBS put Jerusalem's population at 965,100 at the end of 2021, 1.5% more than in 2020.

In 2020, 570,000 of the city's residents (61%) were Jewish and 366,800 were Arab (353,800 Muslims and 12,900 Christians). Since 1967, the percentage of the city's Jewish residents has dropped from 74% to 61%, while Arabs made up 26% in 1967 and in 2020 comprised 39% of the population. As of 2021, 257,000 Haredi Jews called Jerusalem home – comprising 45% of the city's Jewish population and 28% of its overall population. Religious Zionists, traditional Jews and secular Jews comprised 29% of the population in Jerusalem.

The city remains one of the poorest in Israel, with over half of the children in Jerusalem living below the poverty line. In 2020, 38% of Jerusalem families were living in poverty, accounting for 43% of the city's residents and 53% of its children. (Various 26.05)

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* 1. Unemployment in Israel Remained Low in May

Israel's unemployment rate fell to 3.4% in the first half of May, from 3.6% in the second half of April, the Central Bureau of Statistics reported. The unemployment rate in Israel fell to 3.4% in the first half of May, from 3.6% in the second half of April, the Central Bureau of Statistics reports, but higher than the historic low of 2.9% in the first half of April. There were 143,800 jobseekers in the first half of May, down from 153,000 in the second half of April.

At the same time, the unemployment rate under the broad definition fell to 3.7% in the first half of May from 3.9% in the second half of April. The broad definition includes employees put on unpaid leave at the start of the COVID crisis two years ago and who have still not returned to work. These employees are mainly in the tourism industry.

Participation in the workforce of the working age population in Israel rose to 61.9% in the first half of May from 60.9% in the second half of April. The Bank of Israel Research Department forecasts 3.5% unemployment at the end of 2022 with a continuing low level of unemployment in 2023. (CBS 06.06)

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* 1. Slow Israeli Tourism Recovery Continues in May

Some 262,700 overseas visitors came to Israel in May 2022, compared with 465,700 in May 2019, before the COVID pandemic, the Central Bureau of Statistics reported. The number is up from April 2022 when 216,400 overseas visitors came to Israel, many of them during the Passover holiday.

In all of 2021 only 402,300 tourists visited Israel, while 887,100 tourists came in 2020 after a record year in 2019 when 4.5 million foreign tourists came to Israel. The country was closed to foreign tourists from mid-March 2020, except for visitors with special permission to enter, due to the COVID pandemic, re-opening briefly in November 2021, before closing again in December 2021 due to the spread of the Omicron variant.

Israel reopened to fully-vaccinated foreign tourists on 9 January 2022 and to all foreign tourists on 1 March. In January, 46,700 visitors entered Israel, 90,400 in February, and 168,900 in March. In total 785,000 foreign tourists entered Israel in the first five months of 2022.

Meanwhile, the number of Israelis travelling abroad has almost reached pre-COVID levels. In May 2022, 1.63 million passengers passed through Ben Gurion airport, six times the number who passed through in May 2021, and not far below the 1.93 million who passed through the airport in May 2019. (CBS 07.06)

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* 1. Electric Vehicle Sales Soar in Israel

Deliveries of new electric vehicles in Israel have jumped sharply this year. Between January and May 2022, 6,900 electric cars were delivered in Israel, representing 5.2% of all car sales, compared with just 1.2% over the same period last year, according to figures received by Globes. The sharp rise in electric vehicle deliveries comes, despite the 12% fall in car deliveries to about 134,000 in the first five months of 2022, mainly due to supply chain disruptions.

Sources in Israel's car industry say that with oil prices jumping, the electric vehicle market would have grown even faster, if there had not been delays in the delivery of Tesla cars, due to the COVID lockdowns in China, which have hit the company's Shanghai factory.

Israeli car industry sources say there is a backlog of over 12,000 orders for electric cars and by the end of the year electric vehicles should account for more than 8% of new car sales, provided the relevant importers succeed in receiving consignments and delivering them to customers. In January 2023, purchase tax in Israel on electric vehicles will rise by 10% and it will be applicable to 2022 orders that have been delayed beyond the end of the year. The industry has been seeing record interest in electric vehicles both in the private market and in the institutional and company fleets market. (Globes 02.06)

IN DEPTH

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* 1. LEBANON: Lebanon’s Exit from Default Still Tough After Inconclusive Election

[Fitch Ratings](http://www.fitchratings.com/) reported on 27 May that the inconclusive outcome of Lebanon’s elections on 15 May will make it challenging for any camp to form a stable governing majority in parliament, further complicating the country’s ability to implement financial and economic reforms. Such reforms would be preconditions for support from the IMF and other international partners, which in turn could pave the way for Lebanon’s exit from default on its sovereign obligations.

The political affiliations of Lebanon’s legislators are not always clear. However, the election has weakened the position of Hezbollah in parliament, with the alliance it leads having lost 10 seats and its majority in parliament. Notably, the Free Patriotic Movement, a Christian party allied to Hezbollah, lost ground to another Christian party, Lebanese Forces. This could be significant with presidential elections due later this year – the presidential office is reserved for Christians and is elected indirectly by parliament.



Hezbollah’s bloc nonetheless remains the largest parliamentary grouping, with 61 seats in the 128-seat body. It also remains well positioned to control the selection of parliament’s speaker, a role reserved for Shia Muslims, as the allied Amal party won all 27 Shia seats in the legislature. Hezbollah also has other levers of influence outside of formal electoral politics.

Ministers close to Hezbollah and Amal reportedly expressed some objections when the outgoing cabinet voted on 20 May 2022 to pass a financial recovery plan. This calls, among other measures, for the cancellation of a large part of the foreign-currency debt of Banque du Liban (BdL, the central bank), a restructuring of the banking sector - including some protection for small depositors but haircuts for others - and dissolution of unviable banks.

The cabinet’s approval of the reforms was one of a number of prior conditions that need to be met for the IMF Executive Board to give approval to a staff-level agreement reached in April 2022 on a 46-month Extended Fund Arrangement worth around $3 billion. Other preconditions include parliamentary approval of emergency bank resolution legislation, a bank secrecy law and the 2022 budget; cabinet approval of a medium-term fiscal and debt restructuring strategy; the BdL’s unification of exchange rates for authorized current-account transactions, supported by the implementation of capital controls; an audit of the BdL’s foreign-asset position (this appears close to completion); and the initiation of an evaluation of each of the 14 largest banks.

Hezbollah and Amal have in the past been skeptical over IMF program conditionality. That opposition has become less categorical over the past year and the weakening of the pro-Hezbollah bloc will give greater voice to other parties, but we believe that implementing the IMF’s preconditions will still prove challenging. Government formation has historically been a lengthy process, and the lack of a clear winning faction in this latest election suggests it will again take time. Reforms could also be stymied by domestic opposition or further unrest. The Association of Banks in Lebanon, for example, on 24 May rejected the government’s financial recovery plan, arguing that it put the full losses of the country’s economic crisis on depositors. In-country election turnout was low at 41% of registered voters, giving the new government only a weak popular mandate for reform.

Fitch affirmed Lebanon’s Foreign-Currency Issuer Default Rating (IDR) at ‘Restricted Default’ in August 2021. Once the country reaches an agreement with bondholders on restructuring its foreign-currency debt and completes that process, we will assign ratings based on our analysis of the sovereign's willingness and capacity to honor its new foreign-currency debt obligations. We also affirmed the Local-Currency IDR at ‘CC’ in August, reflecting our expectation of an eventual restructuring. (Fitch 27.05)

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* 1. JORDAN: IMF Staff Concludes Mission for 2022 Article IV and Fourth Review

Jordan’s IMF-supported EFF program remains firmly on track, with notably strong performance on domestic revenue mobilization. A staff level agreement was reached on the completion of the fourth EFF review. The authorities have navigated the significant economic challenges of the pandemic period, while protecting critical social and health spending, and implementing key structural reforms.

In the near-term, fiscal and monetary policies should continue to support the recovery and maintain macroeconomic stability, amid a challenging external environment characterized by tightening global financial conditions and rising commodity prices. Article IV discussions centered on reforms to enhance long-term inclusive growth, by boosting labor productivity, business competitiveness and tourism, and encouraging female and youth employment; enhance the efficiency and fairness of public finances; and address Jordan’s climate adaptation needs, notably related to water scarcity.

An [International Monetary Fund (IMF)](http://www.imf.org/) team held an in-person mission from 8 - 23 May 2022 with the Jordanian authorities. The mission held discussions on the 2022 Article IV Consultation with Jordan and reached a staff-level agreement with the Jordanian authorities for the completion of the fourth review under the Extended Fund Facility (EFF) arrangement. This agreement is subject to approval by the IMF’s management and the Executive Board.

At the conclusion of the discussions, the IMF issued the following statement:

“The authorities’ swift and decisive actions have mitigated the effects of the COVID-19 pandemic on the economy. Helped by the economic reopening, a recovery, supported by targeted fiscal and monetary measures, is underway, with real GDP growth expected at around 2.4% in 2022, and rising to above 3% over the medium-term. However, unemployment persists at very high levels, particularly among the youth. Inflation – which has been contained in 2021 – has risen slightly this year, reaching 3.6% at end-April. Supported by a stronger rebound in tourism receipts and robust exports, the current account deficit will narrow from 8.8% of GDP in 2021 to 6.5% of GDP in 2022, a somewhat higher level than previously expected, primarily reflecting more elevated fuel import prices.

“Despite the challenging circumstances brought on by the pandemic, sound policies have helped maintain macroeconomic stability. The central government narrowed its primary deficit (excluding grants) by 1.2% of GDP to 4.5% of GDP in 2021. Revenue collection has remained robust, anchored in an institutional effort to tackle tax evasion and improve tax compliance, and the authorities are on track to meet the 2022 target for the primary deficit (excluding grants) of 3.4% of GDP. At the same time, international reserves remain adequate, helped by prudent monetary policies, a resilient banking system, and robust external financing. New electricity tariffs were rolled out in early-April, which will boost Jordan’s competitiveness by lowering the costs for businesses.

“Fiscal reforms will continue to center on broadening the tax base. The recent passage of legislation unifying the tax and customs administrations in ASEZA under the national systems has delivered an important longstanding reform. Going forward, it will be critical to maintain reform momentum, notably, through introducing place-of-taxation rules into the GST law; strengthening the governance of fiscal incentives for investment; and improving tax and customs administration. Due to its long-term fixed price gas import contracts for electricity generation, and adequate wheat reserves to hedge against possible global shocks, Jordan is better placed than many emerging markets to deal with higher food and fuel prices. However, it will be important to contain the cost of untargeted fuel subsidies, while protecting the most vulnerable through targeted support. Moreover, efforts to better track, manage and disclose fiscal risks will be essential to improving the transparency and sustainability of public finances. Finally, the authorities are committed to a fiscal strategy that will put Jordan’s public debt on a firmly downward path, achieving 80% of GDP in the medium-term.

“Monetary policy should continue to be anchored in safeguarding the peg—which has served the economy well--consistent with the CBJ’s commitment to maintaining monetary and financial stability. International reserves are projected to remain comfortable over the medium term providing an important buffer against a highly uncertain external environment. The banking system remains well-capitalized and liquid, and non-performing loans have remained at low levels. The ongoing Financial Sector Assessment Program (FSAP) update will take stock of the many changes in the financial sector since the previous update including the impact of COVID-19. Good progress has been made to enhance the regime for anti-money laundering and combatting terrorism financing. The authorities should continue to work actively to ensure effective implementation of the Financial Action Task Force (FATF) recommendations.

“The Article IV consultation focused on prospects for strong, resilient and inclusive growth, which rest on steady progress on structural reforms to support female labor force participation, enhance labor market flexibility, promote competition, reduce the costs of doing business and enhance governance and transparency. In this regard, advancing legislation to support female labor force participation and strengthen the competition regulatory framework will be critical. Continued efforts are also needed to address water scarcity, and improve the financial sustainability of both the water and electricity sectors.

“Robust concessional support from donors, remains crucial, especially as global risks are elevated. Jordan continues to bear a disproportionate burden in supporting and hosting 1.3 million Syrian refugees, including providing all residents equal access to vaccination. In light of higher external financing needs, arising from global economic pressures, we propose an increase in disbursement by around $165 million in 2022, including an augmentation of access of around $100 million. Including the amount drawn under the Rapid Financing Instrument, this will bring total IMF disbursements over 2020-24 to SDR 1,438 million (or around $2 billion). This is in addition to SDR 329 million (or $469 million) disbursed as Jordan’s share under the IMF General SDR allocation in August 2021. (IMF 24.05)

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* 1. IRAQ: Iraq's Anti-Normalization Law Could Prove a Risky Political Stunt

Yerevan Saeed and Hussein Ibish posted on 6 June in the [Arab Gulf States Institute in Washington](https://agsiw.org/) that Iraq’s criminalization of relations with Israel may be domestic political maneuvering, but it could come at a heavy cost for several constituencies.

On 26 May, the Iraqi Parliament adopted the “Criminalizing Normalization and Establishment of Relations with the Zionist Entity Law.” It prohibits any Iraqi individual, institution or organization from communicating with any Israeli entity or representative in the “cultural, political, scientific, commercial, economic, media or security sphere” and dictates that such ties are punishable by death or imprisonment. Out of 329 members of parliament, 275 Shias, Sunnis and Kurds attended the session, and all voted in favor of the legislation. Coming in the aftermath of the Abraham Accords and the apparent opening of most Gulf Cooperation Council countries to closer ties to Israel, even symbolic political grandstanding could complicate efforts by Iraqi Kurdish, Sunni, and even Shia factions to cultivate closer ties with GCC states, as well as Israel, and gain greater distance from Tehran’s grip.

The main champion of the law was Shia cleric Muqtada al-Sadr, whose allies effectively won the October 2021 parliamentary elections. Despite severe political disputes and a breakdown of the process to form a government in Iraq after more than eight months, Sadr was able to rally his allies in the Kurdistan Democratic Party and Sunni Sovereignty bloc as well as his Shia rivals from the Coordination Framework, which is led by former Prime Minister Nuri al-Maliki and has become a “blocking third” preventing the formation of a new government. The Coordination Framework includes pro-Iranian Shia militias and is closely aligned with Tehran, so it was unsurprising the group joined Sadr’s bid. Indeed, Sadr’s main intention may have been to avoid being outbid and outflanked by Tehran’s Iraqi allies on opposition to all things Israeli. But, for the Sunnis and Kurds who enjoy strong ties with the GCC countries that have been improving relations with Israel, the bandwagoning with Sadr and the Coordination Framework was probably also an effort to avoid negative political fallout. Yet for them, unlike Tehran’s allies, it could produce significant negative consequences.

The law was a test for the loyalty of Sadr’s Kurdish and Sunni allies who have become a part of his National Salvation Coalition in a thus far unsuccessful effort to form a majority government. Sunni Parliament Speaker Mohammed Halbousi owes his post to Sadr, while the Kurdistan Democratic Party is seeking Sadr’s support for its candidate for Iraq’s presidency. Therefore, the Kurds and Sunnis had obvious motivations to support Sadr’s anti-Israel legislation. Further, if the Sunnis had rejected the bill, they could have come under serious pressure and potential protests by the Shias, and it was likely that Halbousi would have lost his job. Therefore, the Kurds and Sunnis’ “yes” vote was a defense strategy designed to avoid the wrath of increasingly domineering Shia rule in Baghdad. Nonetheless, the law may be detrimental to both of these constituencies by limiting their diplomacy and outreach to the GCC countries. On its face, the new law even threatens to consolidate and centralize control over all aspects of Iraqi foreign policy and international relations by the Shia-controlled Baghdad government.

The Kurdistan Regional Government’s own missteps helped lay the groundwork for the law that will likely cause it headaches. In September 2021, Erbil allowed a U.S. research group to hold a conference that promoted normalizing Iraqi diplomatic and other relations with Israel. Some prominent Sunni Arab figures attended the conference and endorsed that agenda. The event sparked an intense negative backlash from the Iraqi government, Shia parties and much of the public. Sadr sharply criticized the conference and even urged the government to arrest those who attended it. He also vowed to “work legally, mentally and patriotically” to ban any additional such conferences or meetings and suggested he would take stronger measures if his bloc gained the majority in the October 2021 elections. After the passage of the law, Sadr called on Iraqis to take to the street to celebrate the new legislation and demonstrate national unity in the face of the backlash from the international community.

An accomplished populist, Sadr is well aware that the prospect of any opening to Israel is anathema to Tehran’s allies in Iraq. Unlike Gulf Arab countries, such as the United Arab Emirates, Bahrain and Qatar (which had trade-level diplomatic relations with Israel in the 1990s), Iraq was a central player in the Arab-Israeli wars. The 1967 debacle and the cultural trauma that swift defeat inflicted on Arab societies remains a part of the cultural and psychological matrix of some Iraqis. By contrast, the Gulf countries that have opened to Israel were not independent in 1967 and did not experience the brunt, if any, of the trauma. Outlawing actual dealings with Israel, and even forbidding merely advocating for any form of opening to Israel, may be a largely symbolic gesture, but it could resonate with some of the Iraqi public. That, in turn, underscores the gap in perceptions between a wide range of constituencies in Iraq and many of those in GCC societies.

The Kurds in particular have come under increasing pressure because of the KRG’s history of dealings with Israel and, especially, recent allegations that it has been allowing the creation of a secret Israeli military base in Erbil. A Kurdish “no” vote could have appeared to validate accusations that the government of the Kurdish region and its main parties have been quietly cozying up to Israel in a manner unacceptable to most of the rest of the country. These accusations were used by Shia militia groups deployed on the border of the Kurdistan region to justify and rationalize several recent attacks on Erbil. While the Kurds sought to create some perceptions of distance from Israel by voting in favor of the law, the new legislation could nonetheless have ramifications for the Kurdish region. The Kurds have developed a barely concealed relationship with Israel, and 24% of the Kurdistan region’s oil exports were purchased by Israel in 2021. The law, if enforced as written, will prevent these crucial commercial transactions and the development of broader relations with Israel going forward. At the very least it provides the KRG’s Iraqi adversaries with new leverage and grounds for criticism.

The law could also have painful economic consequences for the rest of the country, in particular the central government in Baghdad. Although the article in the original draft that would have prohibited any companies operating in Israel from investing in Iraq was removed, the law is still likely to deter investment, particularly if there is any effort to enforce it. Investors could worry about financial and ethical repercussions from working in Iraq. That would create a range of new concerns and possible obstacles to foreign direct investment in Iraq by companies that feel constrained by their own policies or the laws in their home countries that would penalize anything that looks like cooperating in a boycott of Israel. Western companies, already concerned about insecurity and lack of rule of law in Iraq, could have even less incentive to invest in an environment riddled with legal uncertainty.

**Abraham Accords’ Impact on Iraqi Politics**

The initiative of the UAE, followed by Bahrain and Morocco, to normalize relations with Israel has had significant positive and negative consequences for Iraqi politics and discourse. Both the anti-corruption protests in Iraq in October 2021, which led to the establishment of the “October 25 Movement,” and the Erbil conference, coming in the wake of the Abraham Accords, stirred the idea of a potential opening to Israel among some Iraqis. The argument for normalizing relations notes that Iraq has strong cultural ties with Iraqi Arab and Kurdish Jewish communities in Israel that have persisted despite the lack of diplomatic ties between the two countries. The argument holds that Iraq could benefit from using these familial and cultural ties to open commercial and diplomatic relations with Israel. More than 200,000 Jews of Iraqi origin live in Israel, so these cultural and family ties could serve as a strong ground for normalizing relations to the mutual benefit of both countries. But outspoken advocates of an opening to Israel came under heavy criticism by most Shia political elites and parties, among others, who accused them of being witting agents of a Zionist and U.S. plot to undermine Shia power in Iraq as well as supposedly betraying the Palestinian cause. Sadr vowed that he would never allow normalization with Israel even if that required shedding his own “blood.” Therefore, the ostensible objective of the law is to institutionalize a legal guardrail to prevent any Iraqis from seeking to promote new ties with Israel. Its intended or inadvertent consequence may also be to limit Iraq’s shared interests with the Gulf Arab countries that are strengthening relations with Israel. Many of its key backers may hope that the new law will help ensure Shia domination of Iraq’s national foreign policy and, more broadly, align Iraq’s orientation with that of Iran.

Unsurprisingly, Iran enthusiastically lauded the law. Tehran’s new ambassador to Baghdad, Mohammad Kazem Al-e Sadeq, called the act “historic,” saying, “We congratulate the representatives of the brotherly Iraqi people in the House of Representatives for their vote on the law criminalizing normalization with the usurping Zionist entity.” However, and equally predictably, the United States, the United Kingdom and Israel condemned the legislation. The State Department pointedly noted that it “stands in stark contrast to the progress Iraq’s neighbors have made in building bridges and normalizing relations with Israel, creating new opportunities for people throughout the region.” Understandably, the Gulf Arab countries’ positions regarding the law have been muted since they have an obvious interest in downplaying any negative impact of the new legislation. Additionally, they want to avoid the perception of interfering in domestic Iraqi politics and risk reversing the improvement in recent years of their diplomatic and political influence with the Iraqi government and significant factions in the country, including Sadr’s own bloc.

Just days after the passage of the law, the UAE and Israel signed a free trade agreement, paving the way for bilateral trade to reach $10 billion – an indication of the deepening of the Emirati-Israeli relationship at a strategic level with the strong support of Washington. In addition to the UAE, Bahrain and Morocco, Saudi Arabia has taken steps that could point Riyadh toward its own eventual opening to Israel. Saudi Arabia lifted the ban on Israeli passport holders visiting the kingdom for investment and business purposes, which has become more frequent, albeit typically conducted quietly and behind the scenes, but which now may be more evident.

Iraq’s law criminalizing relations with Israel could simply be a domestic political gesture aimed at appeasing Iran and its most fervent clients while also appealing to traditional Arab grievances and sympathy for the Palestinians. However, if the law is enforced rigorously or in a politically pointed manner, it could spell significant trouble for Iraq. If, for example, the government in Baghdad attempts to pursue charges against the authorities or business and cultural entities in the Kurdistan region, that could spark tensions between the Kurdish region and much of the rest of Iraq with its Sunni and Shia Arab character and widespread religious and nationalistic antipathy toward Israel. The law could also be a significant impediment to foreign direct investment in Iraq, in particular in its energy industries and resources. Even if the law is not enforced, Washington, for example, could potentially cite it to discourage, punish, or prohibit investment by U.S. or foreign companies on the grounds that participating in a commercial boycott of Israel is unlawful in the United States. Moreover, because it is so pointedly at odds with the general trend among Gulf Arab countries, the new law could significantly complicate Iraq’s gradual reintegration into the community of Arab states, in particular with its Gulf Arab neighbors that can offer much needed economic, energy and investment assistance.

There are many laws on the books in Iraq, and indeed most countries, that exist in principle but are ignored in terms of practical impact and are not enforced. The consequences for Iraq of this new legislation will depend primarily on whether it is intended as a political exercise that has served its purpose for the meanwhile or will be used by populist, nationalist and pro-Iranian forces within the Iraqi state as a cudgel against any entities and individuals, including in the KRG, that continue to seek closer ties not merely to Israel, but to the Gulf Arab states that are developing their own relationships with the Israelis. The consequences will also depend on the degree to which key external stakeholders (principally the Gulf Arab states that are normalizing relations with Israel, Israel, and the United States) choose to respond punitively to the passage and any implementation of this law.

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* 1. BAHRAIN: IMF Staff Completes 2022 Article IV Mission

An International Monetary Fund (IMF) mission visited Manama from 8 – 22 May to conduct discussions for the 2022 Article IV consultation. The mission will submit a report to IMF management and Executive Board, which is scheduled to discuss the Article IV Consultation in June. At the conclusion of the visit, the IMF issued the following statement:

“Bahrain implemented a commendable pandemic policy response, which successfully mitigated the health and economic impact of the COVID-19 crisis. The strong vaccination campaign covered all residents, was one of the fastest globally, and allowed the broad reopening of the economy in summer 2021. The support package provided relief to the private and banking sectors, helping to contain job losses and corporate strains.

“A gradual post-COVID recovery is underway, while the renewed fiscal reform momentum and high oil prices are mitigating Bahrain’s fiscal and external vulnerabilities. The Bahraini economy grew by 2.2% in 2021, driven by 2.8% growth in non-hydrocarbon GDP while hydrocarbon GDP contracted by -0.3%. The recovery was supported by a strong performance in non-hydrocarbon manufacturing as well as by the retail trade and hospitality sectors. CPI inflation remained negative at -0.6% on average in 2021. With the economic recovery and higher oil prices, the state budget deficit narrowed to -6.8% of GDP in 2021, while the overall fiscal deficit narrowed to -11.1% of GDP, from -17.9% of GDP in 2020. Government debt declined slightly to 129% of GDP in 2021 from 130% of GDP in 2020. The current account improved markedly and posted a surplus of 6.7% of GDP in 2021, after a deficit of -9.3% of GDP in 2020.

“Growth is projected to accelerate to 3.4% in 2022, with non-oil GDP increasing by 4% driven by stronger manufacturing and the full reopening of the economy. Thereafter, growth is projected to stabilize at around 3% over the medium term. Nevertheless, significant uncertainty clouds the forecast, including from the uncertain evolution of the pandemic and the war in Ukraine, as well as the global inflation outlook.

“The authorities are strongly committed to their reform agenda outlined in the Economic Recovery Plan and the revised Fiscal Balance Program, including ambitious reforms to reduce the fiscal deficit and public debt.

“The current oil price outlook provides an opportunity to proceed with ambitious reforms under favorable macroeconomic and financing conditions and deliver a sizeable medium-term fiscal consolidation that reduces reliance on oil revenue and puts debt on a firm downward path. A stronger fiscal position would also promote the growth of foreign exchange reserves to continue supporting the exchange rate peg, which remains an appropriate monetary anchor.

“The financial sector support package cushioned the impact of the pandemic on the real economy but might have masked some vulnerabilities in the banking sector. Phasing out financial sector pandemic support measures would contain the buildup of vulnerabilities and reduce financial stability risks. Continued support of fintech and digitalization could provide a source of growth that needs to be balanced against possible risks.

“Targeted labor market policies would help the recovery and provide employment opportunities for Bahrainis. Staff welcomed the authorities’ revamped strategy to address labor market challenges, as detailed in the recently introduced National Employment Program. Continuing to address skills mismatches and boosting labor market mobility could improve productivity. Finally, incentivizing access to finance for women entrepreneurs and promoting the use of digital solutions to boost work flexibility could further improve women’s labor force participation. (IMF 25.05)

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* 1. EGYPT: Moody's Affirms Egypt's B2 Rating, Changes Outlook to Negative from Stable

On 26 May, [Moody's Investors Service](http://www.moodys.com/) (Moody's) affirmed the long-term foreign- and local-currency issuer ratings of the Government of Egypt at B2 and changed the outlook to negative from stable. Moody's has also affirmed Egypt's foreign-currency senior unsecured ratings at B2, and its foreign-currency senior unsecured MTN program rating at (P)B2.

The negative outlook reflects the rising downside risks to the sovereign's external shock absorption capacity in light of a significant narrowing in the foreign exchange reserve buffer to meet upcoming external debt service payments. While the economy's external position remains supported by significant financial commitments pledged by Gulf Cooperation Council (GCC) oil-exporting sovereigns and the prospect of a new IMF program, tightening global financing conditions increase the risk of weaker recurrent inflows than Moody's currently anticipates to shore up Egypt's external position. Susceptibility to event risks is broad-based and includes political risk, especially in the context of a sharp increase in food price inflation which, if not mitigated, could raise social tensions according to Moody's assessment of the relevance of social risks for sovereign credit; while rising domestic borrowing costs, if sustained, will exacerbate liquidity risks and debt affordability challenges, both long-standing weaknesses of Egypt's credit profile.

The B2 rating remains supported by the government's pro-active crisis response and track record of economic and fiscal reform implementation over the past six years. Egypt's broad and dedicated domestic funding base helps weather tightening financing conditions. Egypt's strong trend GDP growth supports economic resiliency and the prospect of attracting foreign direct investments in line with the government's privatization strategy.

Egypt's local-currency (LC) and foreign-currency (FC) ceilings remain unchanged. The LC ceiling at Ba2, three notches above the sovereign rating, acknowledges the public sector's large footprint in the economy that inhibits private sector development and credit allocation, mitigated by a growing track record of implementation of structural competitiveness reforms. The FC ceiling at Ba3, one notch below the LC ceiling, reflects the progressive removal of remaining barriers to capital in- and outflows and a more flexible exchange rate which in Moody's view signal a low risk of transfer and convertibility restrictions, notwithstanding the tighter foreign currency liquidity environment.

**RATINGS RATIONALE**

**Rationale for Changing the Outlook to Negative from Stable: Narrower foreign liquidity buffer amid tightening external funding conditions increases balance of payments risks**

The capital market dislocation triggered by Russia's invasion of Ukraine, compounded by tightening global monetary policy, has led to a renewed bout of capital outflows by non-resident investors across frontier markets, including in Egypt's local currency market, further drawing down the economy's external liquidity buffers which had already been weakened during the pandemic. The narrow foreign exchange reserve buffer in comparison with upcoming external debt service payments, and net foreign liability positions at the central bank and in the commercial banking system raise downside risks to the sovereign's external shock absorption capacity amid tight global funding conditions.

The fallout from the Russian invasion of Ukraine has triggered non-resident outflows of almost $14 billion as of mid-April from holdings of $31 billion in mid-February. In contrast to previous instances of sharp capital outflows driven by external shocks such as in the second half of 2018 or at the onset of the pandemic in March 2020, the most recent external shock has materialized when the economy's liquid foreign exchange reserve buffer at $29.3 billion in April was already weakened by the pandemic and higher imports to fuel the recovery. The absorption of capital outflows through the banking system has created a net liability position in the monetary system comprising both the central bank and commercial banks of $12 billion in March, a reading not recorded since before the flotation of the pound in November 2016. In Moody's assessment, the coverage of this net liability position with foreign exchange reserves to buttress banks' counterparty risk standing reduces the amount of usable reserves to meet renewed external shocks.

Immediate balance of payment risks are mitigated by $22 billion in financial commitments by GCC sovereigns - of which $11 billion are already deposited in support of FX reserves, and the remainder pledged as Foreign Direct Investment (FDI) and asset purchases - and by the prospect of a new IMF program. However, in Moody's assessment continued foreign exchange reserve coverage of upcoming external debt service payments over the next three years at about $25-30 billion (including short-term plus medium/long-term external debt maturities) will depend on continued inflows from abroad. While Moody's expects the government's privatization strategy aiming for $10 billion in FDI inflows annually over four years to help bolster Egypt's FX reserve buffer in the future, the likelihood of renewed large-scale inflows is low in the near future in Moody's assessment, raising downside risks.

**Inflation Shock Raises Borrowing Costs, Exacerbating Debt Affordability Challenges and Social Risks**

Already weak debt affordability as measured by interest/revenue is exacerbated by higher domestic borrowing costs amid rising inflation, increasing funding needs and, over time, crowding out spending for social, investment or security purposes.

Egypt's debt affordability as measured by general government interest/revenue Moody's estimates at over 45% and interest/GDP at about 9% in fiscal 2022 is very weak globally, exposing fiscal accounts to tightening borrowing costs. Over the past two months the central bank of Egypt has raised the monetary policy rate by a cumulative 300 basis points in response to surging inflation at 13.1% year over year in April, driven by the fallout from pandemic-related supply disruptions, soaring global food and energy prices, and the repercussion of the depreciation of the Egyptian pound by about 14% in March. The already large interest bill and the large gross borrowing requirements at over 30% of GDP characterize Egypt as among the sovereigns most sensitive to tightening funding conditions, especially in the local currency market.

While Moody's projects the central bank's monetary policy actions to keep inflation expectations in check thereby contributing to a stabilization and eventual improvement in debt affordability, over time, the larger interest bill crowds out other spending for social, investment or security purposes. Combined with the negative impact of inflation on living standards - food accounts for more than 30% of the consumption basket -, this points to potentially increasing social risks in Moody's assessment.

**Rationale for Affirming the B2 Rating**

The B2 rating incorporates Egypt's track record of economic resiliency based on strong economic growth projected at 5.5% in fiscal 2022 and 4.5% in fiscal 2023 before reverting to trend growth at 5% thereafter, and on the government's crisis management capacity underpinning its institutions and governance strength.

The track record of improved policy effectiveness supports the government's structural economic reform agenda to enhance export competitiveness, broaden the revenue base, and a shift to targeted income support measures as well as the maintenance of primary surpluses underpinning Moody's expectation of a renewed reduction in the debt/GDP ratio starting fiscal 2023. Despite the larger interest bill, Moody's projects the general government debt ratio to resume its downward trajectory toward 85% of GDP in 2025, after a renewed increase to 93.5% of GDP in fiscal 2022 as a result of the valuation effect from the currency depreciation.

The B2 rating also incorporates the large and dedicated domestic funding base to meet the government's large borrowing requirements, including during times of non-resident outflows, supported by a lengthening maturity profile, a more diversified investor base and the maintenance of market access.

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

Given the negative outlook, an upgrade is unlikely in the near future. Evidence of a renewed build-up in the monetary system's net foreign asset position that is likely to be sustained and a strengthening foreign exchange reserve buffer to meet external debt service payments and commensurate with Egypt's adopted economic model based on an open capital account and relative exchange rate stability would likely lead Moody's to stabilize the outlook. Over time, evidence of a sustained improvement in non-hydrocarbon exports/GDP would also contribute to positive momentum by signaling higher competitiveness while also supporting Egypt's external debt affordability.

Worsening balance of payment dynamics that further erode liquid foreign exchange reserves and threaten external stability would likely prompt a downgrade, as would a persistently negative net foreign asset position in the monetary system. A sustained and material deterioration in already weak debt affordability would also be credit negative. Relatedly, an erosion in policy effectiveness and credibility or rising social and political risk that contributes to raising the cost of government debt and/or eroding competitiveness, would also exert negative pressure on the rating. (Moody's 26.05)

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* 1. EGYPT: Egypt to Sell State-Owned Firms Amid Economic Crisis

Azza Guergues reported on 25 May in [Al-Monitor](https://www.al-monitor.com) that ten of Egypt's largest state-owned companies will be listed this year on the stock exchange, while others will be sold in the coming years as the government tries to attract foreign investors to relieve economic hardships. Several other assets will be sold over the next four years in order to attract foreign investors and also alleviate the current economic hardships.

Egyptian Prime Minister Mostafa Madbouly gave a lengthy press conference on 15 May, describing the current crisis as the worst in a century. "The [Ukraine] war repercussions have put a heavy burden on us financially. We expect EGP 130 billion [$7.1 billion] of immediate impacts, as well as EGP 335 billion [$18.3 billion] of indirect effects as a result of increased prices for commodities like wheat, oil and even interest rates," he said.

He stated that as a direct consequence of the war, there was an outflow of billions of dollars or "hot money" from Egypt, causing the government to devalue the currency by 17%. But the Gulf states have helped Egypt cope by pledging $22 billion in investments.

Even so, Egypt still faces a budget deficit of $20 billion, a debt-to-GDP ratio of 85% and high prices for major commodities imported. The Egyptian government will spend $4.4 billion on wheat this year, up from $2.7 billion last year after the Russian invasion of Ukraine raised wheat prices. According to Madbouly, a rise in oil prices will also cost the state $11.2 billion instead of $6.7 billion to buy 100 million barrels.

As a way of getting liquidity, Cairo's plan in the months ahead is to sell state-owned assets to private investors and government-owned companies to be listed on the Egyptian stock exchange by the end of the year, Madbouly said. Direct sales are also expected for other firms. Madbouly revealed that seven Egyptian ports will be merged into one company, as well as many prestigious hotels, with a portion of each listed on the Egyptian Exchange for foreign and local investors. Private investment will also be sought for transportation projects such as a monorail, high-speed train and electric train.

By privatizing these assets, the government expects to raise $10 billion annually for a period of four years, which should help fill a budget deficit of up to $20 billion. Other methods for acquiring the remaining $10 billion include borrowing from the International Monetary Fund and issuing bonds. Companies that are going to list on the stock exchange or be sold directly have not yet been announced. But on 17 May, local media received an official document detailing the industries that the companies would trade in.

According to the draft, the government would liquidate its investments and properties in 79 industries, such as fish farming, livestock, dairy, construction, TV and film production, retail trade, automobiles, furniture and fertilizer. Although the state would maintain 45 other investments, it would reduce them and be open to private participation, especially in cement, iron, aluminum, poultry, cigarette and tobacco plants and sewage treatment plants. Several of these firms are expected to be acquired by Gulf states. Abu Dhabi's sovereign fund — ADQ — has already acquired a stake in Egypt's Commercial International Bank in April. An IPO of shares of Banque du Caire will also likely pique investors' interest in the Gulf.

Hany Genena, lecturer in corporate finance at the American University in Cairo, told Al-Monitor that Saudi Arabia, Qatar and the United Arab Emirates have a strong appetite for overseas investments. He pointed out that while countries that consume goods are facing a crisis, oil-exporting countries are enjoying one of their peak periods, as evidenced by their financial flows. “We have a strategic relationship with the Gulf. We need to bring this capital here to invest in Egypt,” he added.

However, Hussein Suleiman, deputy head of the economics department at Al-Ahram Center for Strategic Studies, said some of the assets that will be put up for sale on the stock market should be considered national security for Egypt and not be sold off, such as the ports that might be taken over by the Emirati firm DP World, which already operates Sokhna. The government's decision to merge the ports into one firm and list a portion on the stock exchange prompted criticism. Minister of Transport Kamel al-Wazir defended the decision, saying that "there is no sale" and that the government will remain a regulator and overseer.

During Madbouly's press conference, he announced that the government would develop axes to improve the business climate and encourage private sector participation in state-owned assets through a package of incentives and privileges and by opening channels of direct communication with the private sector.

For Madbouly's new strategy to stimulate the private sector to succeed, "deeper reforms are needed than those proposed," according to Suleiman. "We have seen the impact of Egypt's poor political climate. In the past few months, the Juhayna [Food Industries] company crisis has grown tiresome. … Its causes are unclear, but the reports indicate disagreements between different [state] agencies and businessmen over certain shares. These issues are more damaging to the Egyptian economy.”

Suleiman is referring to Juhayna Food Industries, a giant Egyptian dairy firm whose chairman, Safwat Thabet, and his son Seif are currently behind bars. Accusations of Thabet's association with the banned Muslim Brotherhood-led to the freezing of his assets in 2015, allegations he strongly denied. Despite freezing his assets, Thabet remained chairman of the company until he was arrested in 2020 and his son in 2021 for refusing to hand over their shares to a state-owned business. Following Thabet's arrest, foreign investors who owned stakes in Juhayna sold them. The firm's stock market cap has dropped since then.

As of last month, Abdel Fattah al-Sisi called for a national dialogue with political forces. He also reactivated the presidential Pardon Committee to study the conditions of detainees. Suleiman noted, “There has been a recent realization that the current economic crisis stems from the fear of local and foreign investors to invest [in the country] due to the weak political environment; therefore, the idea of calling for dialogue has been put forward. However, how serious is this dialogue and how far can it lead to radical reforms?”

Despite Egypt's debt rating being affirmed at B+ with a stable outlook in April following the devaluation of its currency, Fitch Ratings stated that “political instability remains a significant tail risk … the space for political opposition and freedom of expression is restricted." (Al-Monitor 25.05)

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* 1. CYPRUS: IMF Executive Board Concludes 2022 Article IV Consultation

The Executive Board of the [International Monetary Fund (IMF)](http://www.imf.org/) concluded the Article IV consultation with Cyprus on 25 May 2022.

Cyprus staged a strong recovery last year on the back of its successful management of the pandemic and sizeable policy support. Output returned to its pre-pandemic level and unemployment declined. The current account deficit has remained elevated but narrowed to 7¼% of GDP with a recovery in exports. Inflation edged up, driven mainly by higher energy prices. The fiscal deficit dropped to around 2% of GDP on the back of a cyclical revenue recovery. The public debt ratio has stayed high but declined to 104%. The liquidity in the banking sector has remained high and capital ratios broadly stable. Banks have made progress in offloading legacy non-performing loans and the effects of the pandemic on credit quality have been limited.

Growth this year will be set back by the fallout from the war in Ukraine and, with a partial recovery in exports and private consumption, is forecast at around 2%. It will also be supported by investment spending under the Cyprus’s Recovery and Resilience Plan, which, combined with structural reforms, improves medium-term growth prospects. The current account is projected to temporarily worsen with a deterioration in the terms-of-trade and higher imports. Inflation will increase further before declining in the medium term. The slower recovery will stymie fiscal consolidation this year, but the fiscal deficit is still expected to narrow after the phase-out of COVID-related support, and the public debt ratio is set to remain on a firmly declining path.

The outlook remains highly uncertain with risks from an escalation and prolonged duration of the war and sanctions, de-anchoring of inflation expectations in advanced economies, and uncontrolled and more severe COVID outbreaks.

**Executive Board Assessment**

Executive Directors commended the authorities for their policy response to the pandemic, which supported the recovery of output and employment. Directors noted that the pace of the recovery is expected to slow down in the near-term—mainly due to the war in Ukraine—but should regain momentum over the medium-term. However, the outlook is subject to risks, stemming from a prolonged war in Ukraine, uncontrolled COVID outbreaks, and abrupt monetary tightening in advanced economies. Directors stressed the need to calibrate a policy response to manage the pandemic and war-related shocks in the near-term, while pressing ahead with financial sector and structural reforms to reduce vulnerabilities and improve growth prospects and resilience over the medium-term.

Directors concurred that fiscal policy should continue providing support but aim to gradually rebuild buffers. They supported a gradual fiscal adjustment and emphasized that additional discretionary measures, if needed, should be temporary and well-targeted, and not hinder labor reallocation. Directors underscored the importance of fiscal discipline over the medium-term to place the public debt on a firmly declining path. They encouraged further efforts to control public sector wage growth, address risks from the National Health System, and monitor the financial sector’s contingent liabilities.

Directors noted that the financial system has stayed resilient. They agreed that the authorities should enhance monitoring and address asset quality given the worsened outlook. Directors emphasized that resolving legacy non-performing loans requires more forceful implementation of existing tools, including by further improving the working environment of credit acquiring companies and credit servicing companies. They underscored the criticality of an effective foreclosure framework for addressing strategic defaulters and providing incentives for borrowers to engage in restructurings and recommended enhancing the implementation of the 2019 amendments to the framework. Directors also stressed that the planned Mortgage-to-Rent scheme should be well-targeted to minimize the fiscal cost and to ensure transparency and accountability.

Directors emphasized that structural reforms are key to raise medium-term growth potential. They welcomed the progress in implementing the Recovery and Resilience Plan, including passing legislation on corruption and on civil service and local government reforms. Directors encouraged the authorities to continue to make progress in strengthening 2 the AML-CFT and governance frameworks, and in tackling the skills, digital, and infrastructure gaps. Reforms of the judicial system are also a priority.

Directors agreed that achieving the national climate goals can help Cyprus transition to a more resilient and sustainable growth model. They recommended continued efforts to address the challenges to implement the green agenda, including the planned green tax reform. Additional measures, including feebates, to enhance the emissions reduction could also be considered. (IMF 01.06)

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