

**The FORTNIGHTLY**

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

**21 December 2022**

**27 Kislev 5783**

**27 Jumada Al-Awal 1444**

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ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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* 1. Israel Issues Fourth Round of Gas Exploration License Tenders

On 13 December, Israel's Ministry of National Infrastructures, Energy and Water Resources published a fourth round of tenders for offshore natural gas exploration licenses. The new tender follows a change of policy by outgoing Minister of National Infrastructures, Energy and Water Resources Elharrar who last year said that no new tenders would be published.

Elharrar has come under fire since the start of the Russia-Ukraine war the subsequent energy crisis in Europe and in particular the huge demand for natural gas. Companies and countries are able to increase their gas exports and their profits and in May 2022, Elhararr announced a change of policy and that new exploration licenses would be issued.

As part of the latest tender procedure, four sets of exploration licenses (zones) will be offered. The decision to market the areas in bundles of licenses, according to the Ministry of National Infrastructures, Energy and Water Resources, is intended to enable a more correct matching of the search areas to the existing geological structures in the sea, which may contain natural resources.

The basic premise is that holding licenses to explore larger areas will allow geological and geophysical surveys to be carried out in a more professional and efficient manner. In some of the clusters, exploration licenses have already been granted in the past, and seismic surveys and other exploration operations have been carried out, indicating a possible potential for the discovery of hydrocarbon reserves.

With the opening of the competitive procedure, the ministry has uploaded an updated version of a dedicated website, where bidders can find all the information about the procedure and review the relevant documents and materials. The companies will be able to submit proposals until the summer of 2023, and a few weeks later the results of the tender will be published. A prospecting license will be granted for a period of 3 years. During the period, the license holders will carry out the work plan they have committed to in order to explore the entire area they have received.

After implementation of the work plan, the licensee can request an extension for two additional years, provided that a work plan is filed that includes drilling in at least one of the licenses in the cluster, as well as another work plan, to be approved in the other licenses. (Globes 13.12)

ISRAEL MARKET & BUSINESS NEWS

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* 1. Otonomo Partners With Renault Group for Fleet Modernization

Otonomo Technologies announced a multi-year partnership with global automobile manufacturer Renault Group. Under the agreement, in partnership with Renault Group, Otonomo will provide to its fleet customers easier and cost-effective access to rich, actionable vehicle data insights across multiple vehicle brands. Unlike other solutions that require aftermarket hardware such as an on-board diagnostics (OBD) dongle to be installed to gain access to the telemetry data, Otonomo is able to access the vehicle data directly from Renault Group through Renault’s cloud platform, Easy Connect for Fleet, solutions dedicated to fleet management. Moving from hardware to software-based telematics can reduce installation and maintenance costs for fleet customers as well as time spent managing these aftermarket devices.

Otonomo is one of the first major multi-brand software platforms to partner with Renault Group that does not require aftermarket hardware to be installed to access fleet vehicle data. Otonomo delivers this data through open APIs and a proprietary data normalization process, reducing the customer’s need for intensive engineering investments. Delivering vehicle data through a single platform reduces complexity and administrative costs for fleet operators.

Herzliya's [Otonomo](otonomo.io), the platform powering the mobility economy, is igniting a new generation of mobility experiences and services and is making mobility more accessible, equitable, sustainable and safe. With Otonomo, over 100 providers in the transportation, mobility, insurance, and automotive industries are finally able to harness mobility data and insights and transform them into strategic assets and market advantages. (Otonomo 07.12)

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* 1. Israel's Gas Sector Strengthens Following Chevron & Morocco Deals

On 8 December, Chevron announced its expansion plan for the Tamar gas field off the coast of Israel in the Mediterranean. Chevron and its partners will invest a further $673 million in the field to expand it to include a third 150 kilometer-long pipeline. The goal is to get daily production to 1.6 billion cubic feet per day. At present, Tamar’s production capacity is 1.1 billion cubic feet. The Tamar expansion is expected to be done by 2025. The purpose of the expansion is to meet domestic demand and export more gas to Egypt and other countries.

Chevron’s partners in the field are the United Arab Emirates’ Mubadala Energy, the American-Israeli Isramco, the Israeli companies Tamar Petroleum and Dor Gas, and the American company Everest. On 7 December, Israel’s NewMed Energy and its Gibraltar-based partner Adarco Energy reached an oil and gas exploration agreement with the Moroccan government. The exploration will occur off Morocco’s Atlantic coast. NewMed Energy and Adarco will each own a 37.5% stake in the enterprise, with Morocco owning the remaining 25%.

Israel began producing natural gas in 2013 and is now becoming a major regional energy player. NewMed Energy announced its intention to expand into Morocco back in February. This followed Israel and Morocco agreeing to establish full diplomatic relations back in 2020 as part of the Trump administration-brokered Abraham Accords. Israeli gas exports to Egypt also hit a record high earlier this year. Israel also signed a deal in June to export gas to Europe via Egypt. Israel also started exporting gas to Jordan in 2020, despite the arrangement being unpopular in Jordan. The London-based Energean announced a new gas discovery off the Israeli coast in November. (Al-Monitor 09.12)

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* 1. Snyk Raises $196.5 Million Series G as its Valuation Falls by 12% to $7.4 Billion

Snyk announced the closing of a $196.5 million Series G investment at a $7.4 billion valuation, a drop of 12% from the $8.5 billion valuation it received when it raised $300 million in September 2021. The new funding was led by QIA (Qatar Investment Authority) and included participation from new investors Evolution Equity Partners, G Squared, and Irving Investors, as well as existing investors boldstart ventures, Sands Capital and Tiger Global. This comes following the layoff of 198 of its employees in October, reducing its work force by 14%. Snyk also fired 30 people in what it called an ‘organizational change’ back in July. The company said at the time that the changes were being made in order to accelerate its plans by a full year to become free cash flow positive in 2024. The new investment takes Snyk’s total funding to date to around $1.2 billion, including secondary deals.

Tel Aviv's [Snyk](https://snyk.io/) was founded in 2015 and the company's security product is aimed mainly at developers, providing a solution that finds and fixes vulnerabilities and license violations in open-source dependencies and container images. It raised $530 million at an $8.5 billion valuation last September, a mere six months after receiving $300 million at a $4.7 billion valuation. Snyk had employed around 1,300 people prior to the layoffs. Most of the company’s employees are based in the U.S., with less than 100 employees working from its Israel office. (Various 15.12)

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* 1. Gankster Raises $4.25 Million for its All-in-One Competitive Gaming Platform

Tel Aviv's [Gankster](https://gankster.gg/), an all-in-one competitive gaming platform, has raised a seed round of $4.25 million, co-led by Bessemer Venture Partners and Hetz Ventures. It also included the participation of Overwolf and Samsung Next who were joined by angel investors Doron Nir, President and Founder of StreamElements; Doron Kagan, Founder of Gameplay Galaxy; and Daniel Burns, Partner at Oakvale Capital.

Gankster is building an operating system for competitive gaming that helps bring structure and accessibility to the e-sports ecosystem, claiming to provide a path for both casual and hardcore players to compete. Its platform can be used by players to form teams, compete in ladders, practice against one another, and track match data. The company also centralizes the industry into one network that connects teams, individuals, publishers, and bands into one place, citing that its connectivity leads to an 80% increase in daily active teams during Q3/22.

To address the toxicity and inclusivity issues often found in gaming, the company has also launched GANKREP 1.0, a reputation system that fosters inclusiveness, integrity, professionalism and overall good sportsmanship in e-sports. It does this by tracking player activity in-app and in-game and collecting post-match peer reviews. Gankster connects directly to the games it is operating in via a dedicated API allowing real-time data extraction. Currently, its network operates across multiple titles including League of Legends, Valorant, Rocket League, and Dota 2. Following the funding, it plans to add support for mobile and battle royale games as well as fund competitions and support online gaming communities. (Gankster 07.12)

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* 1. UAE Funds to Buy $855 Million Stake in Israeli Financial Firm

A consortium led by Abu Dhabi state holding firm ADQ is in advanced negotiations to acquire a controlling stake in Israeli financial firm Phoenix Group for more than $800 million. U.S. private investment firms Centerbridge Partners and Gallatin Point Capital, which hold 33.4% of the Israeli company, are in talks to sell about 25%-30% of the company based on a value of $2.7 billion to the Abu Dhabi funds, the two U.S. investment firms said in the regulatory filing in Tel Aviv. The statement didn’t provide terms of the proposed deal. Some 58% of Phoenix's shares would remain traded on the Tel Aviv Stock Exchange.

ADQ is buying Centerbridge's stake in Phoenix, in a non-binding deal, which may take months to complete to receive regulatory and shareholder approvals. Phoenix Group, one of the largest financial companies in Israel with a market capitalization of around $2.85 billion, is a provider of multi-line insurance, asset management, investment and financial services.

Mubadala Investment Co. purchased of $1billion stake in Israel’s second-biggest natural gas field last year, while Abu Dhabi’s Group 42 set up a venture with Israel’s Rafael Advanced Defense Systems to develop artificial intelligence and big data analysis. A number of UAE-based companies and funds have opened offices in Israel, including AI and cloud computing company G42, and the state-run Abu Dhabi Investment Office. ADQ has already invested in the Israeli lab-grown meat company Aleph Farms. (Various 15.12)

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* 1. ImagenAI Raises $30 Million to Bring Artificial Intelligence to Professional Photography

ImagenAI announced a $30 million investment led by global growth investor Summit Partners with participation from existing investor NFX. The financing will support continued investment in strategic hiring and M&A, expansion of the company’s SaaS product and further acceleration of Imagen’s rapid growth.

Imagen’s end-to-end AI technology creates an individual profile based on a photographer’s previous work and unique creative style. The more photos uploaded, with more diverse scenes and lighting conditions, the better the AI can capture each editing style and accurately predict dozens of editing parameters. Imagen’s solution can save up to 90% of post-production time and turns many hours of manual work to seconds, while preserving the personal style of each user. The profile evolves and learns with the user over time, allowing better accuracy and consistency in applying each photographer’s style to new photos ingested into Imagen.

Building on these AI-powered editing capabilities, Imagen plans to continue expanding its SaaS offering, including a near-term launch of a culling product that leverages a user’s AI-generated profile to select the best photos from a photoshoot to streamline the post-production process even further.

Founded in July 2020, Tel Aviv's [Imagen](http://www.imagen-ai.com) is on a mission to change the photography industry with AI-powered solutions that modernize the post-production workflow, enabling professional photographers to plan better, work less, earn more, and focus on the creative aspects of their job. Thousands of professional photographers trust Imagen to accelerate their editing process so they can spend more time doing what they love. (Imagen 19.12)

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* 1. Israeli VC Fund 10D Closes $245 Million in Two Funds

Tel Aviv venture capital fund [10D](https://www.10d.vc/) announced raising $245 million in two funds - its second early-stage fund and first opportunity fund. The capital was raised from 10D’s existing investors as well as several prominent new institutional investors. The oversubscribed $185 million early stage fund will invest in seed and Series A startups, focusing on deep technologies across a wide range of sectors to build disruptive and category leading companies. The new fund has already launched operations with four investments, all of which are still in stealth mode. Notable investments from 10D’s first early-stage fund include Exodigo, Juno Journey, OneStep, Obligo and Seebo, which was acquired earlier this year by Augury.

The $60 million opportunity fund will invest in the most promising companies in the 10D early-stage portfolio as well as opportunities that the 10D partners have backed in their previous activity. The opportunity fund recently announced its first investment in Weka, the global data platform provider for next-generation workloads, as part of its latest round. (Globes 20.12)

REGIONAL PRIVATE SECTOR NEWS

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* 1. Jordan Kuwait Bank Integrates Business-Wide Operations from iGrafx

Jordan Kuwait Bank (JKB), a leading shareholding company in the Jordanian banking sector, recently started employing iGrafx Process360 Live cloud-based business process management (BPM) platform. Oregon's iGrafx is supporting JKB in the delivery of a tailored banking experience to its customers through digital and agile services.

Jordan Kuwait Bank is a Jordanian public shareholding company with a wide network of branches in Jordan and Cyprus. Improving its customer service through the optimization of business processes is just one of the bank’s many goals. In the past, error-prone manual entry of resources and roles when creating process diagrams led to wasted time and effort with customers. This system is being replaced by iGrafx as the organization requires a business resource model that includes roles and organizational hierarchy for unified usage and automatic updates on all processes.

Jordan Kuwait Bank chose iGrafx Process360 Live to support these initiatives. With iGrafx, banks no longer rely on manual entry, paper-based reviews, and approvals of procedures and process diagrams. The system can also be managed and maintained independently of the IT department. As a result, Process360 Live increases the productivity of administrative and process management staff. Businesses can link the entire customer journey, including all touchpoints, to their core business process to analyze customer needs and emotions when interacting with the organization.

Tualatin, Oregon's [iGrafx](http://www.igrafx.com), a leader in intelligent process management, enables the world’s largest enterprises to turn process into a competitive advantage. The iGrafx platform captures and connects critical business operations for process mining, analysis, modeling and optimization. (iGrafx 13.12)

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* 1. DIFC Based Fintech Firms Raised $559 Million in Funding During 2022

Fintech firms based in the Dubai International Financial Centre (DIFC) have secured more than Dhs2 billion ($559 million) in funding between January and September 2022, according to DIFC FinTech Hive’s 2022 FinTech report. Meanwhile, the number of fintech and innovation firms that joined DIFC during the first nine months of the year exceeded the total that established operations during 2021. The fintech accelerator program has now attracted over 3,000 applications from all over the world, which has scaled down to 200 participants, based on their ideas and ability to generate revenue.

Meanwhile, funding activity for fintech nearly doubled in 2021, while startups in MENA raised $998 million in 2021, posting a 78% increase from 2020. DIFC said that it is currently seeing elevated levels of interest from fintechs in Singapore, Southeast Asian and Asia-Pacific markets. The center launched the region’s first open finance lab, a six-month program that commenced on 28 June. (GB 07.12)

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* 1. UAE Space Agency Signs Strategic Agreement with AWS

The UAE Space Agency and Amazon Web Services (AWS) have signed a Statement of ‎Strategic Intent and Cooperation. The agreement aims to support the development of the space ‎sector in the UAE.‎ The Space Industry Development Program, Talent for Space Program and Open Data ‎Sponsorship Program are three initiatives on which AWS will work with the UAE Space Agency ‎and other related UAE government space organizations and institutions.‎ The Space Industry Development Program places equal emphasis on promoting an environment ‎that is friendly to new entrants such space startups as well as the expansion of existing ‎commercial space organizations.‎

With the help of this initiative, they will have access to the AWS Activate and AWS Founders ‎programs, which are both aimed at giving entrepreneurs AWS credits, technical training and ‎business support.‎ Meanwhile, Talent for Space Program, focuses on developing talent for the space industry in ‎the UAE, notably in the areas of cloud computing and big data. AWS will specifically provide the ‎ready-to-teach Cloud Career Pathways curriculum to relevant research universities. (GB 08.12)‎

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* 1. Dubai International Chamber Expands With New Offices in Cairo, Tel Aviv & Istanbul

Dubai International Chamber announced the opening of three new international representative offices based in Cairo, Tel Aviv and Istanbul, respectively.

The office in Tel Aviv opened on 13 December, while the Istanbul office opened on 14 December. The new openings support Dubai Chambers’ strategic goals to attract international business and investment to Dubai and to drive its members’ global expansion. They are in line with the "Dubai Global” initiative to establish 50 representative offices for Dubai in five continents by 2030.

”Dubai Global” aims to attract foreign multinational corporations and small and medium-sized enterprises (SMEs) investors, and international talent to Dubai by showcasing the emirate’s competitive advantages, sharing investment intelligence, and engaging with overseas stakeholders. Supported by strategic public and private sector partners, Dubai Global accelerates efforts to boost Dubai’s non-oil foreign trade from AED1.4 trillion to AED2 trillion by 2026, as part of the emirate’s five-year foreign trade plan. The new openings bring the number of Dubai International Chamber’s representative offices worldwide to 15. The chamber already has representative offices across Africa, Latin America, Eurasia, India and China.

The Tel Aviv office further strengthens the trade relationship between UAE and Israel, unlocking opportunities, particularly in electronics, water security, clean energy, space, retail, culture, machinery, vehicles, chemicals and food. The Tel Aviv office will empower Dubai businesses to explore expansion opportunities across Israel, connecting them with trusted stakeholders and potential partners to help them access new markets, scale their operations, and secure cross-border partnerships. (WAM 12.12)

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* 1. Sharjah Media City Unveils New Company to Launch Media & Technology Startups

Sharjah Media City (Shams), the emirate’s free zone, has launched a new venture builder called Shams Valley. The initiative aims to build an integrated system to launch a new generation of media companies and help shape the future of media in Sharjah and the region. The company will serve as an integrated platform that brings together media talents, entrepreneurs and experts to establish media projects supported by advanced technology.

Launched in collaboration with UAE-based venture building studio Grow Valley, the strategy builds on Shams’ pioneering role in supporting entrepreneurship and driving innovation and development in the media sector. The partnership allows Shams to tap into Grow Valley’s expertise in the field, which covers everything from experimenting with startup ideas to developing them into viable businesses that cater to market requirement, in addition to ensuring their longevity and growth in the future. The goal is to build an integrated system to launch a new generation of media companies. (GN 13.12)

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* 1. KBW Ventures Invests in US Alternative Meat Producer

Saudi Arabia's KBW Ventures, which was founded by Prince Khaled bin Alwaleed, has invested in US plant-based alternative meat producer Black Sheep Foods. The food technology start-up raised $12.3 million in a series A funding round led by plant-based venture investor Unovis, an early backer of Oatly and Beyond Meat. KBW Ventures, Bessemer Venture Partners and AgFunder are among other investors in the financing round, KBW said. The latest funding round brings the total investment in Black Sheep Foods to more than $18 million since the company was founded in 2019.

The Oakland, California based company plans to use the funding to speed up its research and development to scale up production of its debut lamb made from plants and distribute it across the US. The company is using its patent-pending flavor technology to produce alternative meat. The timing is also ripe for the flavor technology as consumers have begun to experiment more with their culinary options since the pandemic, the company said.

KBW Ventures has invested in a number of companies in the FoodTech sector. Its portfolio includes plant-based alternatives and cultivated cellular product companies. These include plant-based chicken product manufacturer Rebellyous Foods, US fast food company Veggie Grill and vegan jerky company Moku Foods. In June, KBW Ventures invested in Eclipse Foods, a plant-based dairy alternative producer based in the US.

Earlier this year, KBW Ventures participated in a pre-seed funding round by TurtleTree Labs, a Singapore company that uses biotechnology to create milk from cells. In January, it agreed to a follow-on investment in California-based BlueNalu, which produces laboratory-grown seafood. BlueNalu raised $60 million in debt through the issue of new convertible notes to both new and existing investors. (The National 09.12)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. ICL to Pay NIS 115 Million for Polluting Nahal Ashalim

ICL's phosphate mining unit Rotem Amfert will pay NIS 115 million to rehabilitate Nahal Ashalim and to compensate the public for the environmental damage caused. This will be the biggest amount ever to be paid out in Israel for environmental damage through pollution. The amount has been agreed as part of a class action suit submitted by the Israel Nature and Parks Authority and members of the public, and three years of arbitration, and the settlement will be subject to approval by the Beer Sheva District Court.

The pollution took place in 2017 after the collapse of the walls of an effluent reservoir at Rotem's plant in the Negev. There was a massive landslide of acidic effluent into the Nahal Ashalim creek over a period of 48 hours and which stretched for 20 kilometers. The effluent caused severe ecological damage to flora and fauna. Until June 2020, the creek remained closed to visitors. In 2018, the South District Attorney's Office (civil), in cooperation with the Civil Enforcement Unit, on behalf of the Nature and Parks Authority in together with the Ministry of Environmental Protection, submitted a request for approval of a class action on behalf of all residents of the State of Israel. (Globes 15.12)

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* 1. UAE to Open Facility That Converts Waste to Green Hydrogen

On 13 December, the Sharjah based sustainability company Bee’ah Group signed an agreement to build the first waste-to-hydrogen power plant in the United Arab Emirates. Bee’ah signed a memorandum of understanding with the Japanese gas conglomerate Air Water and the British waste-to-fuel technology firm Chinook Sciences. They will work together to develop a facility in Sharjah that will convert waste wood and plastic into hydrogen that can be used for fuel. The facility will also include a fueling station for vehicles. Chinook and Bee’ah first announced their intentions to work together on hydrogen energy in 2021.

Air Water uses steam reforming, so this could be what the Sharjah plant will do. While hydrogen is considered a clean fuel, it is often produced via natural gas and this results in a significant amount of carbon dioxide emissions. One way around the issue is blue hydrogen, which utilizes carbon capture technology. Green hydrogen refers to hydrogen that is generated using renewable energy such as solar or wind power. The Emirates News Agency reported that the facility will produce green hydrogen.

Bee’ah signed a partnership with Egypt’s Green Planet in September to work on sustainability-focused waste management practices in Sharm el-Sheikh. (Al-Monitor 13.12)

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* 1. The Climate Chunk of Saudi Arabia’s 2023 Budget

Saudi Arabia is planning to ‎develop 10 renewable energy projects to generate a combined 7 GW, according ‎to the country’s approved 2023 budget. No details were given about the ‎individual projects or the types of renewable energy. The planned projects are ‎part of the SAR 72 billion earmarked for the kingdom’s economic resource ‎development, which covers environmental infrastructure, energy sources, and ‎desalination, as well as industry, tourism, and SME development, among other ‎areas.‎

KSA is allocating SAR 34 billion for its transport and ‎basic equipment sector, while earmarking an undisclosed chunk to mitigating ‎carbon emissions from maritime transport systems through the development of ‎its railway network. The Kingdom also plans to establish a climate change center ‎in Jeddah in 2023, and says it will be developing its Al Khobar Corniche as the ‎country’s first environmentally friendly beach under its SAR 63 billion municipal ‎services budget.‎

The Kingdom signed MoUs for the ‎construction of its first nuclear-powered electricity generation plant and power ‎purchase agreements totaling 1 GW from its Saad, Layla and Ar Rass solar ‎power projects, which the kingdom estimates will add some SAR 2.9 billion to its ‎coffers. Another agreement will see 80% of ‎all EVs produced by US-based EV manufacturer Lucid Motors produced in Saudi ‎Arabia by 2030. The PIF $3 billion sale in green bonds ‎in October were almost 6x oversubscribed. (Enterprise 13.12)

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* 1. Air Products Brings Clean Hydrogen to KSA’s Dammam Airport

Air Products Qudra, the development and investment company of Air Products in the Middle East, signed an agreement to supply clean hydrogen for Saudi Ground Services to fuel ground handling services in Dammam Airport. The partnership will see the airport’s full range of ground services — including transporting passengers, baggage handling, refueling trucks and more — fueled by hydrogen in a bid to lower the industry’s carbon footprint in line with the Saudi Green Initiative and Saudi Vision 2030. No further details have been announced as of yet.

This first ever application of clean hydrogen in the ground handling aviation sector in Saudi, as previous efforts matches the aviation industry’s attempts to decarbonize the skies. Qatar Airways and Etihad Airways have recently explored sustainable alternative fuels (SAFs) as low-carbon alternatives to traditional jet fuel to curb greenhouse gas emissions. Air Products — along with Acwa Power and NEOM — is part of a JV to develop NEOM’s $5 billion Green Hydrogen Project. The venture will deliver the world’s largest utility scale green hydrogen facility expected to be commissioned in 2026 with a 650 tonnes/day production capacity. (Enterprise 14.12)

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* 1. Egypt Builds on COP27 with Electric Bus Agreement

Egypt’s Transport and Military Production ministries signed a roughly $28 million agreement with the international bus manufacturer MCV to make 100 electric buses in Egypt. The buses will ultimately run on the Ring Road that encircles Cairo and its suburbs. MCV has offices in Egypt, the UAE, the UK, South Africa and Singapore.

The agreement follows Egypt’s hosting of the UN climate change conference COP27 last month. Egypt unveiled many new projects related to green technology and renewable energy at the conference, including a green hydrogen plant and new wind farm. Electric buses are relatively better for the environment, since they do not emit carbon dioxide, like diesel-powered buses. However, making electric buses can also harm the environment, especially since electric vehicle production often requires coal.

Trains are the most emission-friendly mode of transportation, according to the European Environment Agency. Egypt also signed an agreement at COP27 with Germany’s Deutsche Bahn to develop a high-speed rail network in Egypt. Other countries in the region are also experimenting with electric buses and cars. The Saudi Public Investment Fund’s electric vehicle company Ceer recently purchased land for a factory near the Red Sea. (Al-Monitor 08.12)

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* 1. Gulf Sovereign Funds are Bidding for Egypt Desalination Plants

Gulf sovereign wealth funds are among 28 bidders vying for contracts to build the 21 desalination plants Cairo is tendering to the private sector. Subsidiaries of the wealth funds have submitted bids as part of consortiums with other local and foreign investors, with each consortium including at least one local firm

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Bidding closed recently on the 21 plants in the first $3 billion phase of the government’s $8 billion desalination program, with contracts set to be signed next year. Four plants will be awarded by mid-January or early February, located on the Marsa Matrouh and Alamein coasts.

Acwa Power, which is backed by Saudi sovereign wealth fund Public Investment Fund (PIF), has shown interest in the plants. As well, Abu Dhabi’s ADQ and the Qatari Investment Authority (QIA) are also in talks with the Sovereign Fund of Egypt (SFE) over a stake in the plants. Other interested firms not linked to Gulf funds include Hassan Allam Holding, Al Nowais, Schneider Electric, and a consortium made up of Metito Holdings, Scatec, and Orascom Construction. (Enterprise 12.12)

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* 1. Morocco Secures Loan to Support Climate-Focused SMEs

The European ‎Bank for Reconstruction and Development (EBRD) and the Green Climate Fund ‎‎(GCF) are providing a loan of up to €25 million to Morocco’s Banque Centrale ‎Populaire (BCP) for on-lending to private sector entities — particularly SMEs — ‎working on climate change mitigation and adaptation. This is the third facility to be provided to BCP by ‎the EBRD under the Green Economy Financing Facility (GEFF).‎

The EBRD, EU and GCF are also ‎providing a technical cooperation package that includes a €4.4 million grant to ‎build BCP’s capacity and conduct awareness-raising activities on climate change ‎and mitigation tech among the on-lending beneficiaries. ‎These funds will also be used in the preparation, implementation and monitoring ‎of the on-lending program, it adds.‎

The ‎EU will provide another €2.7 million grant to BCP to be used as a 10% cashback ‎incentive for the on-lending beneficiaries once their projects have been ‎successfully implemented. This is being done to encourage ‎investment in climate change adaptation and mitigation tech.‎ BCP’s staff ‎will receive training on gender-responsive green finance. (Enterprise 13.12)

ARAB STATE DEVELOPMENTS

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* 1. TotalEnergies Proceeds with Gas Exploration Plans in Lebanon

French oil giant TotalEnergies said on 12 December that it will launch its drilling operations off the Lebanese coast in Q1/23, following the landmark maritime deal between the Lebanon and Israel in October. Energy Minister Fayad met with a delegation from TotalEnergies to discuss those plans, the Lebanese government said. Fayad and TotalEnergies met at the company’s headquarters outside of Paris to discuss energy exploration plans in Lebanon’s Block 9 in the eastern Mediterranean Sea.

Lebanon has been eyeing energy exploration in the eastern Mediterranean for years, but was held up by a maritime border dispute with neighboring Israel. In October, Israel and Lebanon reached a historic agreement on their sea border, brokered by the US since Israel and Lebanon do not have formal relations. The agreement specified that Lebanon could drill in Block 9 and also reportedly stipulated that Israel is entitled to a percentage of Lebanon’s future energy profits from the area.

TotalEnergies’ plans have been moving forward since then. Last month, TotalEnergies and Eni finalized a deal with Israel on Block 9. Their activities could extend into Israeli waters, the companies said at the time. TotalEnergies owns 60% of the block, while Eni owns the other 40%. (TotalEnergies 12.12)

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* 1. Germany Loans Jordan €115 Million to rehabilitate King Abdullah Canal

Jordan's Ministry of Water and Irrigation and the German KfW Development Bank signed an agreement whereby the bank will provide a €115-million loan to implement three stages of a climate protection project for the rehabilitation of the 65 kilometer northern part of King Abdullah Canal. Water Minister Najjar said the project will pump some 10 million cubic meters of water annually to 300,000 people and help reduce water loss and energy costs. He said the water sector and the Ministry of Planning and International Cooperation are seeking more funding for new water projects that boost the efficiency of water services due to the exceptional circumstances and mounting challenges."

The project will supply additional drinking water to several regions and irrigation water to the Jordan Valley. The minister commended Germany's support, which will significantly contribute to the ministry's plans to address various challenges. (Petra 19.12)

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* 1. UAE Central Bank Projects Real GDP to Grow by 7.6 % in 2022

The Central Bank of the UAE (CBUAE) projected the real GDP to grow by 7.6% this year, instead of its previous expectation of 6.5%. In its Q3 Review, the state bank attributed the upward review to the robust performance of some non-oil sectors, including tourism, hospitality, real estate and manufacturing.

The review expected the non-oil GDP to grow by 6.1% in 2022, against 4.3% previously, with the oil GDP to expectedly grow by 11% this year. The report explained that the overall real GDP continued to grow at a strong pace in Q3 following a significant growth in H1, underpinned by a rise in oil production and improvement in real non-oil GDP, as well as removal of most COVID-19-related restrictions.

It was also buoyed by the recovery in the global travel and tourism sector, boom in the real estate and construction sectors, and the expansion of manufacturing activities, and various global events. The bank also revised its expectation of the real GDP growth next year, indicating it will grow by 3.9%, with the non-oil GDP to grow by 4.2%. (GB 20.12)

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* 1. UAE's Ports Group Expands Presence in Sudan

Sudan granted AD Ports Group and Invictus Investment the right to develop, manage and operate economic zone and port assets in Sudan. AD Ports Group and Invictus Investment will be able to create joint ventures, partnerships and other business agreements to support their projects in Sudan. AD Ports Group and Invictus Investment said they plan to launch a shipping service in Sudan.

Trade between the United Arab Emirates and Sudan has been increasing since 2019 and the UAE exported $1.37 billion to Sudan in 2021. The main Emirati exports to Sudan were precious stones, sugar and electric equipment. Economic and energy ties between the UAE and the African continent are growing rapidly.

The AD Ports Group deal comes at a time of political instability in Sudan. The Sudanese military-led government recently announced a transition deal, but many activists and observers rejected it. The agreement is also in line with UAE's ambitions of extending its ports operations across the Middle East and the African continent. (Al-Monitor 14.12)

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* 1. UAE Issues a Corporate Tax Law

The UAE has issued a federal corporate tax law on 9 December, that will impose a standard rate of 9% on taxable profits exceeding Dhs375,000. Profits up to and including this threshold will be taxed at a zero% rate to support small businesses and startups. The Federal Decree-Law No. 47 of 2022 on Taxation of Corporations and Businesses, will see businesses become subject to corporate tax from the beginning of their first financial year that starts on or after 1 June 2023.

The corporate tax law reflects the UAE’s support for the OECD Inclusive Framework on Base Erosion and Profit Shifting in its commitments to introducing a global minimum tax for multinationals, enhancing tax transparency and preventing harmful tax practices.

Natural resource extraction activities in the country are exempt from the tax regime, but remain subject to existing local emirate-level taxation. Other exemptions are available to government entities, pension funds, investment funds and public benefit organizations. The existing free zone entities will also be eligible to benefit from a zero% corporate tax rate on qualifying income. Under the provisions of the law, corporate tax will not be applied to salaries or other personal income from employment, whether it is earned from work in the government, semi-governmental or private sector. Interest and other personal income earned from bank deposits or savings programs are also not subject to corporate tax, as well as investment in real estate by individuals in their personal capacity. The Federal Tax Authority will be responsible for the administration, collection, and enforcement of the corporate tax law. (GB 09.12)

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* 1. Sheikh Mohammed Approves Dhs205 Billion Dubai Budget for 2023-25‎

Sheikh Mohammed bin Rashid Al Maktoum, Prime Minister of the UAE and ‎Ruler of Dubai, has approved the Government of Dubai’s general budget for the fiscal cycle of ‎‎2023-2025, with total expenditures of Dhs205 billion. The financial plan for the next three years (2023-2025) shows the Dubai government’s ‎commitment to provide the highest economic stability and stimulate growth across the emirate’s ‎business sectors. The plan also gives a clear picture of the government’s economic goals during this period, and ‎supports medium-term planning for various economic sectors. The government’s total expenditures for the 2023 fiscal ‎year are estimated at Dhs67.5 billion.‎

In its 2023 budget, Dubai continues to focus on social services and the development of the ‎health, education and culture sectors. The budget also places high priority on the housing ‎sector through Dubai’s Housing Program as part of a plan for the next 20 years. The budget ‎is also focused on developing the social benefits fund to support families, people of ‎determination and people with limited income.‎

As a result of the emirate’s rapid recovery from the consequences of the global pandemic, the ‎Dubai government expects to achieve estimated public revenues of Dhs69 billion, an increase of ‎‎20% over the fiscal year 2022.‎ Oil revenues represent only about 5% of the total expected revenues for the year 2023, ‎which confirms the financial sustainability of the emirate.‎

Dubai is also keen to hedge against any situation that may result from global crises by ‎allocating a special reserve of 5% of the total expected expenditures in the budget. To ‎enable this, Dubai has maintained a debt service ratio that does not exceed 6% of its ‎total expenditures, as part of its disciplined financial policy.‎ The emirate has also placed high emphasis on supporting the public services sector, ‎government excellence, creativity, innovation and scientific research by allocating 5% ‎of total government spending. (GB 09.12)

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* 1. UAE & Kyrgyzstan to Begin Construction on a 200 MW Solar Plant

The UAE and Kyrgyzstan signed an agreement to start constructing the first phase of a 200 MW solar plant in the Central Asian country. No details about the project’s investment size or involved parties were given. The signing came among a slew of agreements between the two countries in various sectors including tourism, agriculture, and technology.

The UAE’s Masdar had also expressed interest in building a 200 MW solar plant back in April, signing initial pacts' with Kyrgyzstan’s Energy Ministry to look into renewable energy projects — including floating solar and hydropower projects amounting to a capacity of 1 GW. Masdar has been expanding in Central Asia, signing a joint development agreement with Turkmenenergo State Power Corporation last month to build a 100 MW solar plant in Turkmenistan. Back in September, Masdar achieved financial close on Central Asia’s largest wind farm in Uzbekistan, boasting a capacity of 500 MW.

Saudi Arabia’s Acwa Power also signed quite a few renewable energy agreements across the continent. It signed a non-binding MoU for a 1 GW solar project in Bangladesh last month and renewable energy battery storage and green hydrogen facilities in Indonesia. Saudi Aramco is also conducting feasibility studies for a hydrogen and ammonia value chain in Indonesia. (WAM 14.12)

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* 1. Dubai Welcomes 11.4 Million International Overnight Visitors in 2022

Dubai welcomed 11.4 million international overnight visitors between January and October 2022, increasing 134% year-on-year, a Department of Economy and Tourism (DET) reported. The 11.4 million visitors who arrived in Dubai during the first 10 months of the year represented a leap over the 4.88 million guests that visited the city during a year-earlier period. Visitor figures were closed to the pre-pandemic ones of 13.50 million international visitors in the first 10 months of 2019. The emirate was also found popular among global travelers, with 54 million monthly online searches for Dubai recorded during Q3/22, close to pre-pandemic levels.

Meanwhile, average hotel occupancy in Dubai between January-October 2022 stood at 71%, rising over the 64% posted in the corresponding period of last year and just short of the 74% during the pre-pandemic period of 2019. The emirate’s occupancy continues to closely trail cities such as Istanbul (75%), New York (74%), Paris (73%), London (73%) and Los Angeles (72%).

Dubai’s hotel inventory in October 2022 comprised 144,737 rooms at 790 establishments compared with 122,185 rooms available at the end of October 2019 across 724 establishments. The total number of hotels in the first 10 months of 2022 saw an 8% growth over the same period in 2021. (GB 16.12)

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* 1. Saudi Arabia Sees an Increase in its 2023 Budget Surplus

Saudi Arabia boosted its forecast for next year’s budget surplus compared with projections made just three months ago, in a sign of confidence that its revenues will hold up despite jitters in the oil market and fears of a global economic slowdown. The government’s latest fiscal outlook showed it now expects to run a surplus of SAR16 billion ($4.3 billion) in 2023, nearly double a previous estimate of SAR9 billion. Revenues are now set to reach SAR1.13 trillion. Expenditure next year is expected at SAR1.114 trillion, unchanged from the government’s estimate published in September.

The world’s top crude exporter is standing by most of its forecasts even as the oil market is close to wiping out its gains for the year. The threat of a recession also looms large because soaring energy costs and interest rates could stymie demand in the coming months. The oil market could look quite different by early 2023, with several potentially historic shifts in supply and demand unfolding in the coming weeks.

The budget is in surplus for the first time in nearly a decade. Buoyed by the rebound from the global pandemic as well as loosening restrictions on investment and social activities, the kingdom is set to be the fastest-growing economy in the Group of 20 this year with an expansion the government now anticipates will reach 8.5%.

The kingdom has meanwhile been taking a more conservative approach to expenditure, with the Finance Ministry resisting expectations that surging energy revenue would lead to a jump in outlays. The improved surplus estimate for 2023 is still below what it had expected a year ago. Last year — when FDI reached $19.3 billion, the most since 2010 — the bulk of the inflows came from state oil company Saudi Aramco selling part of its pipeline unit. (Bloomberg 08.12)

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* 1. Saudi Arabia’s Real GDP Grows by 8.8% in Third Quarter

Saudi Arabia’s real gross domestic product (GDP) grew by 8.8% in the third quarter of 2022, compared to the same period last year. The real GDP growth in the third quarter was up 2.1% compared to the second quarter of the year, a report by the General Authority for Statistics (GASTAT) announced.

Oil activities in the third quarter increased 14.2% year-on-year, and 4.5% quarter-on-quarter. Meanwhile, non-oil activities in the kingdom grew 6% year-on-year but decreased by 0.5% quarter-on-quarter. Crude petroleum and natural gas activities grew at the highest rate of 14.8% y-o-y (5.2% q-o-q), followed by manufacturing excluding petroleum refining activities with a growth of 11% y-o-y, while decreasing by 2.3% q-o-q. Transport, storage and communication activities grew by 9% y-o-y. The non-oil economic activities outside the government contributed 50.7% of the GDP, with the manufacturing (excluding petroleum refining) with a share of 7.8% being the most important sub-category within the non-oil economy.

Saudi Arabia boosted its forecast for next year’s budget surplus compared with projections made just three months ago. The government’s latest fiscal outlook showed it now expects to run a surplus of SAR16billion in 2023, nearly double a previous estimate of SAR9billion. Revenues are now set to reach SAR1.13tn, slightly more than projected earlier, while expenditure next year is expected at SAR1.114tn, unchanged from the government’s estimate published in September. (GB 12.12)

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* 1. Saudi Arabia and China Strengthen Partnership in Digital Economy

Saudi Arabia signed a strategic partnership for cooperation in the fields of digital economy with China during the official visit of President Xi Jinping to the kingdom. The partnership develops a framework for cooperation between the two countries, covering the fields of digital economy, communications and information technology, and promoting research and innovation in the field of emerging technologies, in addition to improving aspects of communications infrastructure, and enabling the growth of digital entrepreneurship through emerging business models such as financial technology and e-commerce.

It also covers cooperation in the fields of artificial intelligence, advanced computing and quantum information technology, in addition to robots and smart equipment, and work to develop their technologies and applications for industrial and commercial purposes. A MoU with China’s Huawei Technologies on cloud computing and building high-tech complexes in Saudi cities was also agreed upon.

The partnership also aims at enhancing the countries’ cooperation in the fields of the modern generation of mobile communications technology and emerging technologies. The two sides will also cooperate in the field of digital technology applications and radio frequency spectrum management, in addition to developing and building local capabilities in communication and data centers, developing digital platforms and cloud computing services, and expanding submarine cable projects. (GB 09.12)

►►North Africa

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* 1. Stellantis Wants to Build 50,000 Cars a Year in Egypt

Automobile manufacturer Stellantis Egypt wants to locally produce 50,000 cars a year, its Managing Director said at an industry conference in early December. They plan to have the Middle East and Africa produce 70% of its own automotive needs. Stellantis is one of the largest car manufacturers in the world and was formed in 2021 following a merger of Fiat Chrysler and PSA. Its brands include Jeep, Peugeot, Fiat, Citroen and Chrysler.

Stellantis is waiting on the details of incentives laid out in Cairo’s automotive strategy to move forward with plans to locally manufacture electric vehicles in Egypt. Earlier this year Stellantis held talks with Prime Minister Madbouly to express its interest in taking advantage of the coming industry incentives to establish an EV factory for the local market and exports.

The Madbouly government wants more locally made cars: The government is working to launch its long-awaited automotive strategy, the Egyptian Automotive Industry Development Program (AIDP). The strategy will provide incentives to carmakers in a bid to increase local assembly and component manufacturing in Egypt, up the sector’s competitiveness to become a regional manufacturing hub, and bolster export volumes. (Enterprise 08.12)

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* 1. Drug Shortages Add to Tunisia’s Woes

A drug crisis has hit Tunisia in recent weeks, exacerbated by a strike by medicine distributors, after many international pharmaceutical companies shut down their offices in the North African country. On 3 December, medicine distributors in Tunisia announced a general strike earlier, arguing that the authorities did not reduce tax burdens on their institutions, which are facing severe financial crises. There is also no government program to reform the pharmaceutical sector, while many international pharmaceutical companies are planning to leave the country. Tunisian pharmacies complain of a shortage of medicines for chronic diseases such as diabetes and blood pressure, which raised fears of the crisis worsening even more.

Tunisia has been experiencing a severe economic crisis amid political turmoil due to the power struggle between President Kais Saied and the opposition forces over Saied’s controversial measures, including dissolving the parliament and government. On 15 October, Tunisia reached a preliminary agreement with the IMF for a $1.9 billion financing package. However, it remains unclear whether this loan will prompt a quick solution to the drug crisis that is sparking growing discontent in the street before the recent parliamentary elections. (Al-Monitor 13.12)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Cyprus' GDP Grows by 6%

Cyprus’ economy has grown by 6% GDP in the first nine months, despite the ongoing fallout from the war in Ukraine and the subsequent sanctions on invading Russia, said the Central Bank. In its December 2022 Macroeconomic Forecast for the economy, the Central Bank said the consequences of the war have not been reflected significantly in the figures of economic activity but are expected to impact H1/23. Increased energy prices are expected to reduce the public’s purchasing power which, combined with rising interest rates, will negatively impact domestic demand in 2023.

In its forecast, the CBC expects the year to close, with Cyprus’ economy growing by 5.8%, compared to 6.6% in the previous year. The growth in GDP will be down to local demand in investments and consumption and the rebound of tourism. CBC foresees domestic demand powered by ongoing investment, the reopening of the economy following the pandemic, the continued inflow of foreign companies, especially in the technology sectors and, in part, the support of private consumption.

GDP is expected to slow to 2.5% in 2023 and grow to 3.1% in 2024 and 2025, staying in line with the central bank’s September outlook. Unemployment in 2022 is expected to decline to 6.7% from 7.5% in 2021. This is due to a greater-than-expected labor shortage. A continued downward trend is predicted, with unemployment reaching 6.5% in 2023, 5.9% in 2024 and approaching full employment conditions in 2025. The CBC said the year would end with an 8.1% inflation rate from 2.3% in 2021. (FM 16.12)

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* 1. Cyprus Receives Over Three Million Tourist Arrivals in 2022

Tourist arrivals in the first 11 months are at 80% of the record-setting 3.97 million in 2019, as 3.1 million made their way to Cyprus this year. According to CyStat data for January to November, tourist arrivals were 3,091,039 compared to 1,840,003 in the same period of 2021. During the first year of the COVID pandemic, Cyprus saw 621,927 tourists landing on the island in January – November 2020. Some 3,866,447 arrivals were recorded in January – November 2019.

So far, arrivals have reached 77.7% of total arrivals recorded in 2019 and 79.94% in the first 11 months. Compared to 2019, there was a decrease of 11.5%.

Arrivals from the United Kingdom were the main source of tourism for November, making up 25.5% (38,265), while tourists from Israel accounted for 11.6% (17,380). Arrivals from Greece were 10.1% (15,190), the same as those from Germany (15,065), and 9.2% from Poland (13,759).

Until the end of November, Cyprus airports welcomed 8.7 million passengers, up from 4.8 million for the same period in 2021. Some 10.8 million passengers passed through Cyprus airports in the first 11 months of 2019. The record for passenger traffic was in 2019, when 11.2 million used Larnaca and Paphos airports. 2019 was a record year for tourism, as 3.97 million tourists enjoyed a Cyprus holiday. (FM 19.12)

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* 1. Greek Parliament Approves 2023 Budget

Greece's 2023 budget passed on 17 December with just the votes of the ruling New Democracy party, following five days of debate. The 156-143 vote in the 300 member Parliament was expected, given that the budget vote, traditionally the last one before Parliament adjourns for the Christmas and New Year’s holidays, is essentially a vote of confidence in the government. A different result would have been highly unusual, and politically explosive.

The debate featured the usual highly partisan rhetoric by the party leaders. Prime Minister Mitsotakis spoke on the overall government performance, making his claim as being the more competent and effective leader a few months ahead of what is certain to be a double election. Mitsotakis also had a surprise handout to unveil: this turned out to be a 10% subsidy on all foodstuff purchases, from essentials to sweets, for what the Prime Minister himself estimated to be 85% of all households. The 6 month contribution will start in in February. (eKathimerini 18.12)

GENERAL NEWS AND INTEREST

\*ISRAEL:

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* 1. Kindergarteners in Jerusalem to Study English from Next School Year

English studies will be integrated into Jerusalem children's curriculums as early as preschool, the Israeli capital's municipality announced on 12 December. In March 2023, the Jerusalem Municipality will launch a pilot program with the cooperation of some 50 kindergartens across the city, which will begin teaching its kindergarteners English as a second language at the cost of NIS 2 million. Should the pilot launch successfully, a full integration of English studies in all Jerusalem preschools will be completed in time for the next Israeli school year, which starts in September of next year.

The municipality further announced that the English lessons will be taught by outstanding Hebrew University students and English-speaking seniors and elders based in Jerusalem. Prior to teaching the children, they will undergo training conducted by the kindergarten staff, as well as the municipality's education administration. The initiative means that "preschoolers will go to first grade with established prior knowledge and capabilities that will strengthen and enhance the self-confidence and abilities of every child in Jerusalem. (JP 12.12)

\*REGIONAL:

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* 1. Egypt Launches First City on Metaverse

Egyptian creative community hub [Tutera](https://www.tutera.co/) announced the launch of the first phase of ‎Metatut, the first Egyptian city entering the metaverse, an immersive virtual environment. It is ‎the largest project and the first of its kind developed in this field in Egypt, in cooperation with ‎Cube Consultants, a Cairo-based architectural visionary studio.‎

The idea of the city of Metatut is to bring back King Tutankhamun, who ruled from 1333 B.C.E. ‎until his death in 1323 B.C.E., to continue his dream for Egypt and its people in another time in the ‎virtual world and built a virtual city, to bring back the spirit of ancient Egyptian civilization in a ‎modern and futuristic theme.‎

On 30 November, Tutera launched the first phase of the virtual city through the opening of the Avenue ‎of the Kings, Gate of the Pyramid of Tutera and Enchanted Melody Square. The Avenue of the Kings ‎symbolizes the Valley of the Kings and Queens through columns on which the cartouches of the ‎‎20 most important kings of Egypt throughout ancient history are carved in addition to their ‎achievements.‎

The third phase of the virtual city will be launched on 21 December with the opening of Queen Nefertiti ‎Palace. It has many halls that represent wonderful exhibitions of everything related to women, ‎beauty and fashion associated with the ancient Egyptian civilization.‎

Entering the city in the metaverse will be free of charge for the part dedicated to ‎visiting the sites currently available, and that with further development the project may host ‎marketing aspects of products, so anyone can sell their products inside the virtual world and ‎visitors shop within it.‎ (Al-Monitor 08.12)

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* 1. El Sisi Prioritizes GERD in Talks with US Sec. of State Blinken

President El Sisi asked for US help with Ethiopia in a bid to reach a legally binding agreement on the disputed GERD. El Sisi spoke with US Secretary of State Blinken during a meeting on the sidelines of the US-Africa summit in Washington. Blinken had already met with Ethiopian PM Abiy Ahmed a day earlier.

Talks between Egypt, Ethiopia, and Sudan over filling and operating the dam have been at a standstill for a year, when Ethiopia unilaterally embarked on the second filling of the dam’s reservoir and Egypt and Sudan pulled out of the African Union-led negotiations. Tensions heightened further when Ethiopia completed its third filling of the dam in August. (Various 15.12)

ISRAEL LIFE SCIENCE NEWS

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* 1. MediWound Expands Global Presence as NexoBrid Gains Approval in India

MediWound has gained marketing approval of NexoBrid in India. MediWound has signed an agreement granting Bharat Serums and Vaccines Limited (BSV), a leading biopharmaceutical company in India, the exclusive right to market and distribute NexoBrid in India for the treatment of severe burns. BSV is expected to begin commercializing NexoBrid in India H1/23.

NexoBrid (concentrate of proteolytic enzymes enriched in bromelain) is a topically administered biological product that enzymatically removes nonviable burn tissue, or eschar, in patients with deep partial and full-thickness thermal burns within four hours of application without harming viable tissue. NexoBrid is approved in 42 countries, in the EU and other international markets, and is at registration-stage with the FDA with a PDUFA target date set as of 1 January 2023. NexoBrid is supported by the U.S. Biomedical Advanced Research and Development Authority (BARDA). NexoBrid has been designated as an orphan biologic drug in the US, EU and other international markets.

Yavne's [MediWound](http://www.mediwound.com) is a biopharmaceutical company that develops, manufactures, and commercializes novel, cost effective, bio-therapeutic solutions for tissue repair and regeneration. Their strategy is to leverage their enzymatic technology platform, focusing on next-generation bioactive therapies for burn care, wound care, and tissue repair. NexoBrid, a commercial orphan biological product for non-surgical eschar removal of deep-partial and full-thickness thermal burns, is a bromelain-based biological product containing a sterile mixture of proteolytic enzymes that selectively removes burn eschar within four hours without harming surrounding viable tissue. (MediWound 13.12)

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* 1. CardiaCare Digital Neuromodulation for Non-invasive Atrial Fibrillation Treatment

CardiaCare announced the execution of a strategic licensing agreement with Dr. Reddy's Laboratories, a leading multinational pharmaceutical company based in India. Under terms of the agreement, Dr. Reddy's Laboratories will lead the necessary clinical studies to secure regulatory clearance in India and will manage commercialization and distribution in India. This agreement will make India the first market to offer a home-care, digital therapeutic solution for atrial fibrillation patients and will reduce health inequities in cardiovascular care.

The CardiaCare wearable device adopts a closed loop approach, integrating therapy and monitoring. It utilizes proprietary AI based ECG analysis algorithms to allow optimized and personalized atrial fibrillation treatment. Initial clinical data suggests that this novel therapeutic approach has both acute and cumulative effects, decreasing atrial fibrillation precursors and overall disease burden.

Rehovot's [CardiaCare](https://my-cardiacare.com/) is a clinical stage digital therapeutic company developing the world's first closed loop wearable for non-invasive, AI based treatment for cardiovascular care. (CardiaCare 15.12)

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* 1. Equinom Secures $35 Million in Funding Led by Synthesis Capital

Equinom announced a $35 million tranche of funding to bring more of its optimized plant protein ingredients to market. The capital raise was led by Synthesis Capital (Synthesis), a leading global food technology and alternative protein investor, with additional investment from Praesidium, Bunge Ventures, the for-profit global investment arm of Bunge, BayWa, CPT Capital and returning investors Fortissimo and Phoenix. This brings the total funding for Equinom to over $71 million to date.

With expertise in food, technology and agriculture, Equinom breeds new non-GMO varieties of the plant-based food industry’s primary source crops including pea and soy, optimized specifically for food, so they require only minimal processing, thereby improving taste and nutrition and reducing cost and complexity. This is made possible by the company’s proprietary Manna technology platform which uses advanced algorithms to characterize the biochemical and genomic traits in a vast array of seed varieties, enabling the development of new ingredients with desirable traits for food production (such as mild taste, light color, high protein, etc.) – all without genetic modification. As a result, these new minimally processed plant proteins enable food companies to develop offerings that meet consumer demand for tastier and more affordable sustainable alternatives to meat and dairy.

Givat Brenner's [Equinom](http://www.equi-nom.com) is a company on a mission to cultivate better food from the ground up. Equinom uses its Manna technology platform and vast seed vault to restore natural biodiversity to our existing food supply – by breeding higher quality, non-GMO source crops optimized for food that require minimal processing. With superior crops at their core, Equinom ingredients create shared value throughout the supply chain and enable food companies to make plant-based food more delicious, nutritious, sustainable and accessible for everyone. (Equinom 12.12)

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* 1. TechsoMed Joins with Fraunhofer to Accelerate Image-Guided Tumor Ablation Therapy

TechsoMed announced the founding of a new Germany-based subsidiary to advance the development of its flagship software technology. BioTraceIO 360. The new R&D center is established in collaboration with the Fraunhofer Institute for Digital Medicine MEVIS and its SAFIR technology, an advanced Software Assistant for Interventional Radiology.

Image-guided thermal ablation therapy is a minimally invasive and cost-effective tumor treatment with a long-standing barrier to its wide adoption: the limited ability to visualize & control the actual tissue damage morphology in real-time, resulting in a critical gap between the planned treatment and its actual results. This gap, in turn, imposes unnecessary risks of either healthy tissue damage or incomplete tumor ablation, which then leads to high associated local tumor recurrence rates. TechsoMed addresses this challenge with its BioTraceIO 360, an AI-powered end-to-end ablation control imaging system designed to enable improved thermal ablation accuracy and safety through real-time procedure simulation, visualization, and ultrasound-based monitoring to provide better patient care and position ablation as a viable curative option. As part of the new collaboration, TechsoMed will exclusively license the SAFIR software from Fraunhofer MEVIS to tackle this mission.

Rehovot's [TechsoMed](http://www.techsomed.com) is a medical imaging software company, dedicated to making an enhanced clinical impact in Oncology, Cardiology and Pain Management through the first real-time thermal ablation management system (BioTraceIO 360). The company's technology leverages AI based real-time ultrasound monitoring to optimize procedural accuracy and efficacy, for a patient specific visualization, monitoring and outcomes prediction. (TechsoMed 19.12)

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* 1. SofWave Medical Announces FDA Clearance of SUPERB Technology for Cellulite

Yokneam Illit's [Sofwave Medical](http://www.sofwave.com) announced receipt of the U.S. FDA's clearance of Sofwave’s SUPERB technology to be used for the short-term improvement in the appearance of cellulite. In the clinical trials submitted to the FDA as part of the 510(k) application in support of the cellulite FDA clearance, the Company conducted a multi-site clinical study that evaluated the safety and effectiveness of the device for the non-invasive dermatological aesthetic improvement in cellulite appearance. Safety assessments included evaluation of adverse events via physician examination during and after the treatment.

In 2021, the FDA cleared additional indications for SUPERB technology for lifting the eyebrow and lifting lax submental tissue (beneath the chin) and neck tissue; which can also affect the appearance of lax tissue in the submental neck regions. In addition, the Sofwave SUPERB technology is also cleared by the U.S. FDA for a non-invasive dermatological aesthetic treatment to improve facial lines and wrinkles.

Sofwave’s state-of-the-art SUPERB™ (Synchronous Ultrasound Parallel Beam) Technology addresses the growing demand for non-invasive treatments that deliver noticeable results in non-invasive treatment of highly desired aesthetic indications. The device’s cooled transducers are directly coupled to the epidermis, creating a unique 3D array of volumetric thermal zones that deliver parallel energy simultaneously, heating precisely at the right depth in the mid-dermis. A single Sofwave treatment reduces facial wrinkles in a fast 30 to 45 minute non-invasive treatment with no interruption to a patient’s daily routine or post-treatment discomfort. (SofWave Medical 19.12)

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* 1. Steakholder Foods Announces Accelerated Go-To-Market Strategy for 2023

Steakholder Foods announced that it will focus on commercialization of its 3D bio-printer in 2023 to accelerate its go-to-market strategy through business collaborations and partnerships. In 2022, the company dedicated resources to the development of its proprietary three-dimensional bio-printer while expanding its associated intellectual property portfolio. The printer gained industry-wide interest in the second half of 2022 when the company embarked on a world tour with a prototype, printing steaks on demand at conferences and events in three continents. The company plans to leverage this interest to accelerate business collaborations and strategic partnerships for the purpose of commercializing its 3D bio-printing capabilities.

To facilitate an accelerated go-to-market plan, the company will focus its resources on dedicating business personnel to create and develop partnerships during 2023. The first steps in this direction have been to appoint a new vice president of business development and vice president of marketing.

Rehovot's [Steakholder Foods](https://steakholderfoods.com) is an international deep-tech food company at the forefront of the cultured meat revolution. The company is developing a slaughter-free solution for producing a variety of beef, chicken, pork, and seafood products — both as raw materials and whole cuts — as an alternative to industrialized farming and fishing. With its membership in the UN Global Compact, Steakholder Foods is committed to act in support of issues embodied in the United Nations Sustainable Development Goals (SDGs) which include strengthening food security, decreasing carbon footprint, and conserving water and land resources. (Steakholder Foods 16.12)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. accSenSe Named a 2022 Gartner Cool Vendor in Identity-First Security

accSenSe, a leading access and business continuity platform for Okta, announced that it has been named a Cool Vendor in Gartner's Identity-First Security. This recognition highlights accSenSe's advanced SaaS disaster recovery capabilities and its ability to help enterprise organizations protect their Identity and Access Management (IAM) tenants from a range of threats, from data breaches, human error to insider threats. Today's enterprises cannot afford downtime. accSenSe mitigates the effects of an outage or compromise and ensures that organizations have the secure access to critical SaaS applications they need for access and business continuity. accSenSe provides Okta customers with a single platform for proactive protection and real-time access management.

The accSenSe platform is designed to make your systems resilient, with features such as One-click recovery, constant verification of backed-up data, periodic testing for keeping the backup up-to-date and the ability to identify changes between different PiTs (Point in Times). accSenSe covers both workforce and customer IAM needs. It provides an air-gapped, reliable architecture that enables companies to protect their data assets and ensure business continuity even in the face of sophisticated attacks.

Ra'anana's [accSenSe](http://www.accsense.io) seeks to protect and recover critical SaaS using a state-of-the-art access and business continuity platform. They provide Okta customers with both workforce and customer IAM needs with a single platform for continuous protection and real-time access management. The accSenSe platform is designed to make your IAM system resilient, with features such as One-click recovery, constant verification of backed-up data, periodic testing for keeping the backup up-to-date and the ability to identify changes between different PiTs (Point in Times). (accSenSe 07.12)

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* 1. Piiano Equips Developers to Stop Sensitive Data Breaches

Piiano released the Piiano Vault, a secure database for enterprises to safely store and use sensitive personal data and comply with evolving privacy regulations. Basic functionality is now available for free. Deployed directly in an enterprise’s own cloud environment, the Vault provides complete control over critical customer data and was designed to be the most secure database on the market.

As enterprise R&D outpaces security efforts, the safety and protection of customer data remains disorganized and consequently highly vulnerable to potential breaches. Piiano’s solution is based on embedding security and de-identifying data as part of product development. The company’s approach starts by isolating customer secrets and similar types of sensitive data in a separate, zero-trust vault. It is a best practice already exercised by large companies like Google, Netflix, USAA and JPMC.

Tel Aviv's [Piiano](https://piiano.com/) provides developer infrastructure to protect customer secrets and ensure their privacy–even in the event of a breach. Safely use and store sensitive data in our Vault and leverage our Scanner to quickly identify PII usages across source code for full visibility into your privacy issues. With Piiano’s building blocks, engineers and security leaders can save time, effort and resources while achieving secure and compliant applications. (Piiano 08.12)

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* 1. ClearML Shortens Time to Value in Machine Learning With NVIDIA TAO Toolkit

ClearML announced that the ClearML unified, end-to-end MLOps platform will be integrated with the latest NVIDIA TAO Toolkit 4.0 release. The NVIDIA TAO Toolkit speeds up the process of creating AI models, enabling customers to combine pretrained models with their own data to create custom computer vision and conversational AI models. With the ClearML integration, practitioners get improved visibility into the training, experimentation, and evaluation processes built into the TAO Toolkit, and multiple teams within an organization can now re-use the same process.

ClearML offers an open-source platform purpose-built for the MLOps industry, empowering MLOps teams to build, execute, manage, monitor, and analyze the entire MLOps process from a single fully integrated platform – all with just two lines of code. The NVIDIA TAO Toolkit is a low-code AI model development solution that uses the power of transfer learning to simplify and accelerate the creation of custom, production-ready AI models.

Trusted by forward-thinking Data Scientists, ML Engineers, DevOps, and decision makers at leading Fortune 1000, enterprises, and innovative start-ups worldwide, Tel Aviv's [ClearML](https://clear.ml) is an open-source MLOps platform that helps data science, MLOps, and DevOps teams easily develop, orchestrate, and automate ML workflows at scale. It is designed as a frictionless, unified, end-to-end MLOps suite, allowing users and customers to focus on developing their ML code and automation, ensuring their work is reproducible and scalable. (ClearML 13.12)

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* 1. CTERA Launches Intelligent Cloud Storage Routing

CTERA announced version 7.5 of the CTERA Enterprise File Services Platform including CTERA’s patented Cloud Storage Routing technology as well as numerous enhancements in data management, deduplication, and security. This release further expands CTERA’s mission to evolve enterprise storage from an IOPS-centric approach to the new world of multi-cloud DataOps.

CTERA Cloud Storage Routing allows organizations to efficiently utilize multiple cloud storage providers and on-premises object storage systems with policy-based control over data placement. Organizations can route data to be stored in different destinations globally with a fine granularity based on tenant, user or individual directory. With CTERA Cloud Storage Routing, organizations can maintain data sovereignty and GDPR compliance, while providing low-latency access to data and minimizing cloud egress fees. Cloud Routing is built on the foundation of CTERA Direct, a high-performance, low-latency, direct-to-cloud data transport protocol that was designed to overcome data transfer challenges across different cloud environments and high-latency links, while adhering to a zero-trust philosophy.

Petah Tikva's [CTERA](http://www.ctera.com) is the leader in edge-to-cloud file services, powering more than 50,000 sites and millions of corporate users. CTERA delivers a cloud-native global file system over public or private object storage, with a rich ecosystem that enables enterprises to gain full control of their data environment for optimal edge performance, granular security, data insight, and governance. (CTERA 13.12)

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* 1. Ermetic Automates Remediation of Security Vulnerabilities in Infrastructure as Code

Ermetic announced new capabilities that enable customers to detect, prevent and remediate security risks in Infrastructure as Code (IaC) deployments both pre- and post-deployment. As part of Ermetic’s comprehensive Cloud Native Application Protection Platform (CNAPP), IaC scanning enables organizations to discover and fix misconfigurations, compliance violations and risky or excessive privileges at runtime by generating code snippets that can be integrated with CI/CD workflows.

To automate the management of security across the full lifecycle of IaC environments, the Ermetic CNAPP enables developers to scan and detect misconfigurations and other risks in IaC to harden cloud infrastructure environments as part of the CI/CD pipeline. By embedding comprehensive cloud security checks and surfacing findings directly in native development tools including Jenkins, BitBucket, CircleCI, GitHub and GitLab, developers can deliver code efficiently and securely.

Ermetic streamlines security throughout the software development lifecycle by embedding security into DevOps workflow tools such as Terraform and CloudFormation. By combining context and risk prioritization, developers can quickly evaluate critical security and compliance risk against industry standard benchmarks or custom policies and course correct as needed.

Tel Aviv's [Ermetic](https://ermetic.com) reveals and prioritizes security gaps in AWS, Azure and GCP and enables organizations to remediate them immediately. The Ermetic cloud native application protection platform (CNAPP) uses an identity-first approach to automate complex cloud infrastructure entitlement management (CIEM) and cloud security posture management (CSPM) operations. (Ermetic 14.12)

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* 1. Trigo & REWE Launch Germany’s First Fully Automated Supermarket

Trigo has rolled out Germany’s first fully-autonomous cashierless supermarket in partnership with German grocery giant REWE Group. The new “Pick&Go'' supermarket in Munich allows customers to walk in, select their items off the shelves and leave without having to pay at checkout. Unlike self-checkout devices such as stationary or mobile scanners and digital carts, Pick&Go shoppers only scan once on their phones when they enter the store. When they leave they get the receipt automatically.

Trigo’s computer vision algorithms --running off data produced by ceiling-mounted cameras and shelf sensors-- create a 3D "digital twin" of the store. The system logs shoppers' movements inside the store and correlates that with data on items they pick from the shelves. The algorithms can also be used to monitor inventory levels in real time, and detect items that have been misplaced or stolen.

Despite being fully automated, REWE’s Munich Pick&Go store will retain its full complement of 11 staff members, who are tasked with answering customers’ questions and guiding them through the experience, restocking shelves, approving age-limited items, and other customer-facing activities.

Tel Aviv's [Trigo](https://www.trigoretail.com/) is a computer vision startup reshaping the retail experience. The company's advanced retail automation platform identifies customers' shopping items with exceptional levels of accuracy, creating an entirely seamless checkout process. Trigo works closely with retailers to convert their existing stores while maintaining their unique character and layout and leveraging their physical grocery scale to roll out next-generation offerings securely. (Trigo 14.12)

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* 1. AllEasy Selects AU10TIX to Securely & Rapidly Verify Banker's Identity

AU10TIX and AllEasy, a forerunner in the rapid-growth Filipino e-wallet marketplace, announced a strategic alliance to power safe, fast and affordable digital transactions to AllEasy's customers. The introduction of the two companies was facilitated by the Israeli Economic and Commercial Mission to the Philippines, as part of its goals to promote business collaborations between Israeli and Filipino companies and to introduce cutting-edge innovations and technologies from Israel to the Philippines.

AllEasy selected AU10TIX to replace their incumbent IDV solution after conducting an extensive vendor selection process among competitors in the industry. AU10TIX was the obvious choice for AllEasy to partner with thanks to their demonstration of unmatched speed and fully automated ability to detect complex fraud attempts that were unexpected by other verification providers.

Tel Aviv's [AU10TIX](http://www.AU10TIX.com), a global identity intelligence leader, is on a mission to obliterate fraud and further a more secure and inclusive world. The company provides critical, modular solutions to verify and link physical and digital identities so businesses and their customers can confidently connect. Over the past decade, AU10TIX has become the preferred partner of major global brands for customer onboarding and customer verification automation – and continues to work on the edge of what's next for identity's role in society. (AU10TIX 15.12)

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* 1. Top Icelandic Bank Chooses MazeBolt Technologies for Holistic DDoS Protection

MazeBolt Technologies announced one of the largest banks in Iceland selected RADAR testing for continuous DDoS protection across its entire dynamic attack surface. With many Icelandic organizations suffering from DDoS attacks this year, the bank is adding MazeBolt's powerful RADAR testing into 50 external-facing IPs and FQDNs. For the first time, the bank's cybersecurity team will be able to easily identify hidden vulnerabilities across its attack surface and close up to 7,000 endpoints prone to a DDoS attack, continuously and without compromising business operations.

MazeBolt will work closely with the bank's mitigation vendor to guide the closing of the DDoS remediation loop by providing exclusive insights into their previously unknown vulnerabilities while ensuring that the remediation was performed correctly. The Icelandic bank follows MazeBolt's announcement less than a month ago of adding a leading Israeli bank to their roster of blue-chip customers who are transforming their DDoS security readiness.

Ramat Gan's [MazeBolt](http://www.mazebolt.com) is pioneering a new standard in testing DDoS vulnerabilities that provides enterprises with full attack surface coverage. Its patented solution, RADAR testing, continuously observes tens of thousands of potential DDoS attack entry points, identifying how attackers can succeed in bypassing existing mitigation systems. The solution's autonomous risk detection allows cybersecurity teams to go beyond traditional DDoS testing by continuously detecting, analyzing, and prioritizing remediation across the network with zero operational downtime. (MazeBolt 15.12)

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* 1. Shield Introduces Hybrid Cloud Solution for Financial Institutions

Shield launched new hybrid cloud infrastructure technology that provides financial institutions with flexible, scalable data solutions that make digital communication compliance efficient and adaptable within their existing data strategy. Traditional solutions force firms to migrate data from their current residence on-premises or in private clouds to vendors’ cloud solutions regardless of the firm’s data strategy. Now, however Shield’s top tier banking customers are able to maintain their existing infrastructure and still benefit from Shield’s modern flow of data with faster speeds, richer data, AI generated risk insights, and award-winning user experience.

Due to security and control concerns, traditionally, banks and other financial institutions rely on on-premises data archives, despite the massive amounts of new data that flows into organizations, especially through electronic communication channels relied upon today. Known for providing efficient electronic communication surveillance, Shield, which recently announced its Series B financing round that included Swiss bank UBS, has successfully deployed its flexible, scalable solution to improve the speed of access to human-readable data without sacrificing the security concerns of on-prem, legacy technology.

Ramat Gan's [Shield](https://www.shieldfc.com) is the world’s leading communication compliance platform that allows organizations of any size to mitigate risks, escape the dead-end legacy archive, improve operational efficiency, and reduce compliance costs. Shield redefines the way enterprises and financial institutions manage and mitigate communications compliance risks by applying advanced AI, NLP, and visualization capabilities. Shield is specifically built for digital work where organizations face multiple risks, including financial crime, privacy and misconduct. (Shield 15.12)

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* 1. Wi-Charge Release of Gen2 Receiver for Over-the-Air Wireless Charging

Wi-Charge announced a significant expansion to its technology to further drive the market forward and expand wireless charging to a broader range of devices and use cases. The Wi-Charge Gen2 Receiver is a significant step forward for the industry that sets new standards in power, ease of integration and form factor, and is available immediately for device manufacturers.

Wi-Charge's technology is comprised of a wireless power transmitter and receiver. The transmitter converts electricity into safe infrared beams, which are then delivered to the receiver embedded in client devices. The receiver converts the infrared energy into electricity, which is used to charge the internal battery or super-capacitor. The receiver also sends telemetry data back to the transmitter, including battery status, usage statistics, and billing information.

Rehovot's [Wi-Charge](http://www.wi-charge.com) is a long-range wireless power company founded to enable automatic charging of phones and other smart devices. Their patented infrared wireless power technology can safely and efficiently deliver several watts of power to client devices at room-sized distances. It gives end-users the freedom they crave, and product designers the power they need to usher in the next generation of mobile smart devices. (Wi-Charge 15.12)

ISRAEL ECONOMIC STATISTICS

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* 1. November Inflation Matches Forecasts While Home Prices Still Climb

Israel’s Consumer Price Index (CPI) rose by 0.1% in November, the Central Bureau of Statistics announced. The rise is in line with analysts’ estimates. For the year to date, the CPI has risen by 5% and for the twelve months to the end of November it is up 5.3%. There were significant rises in November in the housing item, up 0.6%, home maintenance, up 0.3%; and food, up 0.2%. Fresh produce prices fell 4.3%; footwear fell 1.5%; and home equipment and furnishings fell 0.3%.

Home rents excluding public housing rose 0.5%. For tenants who renewed their leases, rents rose 4.2%, while for new tenancies rents rose 8.1%. The index of residential construction inputs fell 0.2% in November. Nevertheless, the index is up 4.8% since the beginning of the year. In the twelve months to the end of November, the index rose by 5%.

In home prices, the comparison of transactions in September-October with August-September 2022 shows a price rise of 1.2%, completing a 20.3% rise in comparison with September-October 2021. This is the largest annual rise in home prices for a decade. In the breakdown by district, the change in home prices between August-September and September-October this year was down 0.1% in Jerusalem, up 1.2% in the northern district, up 1.1% in Haifa, up 1.9% in the central district, up 1.1% in Tel Aviv, and up 1.6% in the southern district. Year-on year, prices rose 22.5% in the central and northern districts, 19.9% in Tel Aviv and Haifa, 18.7% in the southern district, and 16.6% in Jerusalem. (Globes 15.12)

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* 1. Finance Ministry Lowers Israel's 2023 Growth Forecast

Israel's Ministry of Finance Chief Economist has revised Israel's 2023 GDP growth forecast downwards from 3.5% (as predicted in the June 2022 report) to 3%. Israel's economy is heading for 6.3% GDP growth in 2022, the Ministry of Finance predicts, after growing 8.6% in 2021. The Bank of Israel also forecasts 3% GDP growth in 2023 and 6% in 2022, while the OECD sees Israel GDP growth of 2.8% in 2023 and 3.4% in 2024. S&P sees Israeli GDP growth of just 2% in 2023.

The latest report by the Ministry of Finance Chief Economist says that the labor market is still tight and the forecast assumes that unemployment will rise slightly in 2023. Trends in the capital market are characterized by great volatility. The forecast is based on an assumption that in 2023 the indices will return to an upward trend, although at a moderate rate. Price increases along with the stable situation in the labor market have led the Bank of Israel to hike the interest rate. During the year the central bank has raised the interest rate by 3.15% cumulatively in six increments, to 3.25%."

The Chief Economist's latest forecast sees significant reduction in the growth of public consumption - from 3.7% in the June forecast to 2.1% in the current forecast. The growth forecast for private consumption has declined from 3.6% in June to 3.2% now. Domestic gross investment is forecast to rise by 5.1%, while in the previous forecast 3.3% growth was estimated. The increase in investment in fixed assets is estimated at 5.4% (compared to 3.9% in the previous forecast), exports will increase by 4.2% and imports by 5.6% (compared to growth of 3.5% and 3.8% respectively in the June forecast). The Chief Economist's report sees inflation reaching 5.1% in 2022 in Israel, falling to 2.7%-3.7% in 2023. (Globes 12.12)

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* 1. Despite Slowdown Unemployment in Israel Falls

Despite the rapid rise in interest rates in recent months by the Bank of Israel and the economic slowdown the rate of unemployment remains low and even fell in November compared with October. While in October the unemployment rate was 4.3%, in November it fell to 4.1%, the Central Bureau of Statistics announced.

The fall in unemployment did not derive so much from job seekers finding work but rather a rise in workforce participation. The proportion of people aged 15 and over in Israel participating in the workforce rose from 60.3% in October to 60.6% in November (a rise of 60.6% to 60.8% when seasonally adjusted). Even so, the figures are weaker than in September when 61.1% of the population was participating in the workforce. Unemployment in September was also lower at 3.8%.

The unemployment trend in many OECD countries is low. Unemployment is 3.7% in both the US and UK, although it has risen slightly in recent months. In Germany where industry has been hit hard by the energy crisis, unemployment has risen from 5% in May to 5.6% in November. In France unemployment is relatively high but stable at 7.3% in recent months. (CBS 19.12)

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* 1. More Than 2.6 Million Israelis Reportedly Live in Poverty

Over 2,627,000 Israelis live in poverty, which amounts to nearly 27.8% of the country’s entire population, a new report published on 12 December by Israel’s Latet NGO said. According to Israel's largest anti-poverty organization, at least 1,176,000 of that number are children. A total of 830,000 households in Israel are reported to be in economic distress, which is 131,000 more families than before the COVID pandemic. The survey showed that the percentage of Israeli households that are getting close to poverty reached 20.1% compared to 14% before the pandemic.

Moreover, 680,475 of Israeli families, which amounts to 21.1% of the population, live in nutritional insecurity. Out of them 312,825 (nearly 10%) live in severe nutritional insecurity. The data also indicated that over 75% of the pension-aged Israelis live in de facto poverty, despite the added pension for the elderly.

High cost of living remains one of the main issues that the incoming coalition government has to resolve. Over the last 12 months, apartment prices in Israel increased by almost 20%. Israel’s inflation rate also rose to 5.1%, with food prices seeing the most significant surge. (i24NEWS 12.12)

IN DEPTH

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* 1. IRAQ: Staff Concluding Statement of the 2022 Article IV Consultation Mission

On 7 December, the [International Monetary Fund (IMF)](http://www.imf.org/) released their concluding statement concerning the Article IV consultations held with Iraq.

High oil prices have provided Iraq’s economy with much-needed respite after a near-crisis in 2020. Nevertheless, underlying imbalances and oil dependence continued to increase. Using the opportunity provided by high oil revenues to reverse the trend of rising vulnerabilities and modernize the economy will be of paramount importance in the face of multiple looming challenges, which could severely test the limits of the current economic model. A meaningful economic transformation must start with a prudent, patient, and disciplined fiscal policy aimed at building financial buffers, reducing oil dependence, and reorienting expenditures toward priority investment and social needs. A careful calibration of the 2023 budget will be crucial to preserve gains from recent policy efforts. Alongside, decisive structural reforms will be critical to improve socio-economic conditions and promote private sector development as the key driver of growth and employment.

**Economic Outlook and Risks**

**1. The economy is gradually recovering amid rising underlying vulnerabilities.** Real GDP is projected to grow by 8% in 2022, driven by a 12% expansion in oil output. Meanwhile, real non-oil GDP is expected to expand at a more moderate pace of 3% after rebounding by 21% in 2021. Inflation has been relatively contained, averaging 5% during the first 10 months of 2022, as the pass-through from high global commodity prices has been muted by food and fuel subsidies. Helped by high oil prices, this year’s fiscal and external current account balances are expected to reach surpluses of 6 and 11% of GDP, respectively, while foreign exchange reserves of the central bank could exceed $90 billion by end-year. At the same time, these surpluses veil widening of the non-oil fiscal balance, and Iraq’s dependence on oil continued to increase with the oil price needed to balance the government budget (budget breakeven oil price) reaching $66 per barrel in 2022, up from $52 per barrel in 2019.

**2. Near-term outlook is positive, but vulnerabilities could manifest themselves in the medium term.** Oil output is projected to gradually rise from 4.4 to 5 million barrels per day by 2027. Non-oil real GDP growth is expected to accelerate to 4% in 2023—helped by the stimulus from the Emergency Law for Food Security and Development—before moderating to 3.5% in the medium term. Under the baseline projection of declining global oil prices and continued expansionary fiscal stance, both fiscal and external balances are projected to decline and turn into deficits by 2025. Alongside, foreign exchange reserves could peak at around $100 billion in 2024 and rapidly decline over the medium term.

**3. This outlook is subject to significant downside risks, amid multiple looming challenges.** A faster decline in global oil prices could reignite financing pressures sooner. Government finances are particularly vulnerable to faster accumulation of losses in the electricity sector and the depletion of the State Pension Fund, as well as the rising costs of climate change.

**Policy Priorities**

**4. A sound fiscal framework will be critical to tackle Iraq’s economic challenges.** Policymakers need to carefully balance the goals of saving the oil windfall to strengthen resilience to future oil price volatility and increasing critical social spending and public investments, while gradually reducing dependence on oil. IMF staff recommends a commitment to a fiscal rule targeting a gradual reduction of the non-oil primary fiscal deficit to build a fiscal stabilization buffer which would improve the government’s ability to smooth expenditures in response to future oil price declines. At the same time, the fiscal strategy should seek to allocate sufficient resources for public investments and the social safety net to support Iraq’s critical development needs and the vulnerable population.

**5. Careful calibration of the 2023 budget parameters will be pivotal.** It would be important to provide adequate indexation of targeted cash transfers and low-income pensions to protect the most vulnerable from the rising cost of living. At the same time, a large pro-cyclical boost to expenditures is not advisable as it could fuel inflation pressures, further increase the government budget’s dependence on oil revenues and create conditions for a costly boom-bust cycle. IMF staff recommends saving a significant portion of the oil windfall by targeting a non-oil primary fiscal deficit of ID 114 trillion (58% of non-oil GDP) in 2023, most importantly by containing growth of the government payroll and mobilizing non-oil revenues.

**6. Elevated inflation risks warrant vigilance on the part of monetary policy.** Although inflation has remained stable in recent months, there are significant risks of its acceleration in the near term with a looser fiscal stance and second-round effects of high global commodity prices. Should these risks begin to materialize, it would be important for the central bank to be prepared to tighten domestic financial conditions as needed to avoid fueling domestic drivers of inflation.

**7. Implementation of the proposed fiscal framework needs to be accompanied by sustained policy efforts in several key areas:**

* **Upgrading public financial management** notably by urgently establishing a Treasury Single Account and implementing an Integrated Financial Information Management System (IFMIS), in addition to strengthening control over commitments and contingent liabilities.
* **Diversifying government revenues**, including by making payroll taxes more progressive, eliminating regressive exemptions, strengthening tax and customs administration, and introducing taxes on the sales of selected non-essential goods and services.
* **Reducing the government wage bill**, which consumes around 40% of the annual budget, crowding out other priorities, and cannot be sustained in the long run, which puts a premium on promoting private sector job creation. A multi-pronged approach should focus on strengthening control over payroll; an attrition-based employment reduction strategy; and close alignment of government pay and allowances with the private sector. In parallel, IMF staff encourages developing a civil service reform and a national employment strategy to improve labor force participation, remove obstacles for private employment, and reduce informality.
* **Enhancing the social safety net**. Limiting eligibility for the untargeted food ration card program would allow to significantly augment the budget for targeted cash transfers. Automatic inflation indexation of cash transfers would ensure adequate protection. Furthermore, a pension reform is increasingly urgent, most importantly to restore the financial sustainability of the State Pension Fund. Going forward, close alignment or integration of pension systems for private and public sector workers is needed to facilitate labor mobility and strengthen incentives for private sector employment.
* **Fixing the electricity sector**, which incurs an annual loss in excess of 3% of GDP while being unable to meet domestic demand. A comprehensive reform strategy should focus on enhanced monitoring and transparency of the sector’s costs, a review of the tariff structure, investments in gas capture and renewable energy sources, and sustained efforts to improve collection and reduce technical losses.
* **Strengthening Financial Stability.** Accelerating implementation of core banking systems and initiating the restructuring of large state-owned banks remains a critical priority. The IMF team welcomes the completion of Iraq’s first AML/CFT national risk assessment and agrees with the authorities’ plans to swiftly proceed with implementing its key recommendations. IMF staff also supports the central bank’s efforts to strengthen monitoring of transactions through the foreign exchange auction and its plans to explore alternative trade finance mechanisms to facilitate trade. In parallel, the mission recommends developing liquidity management tools to better support exchange rate stability.
* **Improving Governance.** IMF staff welcomes the authorities’ efforts to implement the 2021-24 National Integrity and Anti-Corruption strategy and emphasized the importance of continuing to strengthen governance, including through timely completion and publication of the audit reports of government accounts, improving the legal framework and streamlining the institutional structure for combatting corruption, and advancing digitalization of government institutions. (IMF 07.12)

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* 1. UAE: Ukraine Trade Accord Would Bolster Middle East Food Security

Harry Clynch wrote on 13 December in [Al-Monitor](https://www.al-monitor.com) that the United Arab Emirates announced that it has opened discussions with Ukraine over a potential free trade deal known as a Comprehensive Economic Partnership Agreement (CEPA) in order to liberalize trade flows. The news comes at a time when Ukraine, one of the world’s largest exporters of wheat and grain, is looking for ways to support its war-damaged economy, while the UAE is seeking to ensure its food security.

According to UAE’s minister of state for foreign trade Thani bin Ahmed Al Zeyoudi, the deal will open access to other continents. It will “offer a raft of new opportunities for our exporters, investors and manufacturers, while also opening up access to new markets in Asia, Africa and the Middle East for Ukraine’s agricultural and industrial output," Zeyoudi said.

In the years prior to the COVID-19 pandemic and Russia’s invasion of Ukraine, trade between the UAE and Ukraine had been increasing steadily. After dropping in 2020, the trade figures bounced back strongly in 2021 when non-oil trade totaled just over $900 million. This represented an increase of almost 29% compared to 2020 and 12% compared to 2019.

Iuliia Mendel, author and former spokesperson to Ukraine President Vladymyr Zelenskyy, believes that the Ukrainian president has long “paid attention to the development of trade relations around the world,” including in the Gulf. “He went to the UAE several times before the war, as he sees the UAE as a gateway to many countries in the Middle East and Africa for which Ukrainian agricultural products are crucial to their survival and functioning,” Mendel told Al-Monitor. “Before the war, Ukraine had signed contracts and memoranda with the UAE worth billions of dollars…However, for many reasons, including the pandemic and the war, they could not be fully implemented. These agreements covered not only the agricultural sector but others including medicine and defense.”

Mendel also noted that before the war, Ukrainian exporters faced several difficulties when attempting to export to the UAE market. Perhaps most notably, “Ukrainian agribusinesses had difficulties with obtaining internal UAE certification,” she said. It is hoped that the new CEPA initiative will resolve any similar issues.

According to Will Todman, fellow in the Middle East program at the Center for Strategic and International Studies, the UAE’s desire to develop deeper economic relations with Ukraine may partly be driven by its status as a major exporter of grains. “Ukraine’s grain exports are particularly important for the UAE, which is trying to enhance its food security and diversify its supply chains,” Todman told Al-Monitor. “The UAE is already a regional and global trading hub and is seeking to cement its status as a global food hub. Food security has been an important aspect of the comprehensive economic partnership agreements it has forged with other states, including India and Israel.” “Strengthening its ties with Ukraine, one of the world’s largest grain exporters, is another important pillar in its strategy to secure all aspects of the international food production supply chain,” Todman added.

The move could have significant repercussions across the Middle East and North Africa. The war in Ukraine has disrupted global food supplies and contributed to higher inflation for essential goods. The MENA region has been particularly exposed to these developments because they are some of the biggest importers of Russian and Ukrainian grain supplies. At the same time, multiple countries in the Maghreb have had to increase their imports because of the worst drought in decades. Mendel said that considering these conditions, “Ukrainian authorities are looking for ways to restore previous agreements for the supply of agricultural products to the Middle East and North Africa.”

Todman agrees that because of the UAE’s role as a hub for other markets in the Middle East and North Africa, the move “would likely bring broader economic benefits to other states in the MENA region and beyond.”

While the proposed deal could be a major moment in the development of trade relations between Ukraine and the UAE, this is unlikely to suggest any change of strategy when it comes to the UAE’s approach to the conflict. The Emiratis continue to maintain a position of neutrality in the Russia-Ukraine conflict. Todman pointed out that “in late November, the UAE hosted a rare meeting between Ukrainian and Russian officials in Abu Dhabi to discuss a prisoner exchange and the resumption of ammonia exports.”

“The UAE is keen to maintain its status as a neutral mediator, and Emirati officials have frequently said they seek to support diplomacy to end the war,” he said. “However, these discussions do indicate an Emirati assessment that it maintains the freedom to forge closer ties with Ukraine. This announcement therefore serves as an expression of independence and its ability to withstand Russian pressure.”

This trade deal is clearly an important step toward the UAE achieving its aim of food security — not only for itself, but also the wider MENA region. Todman also believes that the deal is a significant development in the UAE’s plans to become a global trading powerhouse. After all, CEPA would be its first comprehensive economic partnership with a European country. (Al-Monitor 13.12)

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* 1. SAUDI ARABIA: Saudi Arabia’s Construction Sector is the Strongest Across MENA

Saudi Arabia’s construction industry continues to lead the MENA region despite macroeconomic conditions impacting the sector globally, according to [JLL](https://www.jll-mena.com/en)’s Q4/22 ‘KSA Construction Market Intelligence Report’. The kingdom witnessed the highest value of project awards in 2022, demonstrating its commitment to driving economic diversification and transforming the country in line with its Vision 2030.

Construction output growth in Saudi Arabia is anticipated to rise by 3.2% in 2022, with a further annual average growth rate (AAGR) of 4% between 2023 to 2026. Saudi Arabia has maintained its position as the strongest market across the MENA region with the highest total value of project awards for four consecutive years. As of October 2022, Saudi holds a 35% market share with a recorded $31 billion worth of contract awards against an overall MENA total of $87 billion as tracked by MEED Projects.

Saudi Arabia’s pipeline value of pre-execution projects is estimated at $1.1 trillion, which includes projects from the study stage through to the main contractor bid. Approximately 70% comprise ‘construction’ sector projects with residential, cultural, leisure and hospitality as sub-sector leaders, which is the driving force behind the Vision 2030 strategy. In H2/22, 13,000 hotel keys are expected to be delivered in Riyadh, Jeddah, and Makkah, accentuating the continuation of the kingdom’s hospitality sector development.

The top ten contractors in the kingdom are responsible for $400 billion in projects that are currently in the execution stage, accounting for 40% of the total future pipeline value of $1.1 trillion. According to MEED Projects, the total value of projects awarded in Saudi between 2021 and 2025 will reach $569 billion, with a total of $85 billion (15%) awarded to date across 2021 and 2022 (October end).

JLL’s market intelligence data further revealed that global economic volatility in the first two-quarters of 2022 created challenges in the local construction market in terms of delivery lead times and instant price increases, with suppliers reluctant to guarantee prices for extended periods of time.

In addition, it also indicated improvements from Q2 to Q3/22, implying that price peaks have passed; however, price increases remain a significant risk due to the correlation to economic factors and observed trends since 2020.

Moreover, the report stresses that future construction costs must be balanced against the local market and global economic factors. Though commodity prices are softening or have already leveled off, the kingdom’s construction sector is heating up, putting pressure on the existing supply chain, and highlighting the need for greater competition to complete the pipeline of projects.

While inflation projections for the country are relatively soft in comparison to global averages, Saudi Arabia, as well as the wider MENA region, relies on importing construction materials from high inflationary countries, which affects construction material prices. “Given the volatile market conditions and rising construction material prices, which reached a significant peak during Q2 2022, there is a need for robust mitigation strategies, including a careful approach to contract execution and risk allocation,” said Laura Morgan, market intelligence lead MEA at JLL.

From a construction cost perspective, JLL estimates tender price inflation (TPI) has increased by an annual average percentage change of 5% in 2022. The upswing is representative of market factors such as growing contractor and labor demand, commodity, and construction material price fluctuations.

Looking ahead, JLL’s midpoint TPI forecast represents a potential year-on-year growth of 6% in 2023 associated with the estimated project pipeline value correlated to future demand, according to its intelligence gathered from market sources. (GB 07.12)

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* 1. SAUDI ARABIA: Xi of Arabia Enjoying the Favor of the King

Yoel Guzansky and Tuvia Gering posted in [INSS](https://www.inss.org.il) Insight on 18 December that the visit by Chinese President Xi Jinping to Saudi Arabia, which included three summit meetings, moved relations between China and the Arab world at least one step forward. Alongside signed agreements and partnerships agreed on by both sides, the visit had a substantial symbolic side aimed at projecting independence, consolidating Saudi Arabia’s leading status among Arab states, and enabling Mohammed bin Salman to demonstrate his leadership to his people prior to his accession to the throne. The Gulf states may seem to overstate the significance of the visit, but there is no denying that growing Chinese involvement in light of the global energy crisis and great power competition gives them more options. They will most likely continue to hedge in order to advance their national interests and enjoy the best of both worlds; in their view, it is the United States that will need to make the necessary policy adjustments.

Chinese President Xi Jinping's official welcome in Saudi Arabia during a recent visit was noticeably different from that given to US President Joe Biden earlier this year. For the former, there were warm embraces and a lavish welcome party, and red and yellow contrails from the Royal Saudi Air Force colored the sky. The latter, however, received a low-key ceremony and icy fist bumps with the Crown Prince, whom he had initially aimed to make an international “pariah.”

This was no coincidence. Although China’s three summit meetings – with Riyadh, the Gulf Cooperation Council (GCC) and the Arab states – had been scheduled long ago, Xi’s visit took place against a backdrop of increasing tension between Washington, Beijing and Riyadh and the global energy crisis resulting from the Russian invasion of Ukraine. Commentators both inside and outside the Gulf noted that the summits, which included dozens of Arab leaders, struck a defiant tone toward the US. The events were interpreted by them as further evidence of the United States' declining status in the region.

For the de facto ruler of Saudi Arabia, Mohammed bin Salman, the timing could not have been better. As he seeks to implement his ambitious Vision 2030 program for the country, the visit allowed him to show the world his foreign policy independence, consolidate the leading role of the Kingdom in the Arab and Muslim world, and demonstrate his leadership to his people prior to his accession to the throne.

At the same time, China has shown over the past decade that its interest in the Middle East and North Africa goes far beyond energy security. It has gradually deepened its cooperation with Arab states while massively investing in infrastructure and technologies of the future: trade, investment, finances, ports, industry and logistics centers, green energy, communications infrastructure, smart cities, public health, space, weapons, cars, culture and education. Xi’s visit aimed to deepen the synergy between Chinese development strategy and regional states’ vision plans, thereby linking their fates.

Beijing has wisely exploited every exposed nerve in US-partner relations in order to undermine US hegemony, which dictates a unipolar global order and serves the interests of Washington and its allies. Beijing, like Putin's Russia, emphasizes the ostensible shared fate of the Arab states and China as historic victims of Western colonialism and feudalism, making them natural partners in creating a multipolar world without Western supremacy. The present visit was therefore also intended to deepen the fissures in trust between the US and Arab states, undermine the US network of alliances, and strengthen the "strategic autonomy" of the Arab states. For example, the week of the visit, the Chinese Foreign Ministry published a comprehensive report on Sino-Arab cooperation in the “new era.” It claimed that unlike “other countries,” China supports the strategic independence of states in the region, does not interfere in their domestic affairs, does not link Islam to terror, and only seeks mutual benefit. “Arab states are tired of arrogant Western condescension,” wrote a senior Chinese Middle East researcher in a party news outlet, and similar sentiments were echoed by Arab news outlets across the region. For example, the chairman of al-Arabiya group, Saudi media giant Abdulrahman al-Rashed, wrote that China is a “stable, predictable, and reliable” ally, implicitly contrasting China with the United States.

**Either With Us or Against Us**

The primary goals of Biden’s visit this past July were to increase oil production in the short term, in order to lower market prices and ease the situation of American and European consumers, as well as to signal to Arab states that the United States is not abandoning them over the long term. “We will not walk away and leave a vacuum to be filled by China, Russia or Iran,” he declared. “The United States isn’t going anywhere.” However, already then it was clear that the Arab leaders who convened in Saudi Arabia were not convinced. While the US administration believed that it had reached an understanding with the energy giants in light of the global crisis, the Organization of the Petroleum Exporting Countries (OPEC), under the leadership of Saudi Arabia, sent him home empty-handed. Furthermore, the organization enraged Capitol Hill by deciding to further reduce oil production by two million barrels a day about a month before the midterm elections in the US. The royal visit by the Chinese leader aligns with the Saudi response to the White House, with both saying: the rules of the game have changed; don’t set conditions for us and don’t make us choose.

Even if the Gulf states overestimate their own importance, there is no doubt that increasing Chinese involvement in light of the global energy crisis and the great power competition gives them more options. They will continue to use the diverse range of connections to further their national interests, manage risks, and seek to balance them all. Meanwhile, in their minds, it is the US that must adjust its expectations to the new reality.

In spite of this position, the Biden administration is standing its ground and continues to claim that there is no true regional alternative to the US. In the security conference last month in Bahrain, several senior US figures sought to sharpen the message that the US is the only power that can coordinate regional cooperation and create coalitions against Iran, and that “it would be a mistake for regional states to bet against it.” They also warned that Chinese penetration of Gulf technology infrastructure would jeopardize the US-led Middle East Air Defense Alliance (MEAD), which protects against missiles and drones from Tehran and its proxies. They argued that the effectiveness of the US defense umbrella would decrease the further the cooperation went with China. States in the region hear the United States saying, "You're either with us or with them," despite its continued claim that it is "not asking any state to choose a side."

For the Gulf states, the US administration’s security commitment appears to be deteriorating. The US did not manage to prevent the attacks by Iran and its proxies on Saudi Arabia in 2019 and on the UAE this past January. The Biden administration not only delisted the Yemeni rebels from its list of terrorist organizations early in the President's term, but in the eyes of Saudi Arabia, it also publicly humiliated the Crown Prince and damaged the long-standing alliance with its "self-righteous complaints" about human rights. Arab states also believe that the US failed to prevent Iran from becoming a nuclear threshold state.

**Game Theory**

Despite their repeated complaints, Arab states generally see their relationship with the US – with its superior military capabilities – as vital, and understand that China cannot and does not want to replace the US in this role in the short term. Looking ahead, they are concerned about the White House's lack of attention to their security challenges, hostile tones in Congress, and disagreements on issues such as political freedom and human rights. Even if the deployment of US military forces in the Middle East remains unchanged, the Arab states are growing skeptical of the US willingness to use them when the chips are down.

They are also deeply invested in their development plans and perceive Washington as attempting to limit their opportunities for development by forcing them to choose sides in a fight that is not theirs. The greater the rivalry between the powers in every possible arena, the more the Middle East will be seen as a zero-sum game, with any move closer to Beijing seen as a loss for Washington, and vice versa.

Xi’s visit demonstrates at the very least that Arab states in general and Gulf states in particular are without options. The country that has become the greatest trading partner and investor in most Arab states signed memoranda of understanding and agreements worth tens of billions of dollars in over thirty strategic sectors. In tech, for example, Biden’s visit to Riyadh included agreements on American-Saudi cooperation in 5G and 6G communications infrastructure. However, the package of deals that Xi signed included a memorandum of understanding with Chinese giant Huawei to establish high-speed cellular internet and computing facilities in the Kingdom. China is also involved in the Crown Prince’s flagship project, construction of the futuristic city of Neom, much to the Americans’ dismay.

On security, Chinese defense conglomerates offer excellent weapon systems at competitive prices. For example, Chinese media outlets reported that Saudi Arabia spent $4 billion on weapons at a security expo in Zhuhai last month. They reported earlier this year that China would establish a factory in the Kingdom to produce advanced UAVs, and that it hopes to sell it its new stealth plane after reaching an agreement to supply training/attack light aircraft to the UAE (against the background of the stalled F-35 deal). There has been an increase in reports of Chinese-Arab cooperation in the manufacturing of missiles and laser air defense weapons, cyber, intelligence, and counterterrorism, and even joint activity in the nuclear fuel cycle over the last decade. Such activities demand greater Israeli attention.

Finally, Arab states recognize that the United States remains indispensable in the military-security field. At the same time, they hope that their relationship with China will help their countries' development and stability while also giving them leverage with the US. Far beyond the energy sector or as a byproduct of their relations with the US, China's relations with Middle East countries are becoming increasingly strategic and important in their own right. There is no doubt that the United States is an important part of the story, and senior American officials will continue to insist that their country "isn't going anywhere." Xi's visit demonstrates that the same is true for China. (INSS 18.12)

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* 1. EGYPT: Egypt’s Non-Oil Private Sector Records Two Years of Contraction

[Al-Monitor](https://www.al-monitor.com) reported that Egypt’s non-oil private sector took a severe hit in November due to high inflationary pressures compounded by a recent depreciation of the currency, suffering its sharpest contraction in two and a half years, according to the latest Purchasing Managers Index (PMI).

The survey, compiled by S&P Global, is designed to give a snapshot of operating conditions in the non-oil private sector economy. With the contraction recorded in November, Egypt’s non-oil private sector has now been in the red for two consecutive years. It crossed the line with the worst reading since June 2020 and the quickest fall in activity documented since the beginning of 2017 if the initial phase of the COVID-19 pandemic, marked by the lockdown, is set aside.

The contraction captured by the PMI comes in spite of Egypt’s Ministry of Planning and Economic Development’s 28 November announcement of 4.4% economic growth in the first quarter of the current fiscal year, which began in July. Despite the private sector stalling in the contractionary territory since November 2020, the government still sticks to a 5% growth projection for this fiscal course, revealing a broad discrepancy.

 “All economies go through stages, and in the case of Egypt it has gone through the most significant changes and stresses for over a decade." Angus Blair, CEO of the Signet Institute, told Al-Monitor. "When you consider that this was very much an economy controlled by the state," he argued, evolving into the semi-private sector has involved "very significant stresses, economically, that haven’t really been handled well.”

The latest PMI for the country’s non-oil private sector recorded a drop from 47.7 points in October to 45.4 in November, well below the 50-point line that separates expansion from contraction. One of the main reasons for this dip was a rapid decrease in business activity, which the panelists surveyed by S&P Global attributed mainly to the output cuts they were forced to make in the wake of accelerated cost hikes and a fall in new orders.

According to the report, 42% of the around 400 surveyed businesses saw their overall costs increase since October, a much higher proportion than the 14% that saw a concurrent rise in selling prices. In parallel, the decline in new orders is seen as a result of customer spending cuts mainly caused by rapid inflation and high interest rates. The study also identifies the sharp depreciation of the Egyptian pound against the dollar at the end of October, which pushed purchase-price inflation to a 52-month high, as one of the key factors behind the hit recorded in November. “The pound’s depreciation against the US dollar led to a marked increase in prices paid for raw materials, which have already been exacerbated by import restrictions since early 2022,” David Owen, an economist at S&P Global Market Intelligence, was quoted as saying.

On the purchasing side, the survey states that rising import costs and falling new orders prompted businesses to rapidly cut input buying levels in November, with some companies turning to old stocks to meet demand. Supplies were also said to have been hampered by a renewed lengthening of delivery times.

On a more positive note, the companies surveyed reported expanding their workforces in November for the fourth time in five months and also recorded a slight increase in wages. Business confidence recovered slightly from the low levels registered in October as well, although concerns persist about factors such as high inflation, interest rates, currency volatility and the global economic slowdown. “While the latest foreign exchange move signals a further rise in inflation in November, it is hoped that slowing demand and falling commodity prices will start to alleviate price pressures in the medium to long term,” Owen wrote.

Although the scope of the PMI is somewhat limited, the index is seen by many experts and observers as revealing of the state of Egypt’s private sector. “The PMI is a survey of senior executives at selected private sector companies in the non-oil sector. Given that the private sector still accounts for a small portion of the overall economy, the survey results might not capture growth stemming from the public sector,” Callee Davis, an economist at Oxford Economics Africa, told Al-Monitor. “This means the PMI results might not always be extendible to the entire economy. But they still provide useful insights into the current business operating conditions,” she said.

Charles Robertson, global chief economist at the frontier investment bank Renaissance Capital, believes that one of the main underlying factors that explain why Egypt’s non-oil private sector has been in contraction territory for two years in a row is related to the nature of the country’s economic growth.

“Much of Egypt’s growth has come via investments in the energy sector or government’s investments in infrastructure. If you take a sample of like 100 companies in a PMI survey, relatively few are likely to be benefiting directly from growth in these two sectors. They will instead be more focused on the unhelpful impact of interest rates, the limited bank lending and wages growth — which together would explain a negative PMI,” he said. “In brief, many Egyptian companies will not be getting a benefit from growth led by the energy sector and government spending on infrastructure,” Robertson concluded. (Al-Monitor 14.12)

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* 1. EGYPT: IMF Approves 46 Month $3 Billion Extended Arrangement for Egypt

On 16 December, the Executive Board of the [International Monetary Fund (IMF)](http://www.imf.org/) approved a 46 month arrangement under the Extended Fund Facility (EFF) for Egypt in an amount of SDR 2,350.17 million (equivalent to 115.4% of quota or about $3 billion). The Executive Board’s decision enables an immediate disbursement of SDR 261.13 million (equivalent to about $ 347 million), which will help meet the balance of payments need and provide support to the budget. Over the course of the program, the EFF is expected to catalyze additional financing of about $14 billion from Egypt’s international and regional partners, including new financing from GCC countries and other partners through the ongoing divestment of state-owned assets as well as traditional forms of financing from multilateral and bilateral creditors.

The authorities’ economic program supported by the EFF arrangement envisages the implementation of a comprehensive policy package to preserve macroeconomic stability, restore buffers and pave the way for sustainable, inclusive and private-sector-led growth. Specifically, the package includes (i) a permanent shift to a flexible exchange rate regime to increase resilience against external shocks and to rebuild external buffers; (ii) monetary policy aimed at gradually reducing inflation in line with the central bank’s targets together with strengthening policy transmission, including by transitioning away from subsidizing lending schemes, (iii) fiscal consolidation and debt management to ensure downward trajectory in public-debt-to-GDP and contain gross financing needs, while increasing social spending and strengthening social safety net to protect the vulnerable, and managing national investment projects in a manner consistent with external sustainability and economic stability; and (iv) wide-ranging structural reforms to reduce the state footprint, level the playing field across all economic agents, facilitate private-sector-led growth, and strengthen governance and transparency in the public sector.

The authorities have also requested access under the Resilience and Sustainability Facility (RSF), which could provide up to an additional SDR 1 billion to support climate-related policy goals. Discussions are expected to take place in the context of future EFF reviews.

Following the Executive Board discussion, Ms. Kristalina Georgieva, Managing Director and Chairman of the Board, made the following statement:

“Egypt showed resilience to the COVID-19 crisis, supported by previous Fund-supported programs. While economic recovery gained momentum in 2021, imbalances also started building amidst a stable exchange rate, high public debt, and delayed structural reforms. Russia’s war in Ukraine crystallized these pre-existing vulnerabilities, triggering capital outflows, and, in the context of a still-stabilized exchange rate, reduced the central bank’s foreign reserves and banks’ net foreign assets and widened the exchange rate misalignment.

“The authorities’ recent commitment to a durable shift to a flexible exchange rate regime and to unwind prior policy distortions, supported by an upfront monetary policy tightening and further enhancements to the social safety net, are welcome steps.

“The authorities’ economic program supported by the 46 month EFF arrangement provides a credible policy package to reduce imbalances, maintain macroeconomic stability, restore buffers and improve resilience against shocks, and pave the way for private-sector-led growth. A permanent shift to a flexible exchange rate regime will help mitigate external shocks and prevent imbalances from re-emerging and allow monetary policy to focus on maintaining price stability. Fiscal consolidation will ensure medium-term debt sustainability, while expansion of social spending will help alleviate poverty and protect the vulnerable. Structural reforms will reduce the state footprint and level the playing field between the public and private sector, strengthen private-sector-led growth, and enhance governance and transparency. The EFF will fill part of the financing gap with implementation of the underlying policy package unlocking substantial additional financing from Egypt’s partners, including financing in the form of investments.

“Given the heightened uncertainty and risks to the global economic outlook, the authorities’ commitment to stay the course on exchange rate flexibility, prudent macroeconomic policies, and structural reforms is critical. Their strong ownership and track record under previous Fund-supported programs and political support for the policy package are important risk mitigating factors to achieving the objectives of the Fund-supported program.” (IMF 16.12)

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* 1. EGYPT: Egypt's Academic Year of 2022 Had its Ups and Downs

[Enterprise](https://enterprise.press/) reported that with the worst of COVID-19 behind it, 2022 should have been smoother for education — but there were new forces to reckon with. With rising inflation and two EGP devaluations throughout the calendar year, coupled with several sector-wide shakeups and policy shifts, the education sector’s first academic year without COVID lockdowns was not exactly uneventful. Education providers and parents alike faced cost pressures, while a changing of the guard at the ministry leaves questions about the fate of policy directions. Still, the sector remains ripe for innovation and investments in new segments, and we’ve seen serious growth in alternative educational institutions, such as nonprofit universities.

The academic year got off to an eventful start when Tarek Shawki was replaced as education minister by Reda Hegazy, who was formerly the deputy education minister for teachers’ affairs, in a wide-ranging cabinet shuffle in August. Shawki ran headlong into wide opposition from teachers and parents over his bold education reforms — known as Education 2.0 — that many of us thought were very much what the doctor ordered. Shawki’s departure from the ministry left question marks on the fate of his ambitious policy program, although we haven’t seen any concrete indications

Proposed amendments to the Education Law also received heavy condemnation from MPs and were rejected by the House Education Committee on the basis that they were unconstitutional in February. The bill outlined plans to ban parents from accessing public services and awarding fines of between EGP 500-1,000 if their children miss a week of school without sufficient reason.

**The perennial problem of tutoring centers:** After the Tax Authority scrapped plans to tax the centers in November 2021 (following significant backlash), Hegazy spoke to the House of Representatives of the need for licensing regulation in the industry. The centers remain part of the informal economy, ungoverned by legislation and receiving little oversight. Last month, Hegazy walked back on proposals to start licensing private tutoring centers following backlash, with many worrying that licensed private tutoring centers would replace schools as a main venue for education and teaching.

**There were also policy changes in higher education:** In June, the Higher Education Ministry’s Supreme Council of Private Universities scrapped the Tansik-style system for private and nonprofit university admissions, a little over a year after its introduction.

The system allocated students to universities based on their final grade, superseding choices made by the students or universities, worrying universities that they might not reach their student target numbers. The trial appears to have failed, leading ministers to change the admissions process and replacing it with a system similar to that of the UK’s UCAS platform, which acts as an administrative centralized admissions system, without the additional regulatory element.

The new system will allow students to apply to the university of their choice through the university website and the university will be responsible for registering the application on the portal. The portal will have a mirroring system, allowing the Supreme Council to see applications as they are submitted and maintain track of how they are processed — ensuring a transparent process that strikes a healthy balance between oversight and flexibility for both sides.

Amendments to the Private and Nonprofit Universities Act the government put forth towards the end of 2020 to encourage state universities to establish nonprofit universities began to bear fruit this year, after the House of Representatives signed off on them last year. There were several new nonprofit universities in the pipeline in 2022, with 12 beginning operations this academic year, Higher Education Minister Khaled Abdel Ghaffar previously said. Fees and tuition for the new universities would be equal to the cost of the educational service, Abdel Ghaffar reportedly said. For the NPs by partnering with public universities they would be financially supported by transfer from the public universities surplus operating budget.

**Why nonprofit?** The new universities are being positioned to directly compete with their fully private and nonprofit counterparts and charge competitive prices. The appearance of (additional) nonprofit universities in the education sector will expand the offering of high quality education choices and accommodate an ever growing student population.

The new nonprofit universities are being set up in Alexandria, Assiut, Menoufia, and Ismailia, among other governorates, with the aim to provide quality higher education outside of typical urban hubs. Not only will the new nonprofits expand the market offering of quality and affordable higher education options outside of Cairo, there is a demand for new educational programs needed to meet the needs of the labor market that these institutions could help to address. (Enterprise 19.12)

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* 1. TUNISIA: Fitch Upgrades Tunisia to 'CCC+' & Removes it from UCO

On 1 December, [Fitch Ratings](http://www.fitchratings.com) upgraded Tunisia's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'CCC+' from 'CCC'. Fitch typically does not assign Outlooks to sovereigns with a rating of 'CCC+' or below. Fitch has removed the Long-Term IDRs from Under Criteria Observation (UCO).

**Key Rating Drivers**

**Easing Government Liquidity Risk, Reforms Anchored:** The upgrade to 'CCC+' reflects Fitch's view that the Staff Level Agreement reached with the IMF for a new 48-month $1.9 billion Extended Fund Facility (EFF) will unlock large amounts of official creditor funding and support fiscal consolidation, despite uncertainty about continued adherence to the program. The IMF program aims to address Tunisia's main structural weaknesses (through revenue mobilization, control of the public wage bill, subsidies and public sector enterprise (SOEs) reforms) and will not require debt restructuring. Approval of the program by the IMF Board and indications of strong compliance could further support Tunisia's credit profile.

**Government Funding Needs Likely Covered:** We forecast government financing needs to reach 16.4% of GDP and 16.8% of GDP in 2022 and 2023, respectively, pushed up by the large additional spending to absorb the shock from the war in Ukraine and external debt maturities of $1.4 billion and $2.0 billion, respectively. According to the authorities, about $1.3 billion financing from Saudi Arabia, Abu Dhabi and Afreximbank are at the final negotiations stage, which together with the first IMF instalment would close the funding gap for 2022. Tunisia is negotiating another $1.8 billion financing, mostly from the GCC, which on top of planned disbursements from the IMF, multilateral and western bilateral creditors (around $2.4 billion) - unlocked with the IMF agreement - and domestic market funding would cover budget and external funding needs in 2023.

While the funding plan provides some visibility of Tunisia's ability to face upcoming external debt service obligations, financing pressures could reappear if Tunisia deviates from the IMF program objectives, endangering further disbursements, or if commodity prices stay above our forecast, especially as Tunisia will face a peak of external debt maturities in 2024 (around $2.6 billion, including €850 million Eurobonds).

**Fiscal Consolidation Driven by Reforms:** We expect the general government deficit to decline to 5.6% of GDP in 2023 and 3.8% of GDP in 2024 from 7.3% in 2022, with lower commodity prices and reform implementation. We expect planned tax measures will maintain fiscal revenue in the range of 25%-26% of GDP, from a 22.5% average in the past five years. The wage deal signed with the main union, UGTT, in September limits growth of the wage bill to 5.5% per year over the next three years, implying a decline in real terms. However, the resulting savings will be largely offset by increasing interest costs. Subsidy and SOE reforms will be required in order to improve Tunisia's structural deficit. The planned phasing out of fuel subsidies in 2023 will be key to Tunisia's fiscal consolidation.

**Political Transition Poses Risks:** Parliamentary elections will be held on 17 December. After more than a year of political ruling without a parliament, the elections could bring more stability in a new presidential regime with a streamlined legislative process. However, several opposition parties announced they will boycott the elections, in response to the new electoral law passed by decree. This could lead to social unrest fueled by inflation and high unemployment.

While we expect the wage agreement to hold in 2023 and plausibly beyond, social pressures and UGTT opposition could also derail planned essential products subsidy and SOE reforms that are key parts of the IMF program. Historically, adherence to IMF programs has been weak and it is still unclear whether this has changed as the need for reforms has become more widely accepted and the political environment is changing.

**External Liquidity Pressures Remain:** We forecast the current account deficit will materially widen to 9.3% of GDP in 2022 from 6.0% of GDP in 2021 on the back of Tunisia's large net importer position for commodities exposed to the war in Ukraine. We expect the current account deficit to remain high at 7.5% of GDP in 2023 as low growth in Europe, the main destination for exports, and strong dollar will offset the moderate decrease in commodity prices, before recovering to 6.9% of GDP in 2024.

External debt amortization of 4.4% of GDP in 2023 and 5.2% of GDP in 2024 will add to the external financing pressures. In our view, failure to obtain planned external funding would significantly add to the balance of payment pressures and pose a risk to the stock of foreign-exchange reserves (at 98 days of imports in November) and ultimately the currency. Tunisia's debt is highly exposed to exchange rate shocks. A 10% depreciation of the currency would increase debt by about 5% of GDP.

**Inflation to Remain Elevated:** Inflation has risen throughout 2022 to reach 9.2% in October. We forecast average inflation to reach 10.2% in 2023, pushed up by fuel price increases under the IMF program. Monetary policy tightening has been moderate, with an expected cumulative rate increase of 100bp in 2022. We believe the large macro imbalances and high leverage of private companies limit the room for maneuver of monetary policy. However, further small-scale rate increases are probable in 2023.

**Unfavorable Growth Prospects:** We expect GDP growth to remain limited at 2.4% in 2022 and to slowdown materially to 1.6% in 2023 as a result of high inflation, unfavorable policy mix in the short term to resolve large macro imbalances, and the impact from the growth shocks in Europe. We expect growth to remain low in the 2.0-2.5% range in the medium term, as barriers to competition remain elevated and constitute a major hurdle to private sector growth. A set of measures have been identified by the authorities to reduce administrative rigidity, but implementation and impact on macroeconomic outcomes remain uncertain.

**RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to negative rating action/downgrade:

* Public Finances: Failure to obtain planned external funding, resulting in increased financing stress, for example because of a significant deviation from the reform agenda endangering the IMF program.
* External Accounts: Wider current account deficits or other unexpected external funding needs putting pressure on FX reserves and external debt sustainability.
* Factors that could, individually or collectively, lead to positive rating action/upgrade:
* Public Finances: Continued commitment to reform implementation supporting IMF program performance and funding.
* External Account: Contained risk on the FX reserves and the currency for example from significantly lower current account deficits or increased buffers to meet large upcoming external debt maturities.
* Sovereign Rating Model (SRM) and Qualitative Overlay (QO)

Fitch's proprietary SRM assigns Tunisia a score equivalent to a rating of 'B+' on the Long-Term Foreign-Currency IDR scale. However, in accordance with its rating criteria, Fitch's sovereign rating committee has not utilized the SRM and QO to explain the ratings in this instance. Ratings of 'CCC+' and below are instead guided by the rating definitions.

Fitch's SRM is the agency's proprietary multiple regression rating model that employs 18 variables based on three-year centered averages, including one year of forecasts, to produce a score equivalent to a LT FC IDR. Fitch's QO is a forward-looking qualitative framework designed to allow for adjustment to the SRM output to assign the final rating, reflecting factors within our criteria that are not fully quantifiable and/or not fully reflected in the SRM.

**Best/Worst Case Rating Scenario**

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. (Fitch 01.12)

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* 1. TURKEY: Turkey’s Economic Growth Loses Steam as Elections Near

[Al-Monitor](https://www.al-monitor.com) reported on 16 December that Turkey’s economic growth — a goal that President Erdogan has adamantly pursued at the expense of an inflation storm — is running out of steam ahead of crucial elections next year, lead indicators show.

The country’s industrial output, the backbone of economic growth, has lost pace since July and expanded by a relatively modest 2.5% in October from the same month last year, according to the official data. In some major industries, production contracted. In the mining and energy generation sectors, for instance, it shrank by 7.4% and 4.8% year-on-year, respectively.

This and other lead indicators signal that growth has sharply slowed in the fourth quarter, meaning a growing risk that the economy might begin to stagnate ahead of the presidential and parliamentary polls due by June 2023.

There are also signs of a slowdown in the foreign trade data. The country’s exports were worth $21.3 billion in October, decreasing by $1.3 billion from September. The European Union, the main market of Turkish exporters, has been grappling with double-digit inflation that has curbed the demand for imports. Turkish exporters have yet to find alternative markets to make up for the sagging European demand. Furthermore, restrictions on how exporters use their hard-currency earnings, enforced by Ankara to prop up the embattled Turkish lira, appear to have dampened their motivation.

Amid economic uncertainties fueled by Ankara’s moves to suppress exchange rates and a series of unorthodox rate cuts by the central bank, the appetite for investment has also declined. Investments dropped 1.3% in the third quarter, with the downtick expected to have continued in Q4. The Turkish economy’s full-year growth is projected at 5% — both by Ankara and the International Monetary Fund — but the rate is increasingly likely to reach only about 4%.

Erdogan has relentlessly promoted growth since last year. Heeding the president’s pressure, the central bank began to cut its policy rate in September 2021 at the expense of fanning inflation, which stood at 19.5% at the time. The economy grew a spectacular 11.4% in 2021, driven by pent-up demand after the removal of pandemic restrictions, while inflation soared to 36% by the year end. The surge in prices continued in 2022, with annual inflation peaking to 85.5% in October.

Cooling the economy is the conventional way to rein in inflation, but Erdogan has insisted on growth, hoping that a lively economy will better serve his political fortunes. The central bank’s rate cuts have totaled 10% since September 2021, with its policy rate now standing at 9%.

Economic growth in the first two quarters relied heavily on domestic demand as the surging inflation sent consumers rushing to buy durable goods and stock up on food before prices increased further. Among the well-off, many invested in cars and homes to protect the value of their money against inflation. As a result, gross domestic product grew 7.7% in the first quarter and 7.5% in the second one. The third quarter, however, saw the first signs of fatigue, with the growth rate dropping to 3.9%.

Household consumption and exports remained the main drivers of growth in the third quarter, while the impact of stocks and investments was negative. Yet, the boosting effect of household consumption and exports is unlikely to remain as strong down the road. For one, the post-pandemic demand and the rush for goods against inflation appear to be coming to an end. The demand for imports, meanwhile, is expected to rise due to the relative stability of foreign exchange prices, which owes much to the foreign currency inflows from “friendly countries” that Ankara has sought to increase in recent months.

It remains unclear how Erdogan will respond to the slowing economic growth in the run-up to the elections, and whether he will roll out pay hikes to minimum-wage earners, public servants and pensioners by the year end, or follow up with cheap consumer loans to stoke demand. The opposition — standing its strongest chance yet to end Erdogan’s two-decade rule — is probably reckoning that he would go to any lengths, braving any economic and political costs. (Al-Monitor 16.12)

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