

**The FORTNIGHTLY**

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

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* 1. Cypriot Delegation Visits Israel as Part of Efforts to Build a Regional Alliance

On 11 May, Israeli Prime Minister Netanyahu met with Cypriot President Christodoulídis at the Prime Minister's Office in Jerusalem. The two leaders met face-to-face first, before later taking part in a meeting that included other officials.

Christodoulídis noted that he came to Israel only two months after taking office, despite the terrorist attacks on Israel, which he strongly condemned. The Cypriot ministers of foreign affairs and energy, trade and industry, and the ambassadors of both countries also attended the meeting. He wanted to send a clear and unambiguous message about the strategic nature of their excellent relations and to see how Cyprus can further strengthen them, the Cypriot president said, speaking directly to PM Netanyahu, pointing out that he enjoyed talking to him about regional developments and how they can work together for a stable future.

During his meeting with President Christodoulides, Prime Minister Netanyahu discussed building a pipeline to transport Israel’s natural gas reserves to an LNG plant that will be constructed in Cyprus and then sent to Europe. The two leaders also agreed to continue developing the tripartite alliance with Greece. The Prime Minister said that Europe needs natural gas, and his country intends to provide the European market with good quality natural gas at competitive prices. He said the new energy collaboration with Cyprus will strengthen Israel’s position in the international market as an energy provider.

Cypriot Energy Minister Papanastasiou said he would travel to Israel soon to discuss the project details. Papanastasiou, who accompanied Christodoulides during his recent visit to Israel, said that deliberations are underway to return to Israel. He added that Nicosia had submitted the pipeline proposal to Israel. Papanastasiou said that following the political decision and the expression of interest by private companies, it could take over two years for liquefaction while the pipeline could be built in 18 months. (Various 11.05)

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* 1. Israel & Montenegro Sign Defense Exports Agreement Worth Some €20 Million

[Elbit Systems](https://elbitsystems.com) announced that it was awarded a contract valued at approximately €20 million, as part of a defense export agreement signed between the Israel and Montenegro Ministries of Defense to acquire Elbit Systems-made weapons including mortar munition systems and training equipment. Director General of the Israel Ministry of Defense, Maj. Gen. (Res.) Eyal Zamir, approved the government-to-government (GTG) agreement between the ministries, the third between the countries in recent years.

Director of SIBAT in the Israel Ministry of Defense, Brig. Gen. (Res.) Yair Kulas and Director of Logistics in the Montenegro Ministry of Defence, Col. Vladan Martic, signed the agreement in a ceremony held at the IMoD HQ in Tel Aviv. As part of the contract, Elbit Systems will supply 120mm mortar munition systems that can be mounted on 4×4 armored vehicles as well as the training of soldiers and officers at the Elbit-IMI Academy in Israel. (Elbit 15.05)

ISRAEL MARKET & BUSINESS NEWS

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* 1. 8fig Raises $140 Million in Series B Funding to Boost E-Commerce Businesses

8fig secured $140 million in funding at the close of our Series B funding round in April 2023. 8fig’s total funding to date is now $196.5 million. The funding round, led by Koch Disruptive Technologies (KDT), included additional participation from existing investors Battery Ventures, Localglobe, Hetz Ventures, the Jesselson family and Silicon Valley Bank, a division of First Citizens Bank.

With the completion of this latest round of funding, 8fig now has the financial freedom to continue to invest in small to medium sized eCommerce businesses during a time when many online sellers are facing cash flow crunches. The global economy is facing obstacles of its own, and many eCommerce sellers find themselves without the financial support and resources they need to compete in today’s economic climate.

Tel Aviv's [8fig](https://www.8fig.co/) provides a comprehensive solution to this widespread challenge. Their unique AI CFO technology, which was recently featured in TechCrunch, provides fast, continuous funding as well as serious financial tools for supply chain management, financial planning, and even freight and logistics coordination. Through their tried and tested strategy that combines high level financial management and funding, 8fig has helped countless eCommerce sellers reach their growth goals. (8fig 09.05)

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* 1. UVeye Gets $100 Million for the World’s First AI-Driven Solution to Inspect Vehicles

UVeye completed its Series D investment round with a $100 million investment, led by Hanaco VC and InFarm. Existing investors – GM Ventures, CarMax, W.R. Berkley Corporation, F.I.T. Ventures L.P., and Israeli institutional investors, also participated in the round. With this round, the total funding raised by UVeye accounts for $200 million in investment capital and formed strategic partnerships with numerous automakers, dealership groups and used-car auctions.

The fresh funds will be used to start the production of UVeye inspection systems in North America, support further sales growth in the US, and fuel new-market expansion efforts. Currently, the company has facilities in North America, Europe and Asia, including offices in Israel, Japan, Germany and the US.

Co-founded in 2016, Tel Aviv's [UVeye](https://www.uveye.com/) brings vehicle inspections into the digital age for the security and automotive sectors with artificial intelligence. With its innovative products, UVeye has set the future standard of vehicle inspection. The company provides high-end solutions for automatic external inspection of vehicles, using advanced technologies – proprietary hardware combined with machine learning and computer-vision algorithms. (UVeye 10.05)

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* 1. Israel Aerospace Buys Greece's Intracom Defense

On 9 May, [Israel Aerospace](https://www.iai.co.il/) signed a deal to acquire Intracom Defense (IDE), Greece’s leading technology defense company. IDE specializes in the production of missile launchers, missile subsystems, land and sea tactical communications, hybrid generation, and more. The company is active in Greece and other NATO countries and has defense collaborations with leading companies in the US and Europe. IDE as a Greek entity will be integrated into IAI’s business activities in Greece and Europe, while providing solutions to the challenges faced by the continent’s countries.

After completion of the acquisition, the company’s Greek customers will continue to benefit from the company’s independence, as well as a larger and more widely deployed range of services for new markets. This includes the most advanced air defense systems which are in great demand through the world. Greece will enjoy the advantages of local industry involvement in upcoming Greek projects in worldwide defense-related procurement programs, and in the positioning of the Greek company as a leader in its field.

IAI conducts a wide range of collaborative activities throughout Europe, supplying advanced and operationally-proven systems for marine, land, air, and space use. Greece will enjoy the advantages of local industry involvement in future Greek projects in worldwide defense-related procurement programs, and in the positioning of the Greek company as a leader in its field. (IAI 09.05)

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* 1. Israel’s NewMed Energy and Partners Begin Drilling at Aphrodite Gas Field Off of Cyprus

Partners in the Aphrodite natural gas field, which include Israel’s NewMed Energy, announced that they have started drilling an appraisal well at the field offshore Cyprus. NewMed Energy, which owns a 30% stake in the Aphrodite field said drilling the appraisal well is expected to take about three months. Other partners in the Aphrodite gas field, which holds an estimated 124 billion cubic meters of gas, are US firms Chevron and Shell, who each own a 35% share.

Discovered in 2011, the Aphrodite natural gas field is located about 170 kilometers (some 105 miles) south of Limassol in Cyprus and 30 kilometers (some 18 miles) northwest of Israel’s Leviathan gas reservoir, one of the world’s largest deep-water gas discoveries. Earlier this year, partners in the Leviathan field — NewMed Energy, Chevron and Ratio Oil Corp — announced plans to boost annual gas production and exports in 2025 to meet growing demand. Currently, a maximum capacity of up to 1.2 billion cubic feet of natural gas per day, or 12 billion cubic meters per year, is piped up from the Leviathan reservoir for the supply and sale of gas to Israel, Egypt and Jordan.

NewMed Energy said that that the appraisal well is drilled to confirm assessments regarding the nature and size of the Aphrodite gas deposit, currently estimated at 4.4 trillion cubic feet and marks a “significant step” towards its development. The well is expected to serve as a production well following the completion of the development of the reservoir. Total cost of the development plan, including the cost of installation of the pipelines to target markets, is estimated at about $3.6 billion. (ITD 07.05)

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* 1. FuriosaAI Enhances AI Chips with proteanTecs’ Deep Data Analytics

proteanTecs announced that Seoul, South Korea's FuriosaAI has selected their deep data analytics solutions to ensure performance and field reliability of their cutting-edge inference chips. FuriosaAI will use proteanTecs’ technology in their next-generation AI accelerators targeted at hyperscale data centers. proteanTecs is strategically building up its local team in South Korea to support its customers, including FuriosaAI.

Haifa's [proteanTecs](http://www.proteanTecs.com) provides deep data analytics for advanced electronics monitoring. Trusted by global leaders in the datacenter, automotive, communications and mobile markets, the company provides system health and performance monitoring, from production to the field. By applying machine learning to novel data created by on-chip monitors, the company's deep data analytics solutions deliver unparalleled visibility and actionable insights—leading to new levels of quality and reliability. (proteanTecs 09.05)

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* 1. Ravin AI Gets IAG Firemark Ventures Investment for AI-Powered Vehicle Inspection

Ravin AI secured its first Australian Investment from Firemark Ventures, the corporate venture capital arm of IAG, the largest insurer in Australia and New Zealand. Ravin's platform is designed to improve the accuracy of vehicle assessments, reducing operational costs and improving customer trust by providing more transparent repair quotes. IAG's investment also reflects Ravin's wider market penetration strategy into the APAC region.

Haifa's [Ravin AI](https://www.ravin.ai/) is an international provider of automated artificial intelligence solutions for vehicle inspections serving diverse fleet, insurance, and remarketing customers around the world. Unlike other marketplace solutions, Ravin does not require its customers to purchase or install dedicated hardware but rather uses mobile and CCTV cameras. Ravin AI was founded in 2018 and has raised $30 million to date from investors including KAR Global (owner of ADESA auctions, AutoVIN inspection and more), PICO Venture Partners, FM Capital and Shell Ventures. (Ravin AI 10.05)

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* 1. Tipalti Secures $150 Million in Growth Financing

Tipalti has raised $150 million in incremental growth financing from JPMorgan Chase Bank and Hercules Capital. Coming on the heels of a $270 million Series F in 2021 that brought the company’s total funding to over $550 million, this latest raise will enable Tipalti to further invest in product innovation and supporting its customers.

With transactions soaring by 50% in 2022 to a total annualized payments volume of $43 billion, Tipalti’s cloud-based platform automates the entire accounts payable process, making it easy for its more than 3,000 mid-market customers to pay suppliers across over 196 countries. With the support from these new partners, Tipalti will be able to help even more companies that need to manage complex payables operations at scale. This transaction also extends the relationship between JPMorgan Chase Bank and Tipalti. Since 2016, JPMorgan Chase Bank has served as one of the three major global banks Tipalti uses to route billions of dollars' worth of supplier payments each month on behalf of its customers.

Tel Aviv's [Tipalti](tipalti.com) is the only company handling both Global Partner Payments and Accounts Payable workflows for high-velocity companies across the entire financial operations cycle: onboarding and managing global suppliers, instituting procurement controls, streamlining invoice processing and approvals, executing payments around the world and reconciling payables data across a multi-subsidiary finance organization. Tipalti enables companies to scale quickly by making payables strategic with operational, compliance, and financial controls. (Tipalti 15.05)

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* 1. AnD Ventures Closes its First Fund at $70 Million

Early-stage venture capital firm AnD Ventures recently closed its first fund at $70 million. The fund, which supports Israeli-based founders, has already invested into 11 companies, including Connected Insurance, Onebeat, InfiniGrow, OviO, Novacy, VineSight, Queue, Ludeo, Fincom and Astrid Entertainment.

AnD Ventures said that the fund’s initial target was $50 million, but that the sum was increased due to demand. Investors in the fund include U.S.-based VC fund managers, private equity and hedge fund managers, and other LPs representing numerous industries. AnD supports Pre-Seed ventures through its Studio model and Seed companies through its fund. Investments generally range from $100,000 - $200,000 for AnD’s studio investments and $1-3 million for fund investments.

Tel Aviv's [AnD Studio](https://www.and-ventures.com/) is currently launching its program '200 in 30 days’' which commits to investing up to $200,000 in companies within one month through uncapped Safe. AnD Studio does not place a valuation on its studio companies, aiming to eliminate the typical stresses associated with raising capital and altering valuations. (AnD Ventures 11.05)

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* 1. SWAPP Raises $11.5 Million in a Series A Round to Help Architects with AI Platform

SWAPP announced the closing of a $11.5 million Series A funding round. With this funding, the company has raised a total of $18.5 million since it was founded. The Series A round was led by Eurazeo, a global investment firm, and included participation from existing investor Entrée Capital. New investors joining the round included Activum SG Ventures, the venture investing arm of European real estate private equity fund, Activum SG, and XTX Ventures, the investment arm of leading algorithmic trading company XTX Markets.

Tel Aviv's [SWAPP](https://www.swapp.ai/)’s platform automates the most cumbersome and error-prone architectural planning phase: the production of construction documents (CD). The startup’s AI driven platform streamlines the creation and management of architectural construction documents, enabling architects to save time and resources while maintaining high-quality output. SWAPP clients benefit from completing multiple projects simultaneously at a high speed and focusing more on creative planning and less on tedious repetitive manual labor. (SWAPP 17.05)

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* 1. CryptoHub Raises $6 Million Led by Tectona at a $30 Million Valuation

CryptoHub has raised $6 million, with $3 million being invested by Tectona. CryptoHub, whose first project is CoinScan.com, where it develops a platform for displaying trading information in real time and provides resources for traders to perform analysis and research, is being valued at $30 million post-money in the round, with Tectona and Gilat to hold about 10% of the total shares in full dilution.

Tectona is the only company traded on the Tel Aviv Stock Exchange that focuses its activities on the adoption of blockchain technologies. Despite the events of the past year, Tectona managed to minimize its exposure and maintained liquidity.

Established in November 2021, Tel Aviv's [CryptoHub](https://www.coinscan.com/) offers a variety of high-quality, one-of-kind crypto trading tools and innovations to improve the average crypto trader's experience and safety when trading crypto. At CryptoHub, traders can utilize resources, including a tool that performs sophisticated data analysis of every token on the blockchain, a smart contract builder, and launchpads. (CryptoHub 15.05)

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* 1. Entro Raises $6 Million for First End-to-End Secrets Security & Management Solution

Entro announced $6 million in seed funding led by StageOne Ventures and Hyperwise Ventures. Angel investors include Rakesh Loonkar, founder of Trusteer and Transmit Security, Mickey Boodaei, founder of Imperva, Trusteer and Transmit Security, and Amichai Shulman, founder of Imperva and AirEye.

A game changer in the secrets management and protection vertical, Entro is the first and only holistic secrets security platform that detects, safeguards and provides context for secrets stored across vaults, source code, collaboration tools, cloud environments and SaaS platforms. Entro was designed specifically for CISOs and security teams, providing them with full oversight and the ability to govern any secret from a single pane of glass, integrating into all places in which secrets can be found.

In addition to safeguarding cloud services and data from secret-based breaches, Entro helps organizations meet regulations like SOC 2 that require secrets protection such as rotation, which the platform easily enables. Entro acts as a non-inline layer. With this frictionless and agentless approach, organizations can integrate and get full secrets protection in minutes without any R&D team onboarding. It seamlessly integrates with R&D teams’ workflows and empowers organizations to use their preferred tools, without sacrificing security or development time and effort.

Tel Aviv's [Entro Security](https://entro.security/‎) is a revolutionary cyber holistic security platform that offers end-to-end protection for secrets and programmatic access to cloud services and data. With Entro, cybersecurity professionals enjoy comprehensive oversight, ensuring uncompromised protection for their organizations. (Entro 17.05)

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* 1. Australia's Aristocrat to Acquire NeoGames for Some $1 Billion

Aristocrat Leisure Limited announced the proposed acquisition of 100% of NeoGames for a cash price of $29.50 per share, pursuant to a Business Combination Agreement. The transaction values NeoGames’ fully diluted equity at approximately $1 billion. This represents a premium of approximately 104% to the 3-month volume weighted average price of NeoGames shares for the period ended May 2023 and implies an enterprise value of $1.2 billion. Completion of the Acquisition is subject to, among other things, NeoGames shareholder approval and certain regulatory approvals.

Tel Aviv's [NeoGames](https://neogames.com/) is a global leader in content and technology solutions for the online RMG industry. Their full-service suite includes content, proprietary technology platforms and a range of value-added services across iLottery, iGaming and Online Sports Betting. NeoGames has around 1,100 staff and more than 200 customers across more than 50 regulated markets.

Aristocrat believes that the Acquisition will accelerate Aristocrat’s growth strategy and deliver strategic benefits, including positioning Aristocrat with global scale and capability immediately in the growing ~$81 billion online RMG segment; as well as delivering material and exciting revenue opportunities by offering a complete solution to operators across online RMG verticals and jurisdictions to support growth, combining Aristocrat’s industry leading gaming content, and long-term customer and regulatory relationships with NeoGames’ technology and platforms. (Aristocrat 15.05)

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* 1. IBM to Help Automate Cloud Data Protection with Acquisition of Polar Security

IBM has acquired Polar Security, an innovator in technology that helps companies discover, continuously monitor and secure cloud and software-as-a-service (SaaS) application data – and addresses the growing shadow data problem.

Founded in January 2021, Tel Aviv's [Polar Security](https://www.polar.security) is a pioneer of data security posture management (DSPM) – an emerging cybersecurity segment that reveals where sensitive data is stored, who has access to it, how it’s used, and identifies vulnerabilities with the underlying security posture, including with policies, configurations, or data usage.

An agentless platform that connects within minutes, Polar Security can automatically find unknown and sensitive data across the cloud, including structured and unstructured assets within cloud service providers, SaaS properties, and data lakes. Once discovered, Polar Security classifies the data, maps the potential and actual flow of that data, and identifies vulnerabilities, such as misconfigurations, over-entitlements, and behavior that violates policy or regulations.

IBM plans to integrate Polar Security’s DSPM technology within its Guardium family of leading data security products. With the integration of Polar Security’s DSPM technology, IBM Security Guardium will provide security teams with a data security platform that spans all data types across all storage locations – SaaS, on premise and in public cloud infrastructure. (IBM Software 16.05)

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* 1. Airtouch Solar to Clean Indian Solar Panels Under Major Agreement

In a new $2.5 million agreement between two companies, Airtouch Solar will supply its autonomous and waterless cleaning robots to Adani Green Energy Limited, the leading Indian energy developer. Installation of the robotic systems is expected to be completed by early 2024. The robots use microfiber wipes and wind-blowing technology to remove dirt and soil from solar panels. Airtouch says that the robots will be able to save 80,000 to 100,000 kiloliters of water per megawatt of energy produced annually, in addition to faster cleaning.

Founded in 2016, Beit Shemesh's [Airtouch Solar (Airtouch)](https://airtouchsolar.com/) developed a cutting edge autonomous, water-free robotic PV panel cleaning solutions for utility-scale photovoltaic (PV) installations. Airtouch systems increase solar energy output by up to 30% through automated cleaning routines while reducing operational costs. Enjoy fast assembly, maximum yield and minimal management attention to help boost your Solar PV business. (Airtouch Solar 15.05)

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* 1. Israeli High-Tech & Korea Industry Groups Agree on Cybersecurity Cooperation

The Israeli High-Tech Association signed an agreement with a Korean cybersecurity industry group aimed at fostering ties and encouraging business cooperation between cybersecurity and information security companies in both countries. The MoU was signed during a visit to Israel by a delegation from the Korea Information Security Industry Association (KISIA) and the Israel Hi-Tech Association. Under the agreement, the bodies will facilitate cooperation through mutual visits, seminars and business meetings between companies in both countries in light of the growing global threat of cyberattacks.

The [Israeli High-Tech Association](https://eng.industry.org.il/High-Tech), which is part of the Israel Manufacturers Association, seeks to promote the economic growth of the Israeli high-tech industry. It has more than 300 members, of which 40 are cybersecurity companies. KISIA describes itself as a nonprofit organization dedicated to the growth of the Korean cybersecurity industry and has 300 cybersecurity companies under its umbrella.

The signing of the agreement comes after a free-trade agreement (FTA) between South Korea and Israel to boost bilateral trade and investment came into force in December. The FTA marks the first such pact between Israel and a country in Asia, and eliminates tariffs on goods ranging from cars and medical equipment to lipstick and video games. (Various 11.05)

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* 1. Visual Layer Announces $7 Million in Seed Funding from Madrona & Insight Partners

Tel Aviv's [Visual Layer](https://www.visual-layer.com/) announced $7 million in seed financing from Madrona and Insight Partners to curate the massive sets of visual data used to train, test and fine-tune generative AI models. The endemic problem of images and videos that are incorrectly labeled or are broken, missing, or duplicates means that they degenerate model quality. As these datasets have grown to over 10 billion visual assets, it has become impractical and even impossible to curate them efficiently. Visual Layer addresses this challenge directly through a managed service that curates and "cleans" the data, enabling scientists and ML practitioners to produce higher-quality models and results.

Computer vision researchers know that the quality of AI models is directly a result of the quality of the data on which they are trained. Visual Layer has found that up to 30% of these massive image and video collections, amounting to hundreds of millions of assets, fall into this ‘messy’ category and are skewing models that businesses and organizations are leveraging for products and services, causing downstream headaches, missed opportunities and wasted valuable engineering cycles. (Visual Layer 16.05)

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* 1. Lululemon Opens First Israel Store

Vancouver, British Columbia's Lululemon has opened its first store in Israel at an investment of NIS 10 million. The 550 square meter store is in the Ramat Aviv Mall in north Tel Aviv. Over the next three years, Lululemon plans to open seven more stores in Israel including two more stores in Tel Aviv, and in mid-2024 the retailer will launch an ecommerce website in Israel. Until then Lululemon brand goods can be bought on the Factory54 website, as a virtual shop-in-shop.

The Irani Group, which has been awarded the exclusive franchise for Lululemon in Israel, says that prices of items in Israel will be only 5% higher than in the US. Lululemon, founded in 1998, operates 600 stores worldwide. (Various 17.05)

REGIONAL PRIVATE SECTOR NEWS

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* 1. TWIG Raises a Seven-Figure Pre-Seed Round

TWIG Solutions, a financial technology start-up based out of Dubai International Financial Centre (DIFC), has received an Innovation Testing License (ITL) from the Dubai Financial Services Authority (DFSA), the independent regulator of financial services conducted in or from DIFC. The ITL enables TWIG to test and develop their products and services in a controlled regulatory environment.

In addition to obtaining DFSA’s ITL, TWIG has secured an undisclosed pre-seed round exceeding $1 million, backed by Phoenician VC, MMK Capital, Soul Ventures, regional family offices and some of the region’s most renowned angel investors.

Dubai's [TWIG](https://www.twig.ae/‎) officially launched its transformative platform, bringing a new level of convenience and intelligence to personal finance management. With TWIG, individuals can easily plan, track, save and achieve their financial goals. The platform integrates with existing bank accounts to make the user experience seamless. Additionally, TWIG is collaborating with businesses to embed its innovative personal finance solution into their customer journeys across the globe. This approach to personal finance is set to revolutionize the industry and make managing finances simpler than ever before. (TWIG 10.05)

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* 1. Air Canada & flydubai Partner to Expand Canada's Middle East Footprint

On 17 May, Air Canada and flydubai announced a new partnership to give customers flying between Canada, the Middle East, East Africa, Indian Subcontinent and Southern Asia more convenient travel options. Pending final regulatory approval, Air Canada's marketing code will be placed on nine routes operated from Dubai by flydubai, giving customers the ability to travel to these markets with the issuance of a single ticket. The routes include the Middle Eastern cities of Medina, Dammam, Bahrain, Jeddah and Muscat, as well as flights to Colombo and Karachi on the Indian Subcontinent.

Additionally, through an interline arrangement, customers will be able to seamlessly connect in Dubai to more than 60 destinations that flydubai flies to in the Middle East, East Africa and Southern Asia – including Kathmandu, Djibouti and the Maldives. Of these destinations, more than 30 are unique to flydubai and not flown by other partners of Air Canada. The airlines also plan on further improving the connection process in Dubai, and are working toward introducing expanded features and benefits for one another's loyalty program members to be announced later this year.

Air Canada is Canada's largest airline, the country's flag carrier and a founding member of Star Alliance, the world's most comprehensive air transportation network. From its home in Dubai in the UAE, flydubai has created a network of more than 110 destinations in over 50 countries across the Middle East, Africa, Asia, the Caucasus, Central and South-East Europe, and the Indian Subcontinent. (Air Canada 17.05)

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* 1. Ma’aden Signs Acquisition Agreement Terms with Ivanhoe Electric

Saudi Arabian state-owned mining company Ma’aden has signed a conditional common shares subscription agreement with Vancouver, British Columbia's [Ivanhoe Electric](https://ivanhoeelectric.com/) (IE), a mineral development company, to acquire a 9.9% share of the company. Completion of the agreement will also see Ma’aden establish a JV with IE for mining exploration in Saudi Arabia. The transaction is set to be completed in Q3/23. Their 50-50 JV to explore and develop mining projects in Saudi Arabia, giving Ma’aden access to proprietary technology that will enable it to detect minerals like copper, nickel, gold and silver.

Saudi Arabia is looking to unlock an estimated $1.3 trillion in mineral reserves and aims to become a global hub for the “green metals” needed in the energy transition. The Saudi kingdom says it has large untapped reserves of metals — including copper, zinc, phosphate and gold — and it plans to attract some $32 billion in investments in its mining and mineral sector and award more than a dozen mining exploration licenses to international investors. (Various 15.05)

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* 1. Morocco's UIR & IAI Join Forces to Launch Center for Aeronautics and AI

On 22 May, the International University of Rabat (UIR) and Israel Aerospace Industries (IAI) signed a memorandum of understanding (MoU) aiming to establish a Center of Excellence in Aeronautics and Artificial Intelligence (AI) at the UIR campus. The agreement is a follow-up to an earlier partnership UIR signed with IAI last November aiming to collaborate in the field of applied research, innovation, and transfer of knowledge in the fields of aeronautics, the two institutions said in a statement.

The specific objectives of the Center of Excellence include developing joint research projects, participating in calls for funding innovative projects, and promoting innovation. The center also aims to organize incubation programs and boot camps for startups in the sector, promote networking with other players in the civil aerospace ecosystem, offer internships to students and share resources and know-how.

In parallel with the signing ceremony, the two institutions are set to organize workshops between the UIR research team and IAI aerospace experts. The joint seminars will focus on key areas of mutual interest and are in line with the overall mission of the Center of Excellence. During the workshops, UIR researchers and IAI experts will meet to present the latest advances in their fields of expertise, discuss innovative projects in progress, and share know-how or experiences on emerging and existing technologies, including aeronautics. (MWN 22.05)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. LG Water Solutions Wins Ashdod Desalination Project

Seoul, South Korea's LG Water Solutions has been selected as the exclusive reverse osmosis (RO) membrane supplier for the Ashdod Rehabilitation Project in Israel. The facility is among the five largest desalination plants in Israel, with a production capacity of 336,000 m3/day, accounting for nearly one sixth of the total 600 million m3/year volume of desalinated water produced in the country.

LG Water Solutions will supply LG SW 440 SR G2 membranes to replace all existing seawater RO (SWRO) membranes in the first pass system. Incorporated with its proprietary Thin Film Nanocomposite (TFN) technology, LG NanoH2O RO membranes deliver the industry's highest level of salt rejection. This feature significantly improves the first-pass product quality reducing the flow treated by the second pass, which prolongs the service life of second-pass membranes and reduces overall energy consumption. The membranes are slated to be commissioned by mid-2024.

The winning of this large-scale project signifies LG Water Solutions' rapid expansion in the Mediterranean region. Since 2016, LG Water Solutions have accrued more than 2,000,000 m3/day of SWRO capacity in the area. In Israel alone, NanoH2O elements have retrofitted existing membranes at renowned desalination facilities, including Hadera, Palmachim and Ashkelon. With the installation at Ashdod, NanoH2O RO elements will produce an estimated capacity of 825,000 m3/day in Israel, accounting for more than one-third of the country's total desalination capacity. (LG Chem 18.05)

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* 1. Khalifa University Launches World’s First Solar-Powered Atmospheric Water Generator

Khalifa University of Science and Technology, in partnership with UAE-based atmospheric water generator manufacturer Eshara Water, Swedish energy storage technology company Azelio AB and Masdar City, a sustainable development firm, has launched the world’s first atmospheric water generation system (AWG). This will be powered entirely by solar energy and electrical thermal energy storage.

The technology produces drinking water straight from the air and can supply up to 1,000 liters per day per unit, with plans to increase capacity to 7,500 liters in the near future. The project combines AWG with solar power and thermal energy storage power-on-demand systems for night clean electricity supply. (GB 12.05)

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* 1. Dubai Completes Biogas-to-Energy Project at Warsan Wastewater Treatment Plant

Dubai Municipality has announced the completion of its biogas-to-energy project at its Warsan Wastewater Treatment Plant. The biogas power facility has the capacity to generate 44,250 MWh of electricity annually. The project’s daily power generation capacity of 6MW will cover 50% of the plant’s entire operational needs. The municipality completed the project in partnership with the private sector, in line with the directives of the Dubai Government to foster productive private-sector partnerships.

The project will also contribute to providing sustainable solutions by utilizing alternative energy sources, further reducing annual carbon emissions by 31,000 tonnes, in addition to decreasing the plant’s operational cost by Dhs320m over 25 years. The Warsan Wastewater Treatment Plant produces 57,000 cubic meters of biogas per day as a result of its treatment procedures. Through the biogas power project, approximately 54,800 cubic meters per day will be used to produce 121 MWh of electricity, meeting 50% of the Warsan Wastewater Treatment Plant’s needs.

The plant is supported by Dubai’s extensive sewerage system, whose network connections span more than three million meters in length and contain 56 rainwater pumping stations in addition to 110 substations and 13 main pumping stations. The system also contains two wastewater treatment facilities, one in Warsan with a daily capacity of up to 325,000 cubic meters and another in Jebel Ali with a daily capacity of up to 675,000 cubic meters. (GB 18.05)

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* 1. Emirates Unveils $200 Million Aviation Sustainability Fund

UAE carrier Emirates has committed $200 million to fund R&D projects focused on reducing the impact of fossil fuels in commercial aviation. Emirates added that it is the biggest single commitment by any airline on sustainability and added that the funds will be disbursed over three years. Emirates’ Environmental Sustainability Executive Steering Group will oversee the disbursements from the fund and will be supported by technical experts.

The airline said that its commitment to sustainability focusses on three areas: emissions reduction, responsible consumption, and the conservation of wildlife and habitats. In January, Emirates conducted a test flight with 100% Sustainable Aviation Fuel (SAF) in one engine of a B777-300ER. The flight, conducted in partnership with GE Aerospace, Boeing, Honeywell, Neste and Virent, took off from Dubai International airport (DXB), and flew for more than one hour over the Dubai coastline.

The airline has a comprehensive fuel efficiency program that actively engages in operational programs to reduce unnecessary fuel burn and emissions. For example, it operates “flex tracks” or flexible routings where it partners with air navigation service providers to create the most efficient flight plan for each flight, taking advantage of natural tailwinds, while avoiding headwinds and weather systems. It also introduced fuel efficient practices while the aircraft is on the ground. (GB 11.05)

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* 1. PIF’s Badeel and Acwa Power to Build Three Solar Plants Worth Some $3 Billion

Badeel and renewables giant Acwa Power signed power purchase agreements with the Saudi Power Procurement Company to develop and operate three solar energy projects with a 4.5 GW cumulative generation capacity at an investment of some $3.25 billion. The three solar farms — all to be established in KSA — will be jointly owned by Acwa Power and Badeel.

Badeel — owned by KSA’s sovereign wealth fund the Public Investment Fund (PIF) — and Acwa Power will jointly own the 2 GW Ar Rass 2 solar farm, the 1.12 GW Saad 2 PV plant, and the 1.42 Al Kahfah solar project. The projects — expected to achieve financial close by Q3/23 — will power some 750,000 households in the kingdom once operational in line with the country’s Energy Ministry’s target to have renewables comprise 50% of the country’s energy mix by the end of the decade. The projects are part of the kingdom’s National Renewable Energy Program (NREP), and PIF has been tasked with developing 70% of the program’s target capacity. A timeline on the projects’ completion and commercial launch was not disclosed.

PIF is currently developing two other renewables plants, the Sudair solar project and the $1.75 billion 2 GW Shuaibah 2 solar energy project, bringing its pipeline clean energy portfolio to 8 GW. (Enterprise 22.05)

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* 1. Norway's Scatec to Build Egypt's First Green Methanol Plant

Egyptian petrochemicals firm Alexandria National Refining & Petrochemicals (ANRPC) signed a cooperation agreement with Norwegian renewables developer Scatec to jointly establish the country’s first green methanol production facility at a cost of around $450 million. The timeline for the project’s completion has not been revealed.

Scatec and ANRPC’s green methanol plant — to be built in Egypt’s Damietta Port — will have an initial yearly production capacity of 40,000 tons of the green fuel. The two companies will provide 40 MW of solar energy and 120 MW of wind power respectively to power the project. The plant will be powered by a 60 MW electrolyzer, will source its water supplies from a yet-to-be-established desalination plant, and could see its production quota upped to 200,000 tons of green methanol annually, according to the government statement. The new facility — which will provide an alternative to carbon-intensive shipping fuels — is part of Egypt’s goal to expand its fuel exports, the statement says.

The Norwegian company signed a joint development agreement for its $5.5 billion green ammonia plant in Ain Sokhna with Egyptian Petrochemicals Holding Company (ECHEM) and state fertilizer company Mopco. In November, Scatec began commissioning the first phase of its 100 MW green hydrogen plant in Egypt’s Ain Sokhna with SFE, OCI-Adnoc joint venture Fertiglobe and Orascom Construction. (Enterprise 15.05)

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* 1. Taqa Morocco Establishes a New Subsidiary to Oversee Renewables

Taqa Morocco, a subsidiary of Abu Dhabi National Energy Company (Taqa) and Morocco’s largest private electricity producer, launched Taqa Morocco Green, a new subsidiary which will manage the company’s solar projects and produce green hydrogen.

Taqa Morocco plans to invest $1.6 billion in renewable energy projects by 2030. Projects include the 96 MW Noor Midelt solar generation plant, as well as a potential 200 MW of wind energy capacity for which the company is yet to determine a suitable location. Taqa Morocco has 100 MW of wind energy projects in the country’s north and 600 MW in pre-development in the south.

Taqa became the largest stakeholder in UK-based renewables developer Xlinks last month after investing £25 million in a 3.8,000 km subsea cable that will transport 3.6 GW of renewable energy from Morocco to the UK by 2030. (Enterprise 15.05)

ARAB STATE DEVELOPMENTS

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* 1. MEA Attracts More FDI in 2022 Than Other Parts of the World

The Middle East and Africa (MEA) has become the fastest-growing region for foreign direct investment (FDI) since 2019, achieving the largest gain in FDI market share in 2022 with digitalization and green energy on top of investors’ priority. This is according to a new report launched by Investment Monitor at the Annual Investment Meeting (AIM Global 2023) held in Abu Dhabi, UAE.

Titled “Investment Monitor’s FDI Report 2023: A Focus on the Middle East & Africa”, the report revealed that despite ongoing challenges, the MEA region has strong opportunities for securing an even larger share of FDI as investors eye sustainable investment. The Middle East saw the largest spike in FDI post-pandemic in 2021, more than double compared to the previous year, while Africa recorded a sturdy growth of 37.8%. Both regions witnessed strong increases in FDI in 2022, with Africa increasing by 17.7% and the Middle East increasing by 13.6%.

Half of all MEA countries experienced an increase in FDI projects in 2022, with investments from over 100 countries – of which 71 are outside MEA – have invested in the Middle East alone. Major sources of investments outside of the region include the UK, India, France, and China. The US, UK, India, France and the UAE have become the top source markets for ME. (Zawya 10.05)

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* 1. Jordan's Tourism Revenue Rises 84% Over the First Third of 2023

Jordan's tourism revenue stood at $2.214 billion in the first third of 2023, up by 84.5%, driven by a rise in the number of tourists by 87.2% to reach 1.9 million tourists. The Central Bank of Jordan (CBJ) attributed the rise to an increase in the number of overnight tourists by 78.7%, amounting to a total of 1.5 million tourists in the first third of 2023, while the number of tourists who stayed for one day stood at 360,000, an increase of 137.1%.

According to data, Jordanians' expenditure on tourism abroad climbed by 63.2% during the first third of 2023, reaching $564 million, while resident Jordanians and non-Jordanians' expenditure on tourism abroad spiked by 83.2%. On a monthly level, tourism revenue in April of 2023 picked up by 73.5%, amounting to $543.2 million. In the same month, Jordanians' expenditure on tourism abroad rose by 49.6% during the first third of 2023, reaching $142 million. (Petra 17.05)

►►Arabian Gulf

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* 1. GCC Economies Growth to Slow On Lower Energy Income & Global Conditions

The GCC economies will grow at a slower pace in 2023 compared to the previous year weighed by lower earnings from oil and gas and a global economic slowdown, according to the World Bank. In its latest World Bank Gulf Economic Update (GEU), the bank said the GCC is expected to grow by 2.5% in 2023 and 3.2% in 2024, compared with a GDP growth of 7.3% in 2022, which was fueled by a strong increase in oil production for most of that year. The weaker performance is driven primarily by lower hydrocarbon GDP, which is expected to contract by 1.3% in 2023 after the OPEC+ April 2023 production cut announcement and the global economic slowdown.

However, robust growth in the non-oil sectors, anticipated to reach 4.6% in 2023, will counter the shortfall in hydrocarbon activities, driven primarily by private consumption, fixed investments, and looser fiscal policy in response to 2023’s relatively high oil revenues.

The UAE’s economic growth in 2023 is expected to slow compared to 2022 due to a decline in global economic activity, contraction in oil production and tightening financial conditions. Accordingly, real GDP is projected to grow by 2.8% in 2023 as oil activity growth declines 2.5%. However, a strong non-oil sector growth of 4.8% will soften the contraction in oil activities, driven by robust domestic demand, particularly in the tourism, real estate, construction, transportation, and manufacturing sectors. Meanwhile, the UAE Central Bank in March said the economy expanded 7.6% in 2022, about double that in the previous year. According to earlier World Bank reports, the UAE economy grew 3.9% in 2021.

Saudi Arabia, which was the fastest growing economy among the Group of 20, will see GDP growth fall to 2.2 in 2023 as oil production retreats on the back of OPEC+ agreed production cuts and oil sector GDP contracts by 2%, according to the GEU. With oil prices remaining at relatively high levels, loose fiscal policy and robust private credit growth are expected to cushion the contraction in the Saudi oil sector. As a result, non-oil sectors are anticipated to grow by 4.7% in 2023.

In Qatar, real GDP is estimated to slow down to 3.3% in 2023 after the strong performance registered in 2022, with the hydrocarbon sector expanding by 0.8%. Kuwait's economic growth is expected to slow to 1.3% in 2023 in response to a more cautious OPEC+ production approach and sluggish global economic activity. The oil sector is anticipated to contract by 2.2% in 2023. In Bahrain, growth is projected to moderate to 2.7% in 2023 before averaging 3.2% during 2024-25 as fiscal adjustments continue.

Oman’s economy is forecast to continue to grow, but at a slower pace, driven primarily by accelerated implementation of structural reforms under Vision 2040. Overall growth is projected to moderate to 1.5% in 2023 reflecting softening global demand, the report said. (WB 17.05)

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* 1. Kuwait Suspends All Work and Entry Visas for Filipinos

Kuwait has halted the issuance of work and entry visas for Filipinos in reaction for Philippine authorities’ failure to comply with a labor agreement earlier reached between the two countries. The step comes in response to the Philippine side’s non-compliance with implementing provisions of the labor agreement between the two countries. The decision aims to impose the state sovereignty and apply law to everyone. Kuwait said resumption of the visa issuance hinges on the Philippine side’s commitment to implementing the pact.

There are around 225,625 Filipinos working in Kuwait, including 162,041 domestic helpers, making them among the top migrant workers in the country. In May 2018, Kuwait and the Philippines signed an agreement on employment regulations, ending a standoff. Earlier this year, the Philippines temporarily halted the recruitment of domestic workers for employment in Kuwait after the killing of a 35-year-old Filipina domestic worker by a Kuwaiti teenager. The incident prompted the Philippines government to suspend the accreditation of Kuwait’s foreign recruitment agencies. (Various 10.05)

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* 1. Qatar GDP Growth to Slow to 2.3% This Year as FIFA Effect Fades

S&P Global Ratings expects Qatar's GDP growth will slow to 2.3% in 2023 from almost 5% in 2022, which was partly supported by World Cup-related activities. The general government budget surplus will moderate to about 5% of GDP in 2023 compared with 10% in 2022, as oil prices (to which LNG contracts are linked) moderate from last year’s highs.

They noted that growth momentum will strengthen from 2025 as capital spending remains strong and hydrocarbon production increases due to the North Field Expansion (NFE) project, with liquefied natural gas (LNG) production capacity expected to increase about 60% by 2027 from current levels. LNG production levels will be largely flat until 2025, but increase about 30% over 2026-2027.

Demand for LNG is likely to peak in the mid-2030s, with increasing use of renewables in the energy market having a gradual impact on demand for hydrocarbons but will remain strong competitive even after 2030 due to being a low-cost supplier. Qatar’s strong fiscal and external net asset positions will remain a core rating strength, with revenue streams additionally enhanced by the NFE starting in 2026. (Zawya 10.05)

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* 1. UAE Ministry of Economy Signs MoU with Presight to Drive FDI

The UAE’s Ministry of Economy signed a memorandum of understanding (MoU) with [Presight](https://www.presight.ai/) to drive FDI into new sectors within the UAE. Presight, which is active in 14 countries, is listed on the Abu Dhabi Stock Exchange and its majority shares are owned by the G42 Group in Abu Dhabi.

The agreement highlights the government’s focus on attracting AI companies as part of its broader strategy to diversify the UAE’s economy and create new economic sectors. In equal measure, these efforts are expected to support the attraction of talent into the UAE contributing to the growth of a vibrant and dynamic AI ecosystem.

Presight will work with the Ministry of Economy to attract foreign direct investments to new sectors in the UAE, by deploying big data, analytics and artificial intelligence in education, healthcare, infrastructure and financial services. (GB 12.05)

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* 1. Neom Closes Financial Terms on Mega Hydrogen Plant

KSA’s Neom Green Hydrogen Company (NGHC) has achieved financial closure with 23 local, regional and international banks and financial institutions for its $8.4 billion green hydrogen facility. The ambitious project — said to be the world’s largest green hydrogen production facility — will see some $ 6.1 billion provided in non-recourse financing by the banks and investment firms. NGHC is a joint venture between Neom, Acwa Power and Allentown, Pennsylvania based gas supplier Air Products.

NGHC also concluded a $6.7 billion agreement with Air Products for the facility's engineering, procurement and construction (EPC). It also secured an exclusive 30 year off-take agreement with Air Products for all the green ammonia produced at the plant. The plant, located at its floating industrial complex Oxagon, will produce up to 600 tons per day of no-carbon hydrogen in the form of green ammonia by the end of 2026.

Neom awarded a $2 billion contract for a rail project linking Oxagon to renewable energy-powered The Line city earlier this month. The rail project was awarded to a joint venture of Italy's largest construction company Webuild and Saudi-based leading contractor Shibh Al-Jazira Contracting (Sajco). (Various 23.05)

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* 1. Fall in Oil Output to Slow Saudi GDP Growth to 3.1% in 2023

Saudi Arabia’s economy is projected to grow at a slower pace of 3.1% in 2023 compared to 8.7% growth recorded last year, according to London-based data and analytics firm GlobalData. The reduction in oil production, in line with the decision by OPEC+ to cut oil production until 2023-end, is expected to impact the kingdom’s economy as the oil sector accounts for more than 45% of its GDP. Additionally, the slowdown in economic activities and subdued external demand will likely affect the country’s trade prospects.

Subdued economic activities in Europe and the Americas are expected to slow Saudi Arabia’s export growth to 5.9% in 2023 from 6.3% in 2022 and 47.1% in 2021. Benign inflation (2.6% in 2023 forecast vs. 2020-22 average of 3%) and declining unemployment rate (6% vs. 6.8%) are projected to keep the domestic demand up with household consumption expenditure to grow by 4.4% in 2023 compared to 3.7% in 2022.

The diversification efforts of the Saudi Arabian economy are exhibiting fruitful results as the share of the service sector in the overall gross value added increased from 40.1% in 2000 to 48.5% in 2022. In contrast, the industry sector contribution declined from 54.9% to 49.1% during the same period. (Zawya 15.05)

►►North Africa

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* 1. Egypt's Headline Inflation Slows to 30.6% in April

Egypt's annual urban consumer inflation in April slowed to 30.6% from 32.7% in March, data from the state statistics agency CAPMAS announced on 10 May, lower than analysts had expected. On a monthly basis, urban inflation slowed to 1.7% from 2.7% in March and 6.5% in February.

Inflation had steadily crept up over the last year after a series of currency devaluations starting in March 2022, a prolonged shortage of foreign currency and continuing delays in getting imports into the country.

Egypt has devalued its currency by half since March 2022 after fallout from Russia's invasion of Ukraine exposed its economic vulnerabilities. The government secured a $3 billion financial support package from the International Monetary Fund (IMF) in December. (CAPMAS 10.05)

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* 1. Egypt's Unemployment Rate Steady in First Quarter

Egypt’s unemployment level stood at 7.1% in Q1/23, down 0.1% from the final quarter of 2022, according to data from CAPMAS. The jobless rate was also down 0.1% from the same period last year.

The unemployment rate doesn’t count people of working age who are not looking for jobs or who are unable to work. The labor force participation rate — which counts everyone aged 15-64 either in work or actively looking for work — rose to 43.0%, up from 42.8% in both the previous year and the previous quarter.

The jobless rate among women decreased 0.1 percentage points from the quarter before to 19.2%. Unemployment among men dropped 0.2% to 4.5%. Unemployment among women is consistently much higher than among men. The proportion of young people out of work was unchanged from Q4/22, with 15-29 year-olds accounting for 63.0% of all jobless people in Q1/23. CAPMAS doesn’t provide an official rate of youth unemployment. (CAPMAS 21.05)

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* 1. Morocco Removed from EU's Money Laundering Surveillance List

Morocco’s removal from the European Union’s watchlist of countries under surveillance for money laundering and terrorist financing will benefit the country’s economy and facilitate capital flows in and out of the country, a global anti-money laundering expert has said. Morocco had been removed from the Financial Action Task Force (FATF) gray list in February after the kingdom implemented an action plan agreed upon by the group. Morocco was originally added to the gray list in February 2021. The EU said that by implementing the FATF’s plan, Morocco has fixed problems with its Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) system and no longer poses a money laundering and terrorism financing threat to the international financial system.

The bloc's watchlist features a closely monitored set of countries due to their deficiencies in combating money laundering and terrorist financing. Countries on the gray list are not subject to countermeasures or enhanced due diligence. It is a tool to help other countries consider the information included as part of their risk assessments of the countries listed. Other countries on the list in the region include Jordan, South Sudan, the United Arab Emirates and Yemen. (Al-Monitor 19.05)

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* 1. Forbes Says Morocco Well-Positioned to Become Leader in Aerospace Manufacturing

Morocco is “well-positioned” to become a leader in aerospace manufacturing, maintenance and operations, according to a new report from Forbes. Forbes said Morocco's aerospace industry has emerged as a promising and lucrative sector, with a strong focus on aircraft maintenance services. It has invested significantly in its aerospace infrastructure, workforce development, and global partnerships to position itself as a hub for aviation activities. As Morocco continues to attract FDI, the opportunities are abundant in the country for investors and industry professionals in the emerging aircraft maintenance industry.

Noting the factors underlying the positive trend, Forbes explains that the country's favorable geographic location at the crossroads of Europe, Africa, and the Middle East has allowed it to serve as a pivotal hub for regional and international aviation. In addition, the Moroccan government has provided unwavering support to the industry, implementing initiatives and offering incentives to attract foreign investors. The establishment of aerospace industry clusters, such as the Midparc Free Zone near Casablanca, has further consolidated the nation's aviation infrastructure.

To meet the demands of the aerospace sector, Morocco has prioritized the development of a skilled workforce. The Moroccan Aerospace Institute and other specialized training centers have been established to produce a pool of highly skilled professionals, ensuring the industry's sustainability. The country has also forged strong partnerships with renowned aerospace companies like Boeing, Airbus, Bombardier, and Safran. These collaborations have not only facilitated technology transfer, but they have also enhanced the overall competitiveness of Morocco's aerospace sector. (MWN 17.05)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Young People Make Up of 15.2% of Turkey's population

Turkey's youth population aged between 15-24 numbered 12.95 million, with males accounting for 51.2% and females constituting 48.8%, said the Turkish Statistical Institute (TurkStat). The proportion of youth in the overall population is expected to drop to 14% in 2030, to 13.4% in 2040, to 11.8% in 2060, and to 11.1% in 2080. The EU average of the proportion of youth population was 10.5% in 2022. (TurkStat 17.05)

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* 1. Cyprus' Annual Inflation Slowed to 3.9% in April

Cyprus had the fourth lowest annual inflation rate in the EU at 3.9% in April, below the European average of 8.1%. Cyprus’ annual EU-harmonized inflation slowed to 3.9% in April from 6.1% in March; official data showed. According to the Statistical Service, the Harmonized Price Index (HICP) rose 3.9% between April 2022 and April 2023 and 0.9% between March and April. For the four months of January – April 2023, the HICP rose by 5.9% compared to the same period of the previous year. In April 2022, the HICP had increased by 8.6%.

Compared to April 2022, the largest changes were in Food and Non-Alcoholic Beverages (6.9%), Furnishings, Household Equipment and Routine Maintenance of the House (6.7%) and Restaurants and Hotels (6.5%). Compared to March 2023, the largest change was recorded in Apparel (4.2%).

For January – April 2023, compared to the previous year, the largest price changes were recorded in Housing, Water, Electricity, Gas and Other Fuels (14.0%), Food and Non-Alcoholic Beverages (8.5%) and Restaurants and Hotels (8.2%). As regards the economic origin, the largest changes when compared to the index of April 2022 were recorded in Food and Non-Alcoholic Beverages (5.8%) and non-energy industrial goods (5.7%). The largest change was monitored in Energy (-2.9%) compared to the March index. (FM 17.05)

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* 1. Tourist Arrivals in Cyprus Increase by 18.5%

A significant annual increase of 18.5% was recorded in tourist arrivals last month, with UK visitors leading the way, according to Cyprus’ Statistical Service. The arrivals of tourists reached 342,736 in April compared to 289,335 in April 2022. For the four months of January – April, arrivals of tourists totaled 736,629, up from 534,040 in the same last year, recording an increase of 37.9%. At this rate, Cyprus should break the million-tourist barrier in May before the busy summer season.

Arrivals from the United Kingdom were the main source of tourism with a share of 36.3% (124,455) of total arrivals, followed by Israel with 9.9% (34,069), Poland and Germany with 6.7% (23,063 and 23,038 respectively) and Greece 6.2% (21,184). Tourist arrivals hit 3.2 million last year, despite Cyprus losing 800,000 Russian and Ukrainian tourists due to the war. Visitor arrivals spiked 65% in 2022 after COVID-19 travel rules were dropped.

Due to Russia’s invasion of Ukraine and the ensuing EU sanctions, Cyprus was deprived of 800,000 arrivals, but tourism recovered to around 80% of pre-pandemic levels. The island is around 700,000 tourists short of the record year 2019 when arrivals peaked at 3.9 million. Some 79.3% of visitors said the purpose of their trip in April was holidays, 14.5% visited friends and relatives and 6.0% business. (FM 17.05)

GENERAL NEWS AND INTEREST

\*ISRAEL:

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* 1. Shavuot Holiday to be Celebrated Starting on Evening of 25 May

On 25/26 May, the Jewish world will observe the holiday of Shavuot. Shavuot is the second of ‎the three ‎major pilgrim festivals (Passover being the first and Sukkot the third) and occurs ‎exactly fifty days after ‎the second day of Passover. This holiday marks the anniversary of the ‎day when the Jewish People ‎received the Torah at Mount Sinai. This is a biblical holiday ‎complete with special prayers, holiday ‎candle lighting and Kiddush, with many forms of work ‎and labor prohibited. The word *shavuot* ‎means weeks and it marks the completion of the ‎seven-week counting period between Passover and ‎Shavuot. During these seven weeks the ‎Jewish people cleansed themselves of the remains of Egyptian ‎slavery and became a holy nation ‎ready to enter into an eternal covenant with G d with the giving of the ‎Torah. Before the giving ‎of the Torah the Jews were a family and a community. The experience of ‎Sinai bonded the ‎Jews into a new entity: the Jewish people; the Chosen Nation. This holiday is likened ‎to their ‎wedding day - beneath the wedding canopy of Mount Sinai, G d betrothed the Jews. ‎The holiday ‎is observed for an additional day in the Diaspora, which this year falls on the Sabbath‏.

\*REGIONAL:

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* 1. Jordan Marks Independence Day on 25 May

Celebrations commemorating the 77th Independence Day of Jordan will be held on 25 May. Celebrations feature a variety of national artistic performances, musical performances by the Jordan Armed Forces-Arab Army, and airs shows performed by the Royal Jordanian Falcons and Royal Jordanian Air Force. National folk, theatrical and artistic performances, entertainment for children of different age groups, and displays of fireworks in all governorates of the Kingdom will be included as well.

Following World War I, the Hashemite Army of the Great Arab Revolt, took over and secured present-day Jordan. Emir Abdullah and the British entered negotiations about independence and the treaty was signed on 22 March 1946. It took two years for Jordan to be fully independent, in March 1948, when Jordan signed another treaty with Britain in which all restrictions on sovereignty were removed for Jordan.

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* 1. Turkey Officially Heads to Runoff Presidential Elections

Turkey’s crucial presidential elections are headed for a run-off vote on 28 May, based on the results of the country’s Supreme Election Council. Sitting President Erdogan took 49.5% of the 14 May vote, with his main challenger, Kemal Kilicdaroglu, getting 44.89%. As neither secured more than 50% of the vote, they will face off in a second round. This is only the third time that Turks directly voted for a president, with Erdogan winning both previous elections outright in the first round.

Sinan Ogan from the ATA Alliance, the third candidate, received 5.17%, while Muharrem Ince of the Homeland Party – who withdrew from the race just three days before the elections but remained on the ballot – got 0.44%. In particular, the vote for Ogan, kingmaker or spoiler, pushed the race into a run-off. Preliminary results that showed AK Party won 266 seats, while the main opposition leader Kemal Kilicdaroglu’s Republican People’s Party (CHP) won 166 seats in the 600-seat parliament.

The polls were held against a background of a cost-of-living crisis that saw inflation peak at 85% in October and earthquakes in February that killed more than 50,000 in the country. These factors buoyed opposition hopes of unseating a leader known as reis, or “chief”, by supporters of the governing Justice and Development Party (AK Party). The 2023 elections also took on extra significance merely due to the date – the year marks the centenary of the Republic of Turkey. The country’s founder Mustafa Kemal Ataturk also established the Republican People’s Party (CHP), which governed under a largely one-party system for 27 years.

CHP leader Kilicdaroglu’s six-party Nation Alliance has pledged to dismantle an executive presidential system narrowly voted in by a 2017 referendum. The opposition alliance also promised to restore the independence of the judiciary and the central bank and to reverse crackdowns on free speech and dissent under Erdogan. (Various 15.05)

ISRAEL LIFE SCIENCE NEWS

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* 1. MediWound Announces an Additional $10 Million Award from BARDA

MediWound announced that the Biomedical Advanced Research and Development Authority (BARDA), part of the Administration for Strategic Preparedness and Response (ASPR) within the U.S. Department of Health and Human Services (HHS), has awarded an additional $10 million to MediWound. The supplemental funding will support a $3 million replenishment of expired product previously procured for emergency preparedness, the pediatric indication sBLA submission to the U.S. FDA and enrollment of an additional 50 patients in the ongoing expanded access treatment protocol (NEXT).

The NexoBrid indication expansion will include treatment of pediatric burn victims, which comprises more than 30% of the total burn population. NexoBrid is particularly relevant to the pediatric population as the current surgical standard of care (SOC) is extremely traumatic. NexoBrid enables clinicians to provide a safe, fast, and highly effective non-surgical debridement option that addresses the unmet need in the pediatric population. The NEXT protocol provides for continued access to NexoBrid for up to 250 patients (in both the pediatric and adult populations), while maintaining physician skills until NexoBrid is commercially available in the U.S. for adults, and prior to receiving FDA approval for the pediatric indication.

Yavne's [MediWound](http://www.mediwound.com) is the global leader in next-generation enzymatic therapeutics focused on non-surgical tissue repair. With a 20+ year history specializing in the development, production and commercialization of solutions that seek to replace existing standards of care, the company is committed to providing rapid and effective biologics that improve patient experiences and outcomes while reducing costs and unnecessary surgeries. (MediWound 09.05)

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* 1. Startup Producing Plant-Based Steaks Raises $15 Million in Seed Round

Chunk Foods has raised $15 million, in what it says it is the biggest seed round of funding ever for an Israeli plant-based company. Among its investors is the FootPrint Coalition, the climate tech venture capital company founded by Downey. The new funds are being used to construct one of the biggest plant-based meat factories in the world. The Israeli facility will be completed this June, and will be capable of manufacturing millions of steaks annually.

The process uses fermentation technology – chemical processes caused by organisms like bacteria, yeasts and fungi – to turn soy and wheat into proteins. Each plant-based steak has 25 grams of protein and is prepared using the same cooking methods as traditional beef. Chunk Foods’ plant-based steak alternatives have already found their way onto the menus of several restaurants in New York City and Los Angeles.

The company says its products are able to replicate the texture, color and taste of traditional meat, including the thickness of the fibers and juiciness of the cut, while maintaining a smaller list of ingredients than other plant-based meats, with no preservatives, additives, cholesterol or GMOs.

Tel Aviv's [Chunk Foods](https://www.chunkfoods.com) was founded in 2020. Their technology combines novelty and tradition. It enables the creation of any texture, nutritional profile, and appearance with minimal waste. Their products are minimally processed and use just a handful of healthy, recognizable ingredients. (Chunk Foods 08.05)

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* 1. Alpha Tau Publishes its US Multicenter Pilot Skin Cancer Trial Results

Jerusalem's [Alpha Tau Medical](https://www.alphatau.com/) announced the results of its US multicenter pilot trial. The pilot study was designed to evaluate the feasibility of Alpha DaRT in treating ten subjects with malignant skin and superficial soft tissue tumors. The primary objectives were to explore the feasibility of delivering radiotherapy for malignant skin and superficial soft tissue tumors using Alpha DaRT, with a goal of achieving successful delivery in at least seven of the ten patients, as well as to determine the frequency and severity of acute adverse events. Secondary objectives included assessments of radiotherapy-related adverse events, tumor response, radiation safety, stability of device placement, and quality of life measures. The trial was conducted in multiple sites across the U.S. The results of the trial demonstrated that the treatment was successfully delivered to ten of ten patients, with a 100% CR observed at 12 and 24 weeks, and only mild or moderate device-related side effects reported, and with no device-related systemic toxicity reported.

Alpha DaRT (Diffusing Alpha-emitters Radiation Therapy) is designed to enable highly potent and conformal alpha-irradiation of solid tumors by intratumoral delivery of radium-224 impregnated sources. When the radium decays, its short-lived daughters are released from the sources and disperse while emitting high-energy alpha particles with the goal of destroying the tumor. Since the alpha-emitting atoms diffuse only a short distance, Alpha DaRT aims to mainly affect the tumor and to spare the healthy tissue around it. (Alpha Tau Medical 11.05)

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* 1. Israeli Study Finds Cause of Alzheimer's Accelerated Cognitive Decline in Women

Israeli researchers recently published a study that highlights a molecular mechanism that leads to the deterioration of cognitive acceleration in women with Alzheimer's disease. Current treatment protocols only aim to delay the progression of symptoms, but they have been known to cause more serious side effects in women. As a result, cognitive decline in women with Alzheimer's disease continues despite treatment, further compounding the difficulties they face.

The study – led by brain gene specialists from the Safra Center for Neuroscience and the Institute for Life Sciences at the Hebrew University in Jerusalem – found a direct link between a family of RNA fragments of mitochondrial origin and the rate of progression of dementia in the women. The results indicate that regardless of structural changes in the brain, severe depletion of maternally inherited mitochondrial RNA fragments in affected brain nuclei correlates with the rapid deterioration of cognitive abilities in women with Alzheimer's. In addition, these findings have implications for the treatment of these symptoms with RNA-based therapies, which have emerged in recent years and are now a viable option.

The study was supported by the U.S. National Institutes of Health and the Israel Science Foundation for Basic Research and Advanced Medicine, and was published in Alzheimer's & Dementia: The Journal of the Alzheimer's Association. (Digital Journalist 11.05)

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* 1. BeeHero Named to the CNBC Disruptor 50 List for 2023

BeeHero was named to the 2023 CNBC Disruptor 50 List. The annual list, which features the most innovative venture-backed companies using breakthrough technology to meet increasing economic and consumer challenges, honored BeeHero for its data-driven Precision Pollination as a Service (PPaaS) solution helping to future-proof global food supply.

BeeHero provides growers with an innovative solution to manage the pollination of vital food crops and increase their crop yields by providing a previously unattainable scope of data and level of transparency into beehives. The pollination of most of the world's crops relies on insects, the most important of which - the honey bee - is experiencing a colony collapse rate of about 40% annually. BeeHero addresses this existential challenge with its Precision Pollination as a Service (PPaaS) solution. The company's plug-and-play, unintrusive sensors collect audio and biological data inside beehives to monitor the status of each colony. BeeHero then leverages its proprietary AI and machine learning analysis to provide crucial information for both beekeepers and growers that improves pollination and crop yields, lowers bee mortality rates, and enhances bee health. This provides growers with real-time visibility into the pollination of their fields, as well as the ability to measure and quantify its effectiveness, overcoming the limitations of current practices for pollination management. For beekeepers, BeeHero offers unprecedented real-time insights into the state of their hives, helping them maintain strong and healthy colonies.

Tel Aviv's [BeeHero](https://www.beehero.io/) is a data-driven technology company redefining pollination in commercial agriculture. Using advanced data analytics, artificial intelligence, and low-cost IoT sensors, BeeHero brings transparency and efficiency to the complex logistics of commercial crop pollination. Its Precision Pollination as a Service (PPaaS) results in better crop yields and increased profits for commercial crop growers and agribusiness stakeholders. BeeHero's precision pollination solution evolved into the backbone of the data-driven approach to build a resilient and future-proof sustainable agriculture ecosystem. (BeeHero 15.05)

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* 1. Esco Selects Fairtility's CHLOE EQ as AI Decision Support for Time-Lapse Incubators

Fairtility announced that Denmark's Esco Medical has selected CHLOE EQ as the AI decision support tool to integrate with its MIRI Time-Lapse Incubators (TLI). CHLOE EQ will provide its transparent AI embryo quality assessment capabilities, enabling explainable AI output to recommend embryos most likely to lead to implantation in an IVF cycle.

The commercial collaboration will provide a joint offering of the MIRI TLI with CHLOE EQ integrated with the MIRI server. CHLOE EQ captures and processes millions of data points per embryo and automatically inputs embryo annotations that are logged into the electronic medical record (EMR). CHLOE EQ utilizes this data to provide an embryo quality score, coupled with the biological data and insights to explain the system's data output. CHLOE EQ's automated capabilities provide embryologists with previously unachievable data to support consistent and standardized embryo selection decision support.

CHLOE EQ's transparent AI allows embryologists to reduce time spent on manual annotation by an average of 33% per cycle, resulting in up to a 50% increase of availability in fertility clinics. With an increased capacity for IVF cycles per embryologists, IVF clinics can make treatments available to more patients, while reducing embryologist burnout.

Tel Aviv's [Fairtility](https://fairtility.com/) is powering in vitro fertilization (IVF) through transparent AI to improve outcomes. Equipping clinicians and their patients with unparalleled visibility into IVF treatment, CHLOE (Cultivating Human Life through Optimal Embryos) is the first and only transparent AI-based decision support tool that provides clinicians with the biological data supporting its AI-derived output. (Fairtility 15.05)

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* 1. AI Care Management Firm Laguna Health Raises $15 Million

Israeli AI-powered care management platform Laguna Health announced the initial close of its $15 million Series A financing round co-led by SemperVirens and HC9 Ventures. This brings the total amount raised to date by Laguna Health to over $21 million. The company will use the funding to deepen its AI capabilities in care management and expand its marketing efforts.

Laguna Health has developed an AI engine that integrates medical care plans with social, emotional and cultural factors to help care managers better support members' recovery and ongoing care. Armed with care plans personalized to patients’ unique life contexts, care managers are empowered to help members overcome recovery barriers.

[Laguna Health](https://lagunahealth.com/‎) is an AI-powered contextual care management solution, scaling personalized care outside the four walls of the hospital. The company has built a revolutionary NLP and AI care personalization engine proven in randomized clinical trials to drive 50% cost savings and 10X efficiency gains for care managers. Laguna focuses on hospital to home care journeys, driving over 40% of payer spend. Laguna’s customers include health plans and integrated delivery networks, using Laguna platform to drive care management productivity. (Laguna Health 16.05)

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* 1. Nerivio Migraine Prevention Results in Significant Clinical & Cost Benefits

Theranica's recent study found that Nerivio, a novel Remote Electrical Neuromodulation (REN) wearable, provides significant cost savings in addition to clinical benefits when used as a preventive migraine treatment. Nerivio, the first and only drug-free, non-disruptive migraine bioband indicated by the FDA for acute and/or preventive treatment of migraine with or without aura in adolescents and adults, was found to reduce disease burden and offer financial incentives for patients, health insurance systems, and employers.

Nerivio, a migraine bioband, is a digital wearable that wraps around the upper arm and uses sub-painful REN to activate nociceptive nerves fibers in arm to send signals which activate a pain management mechanism in the brain called conditioned pain modulation (CPM), which turns off migraine pain and associated symptoms without medication. Each treatment lasts 45 minutes and is applied every other day for prevention or at the start of a migraine attack for acute treatment.

Netanya's [Theranica](http://www.theranica.com) is a prescribed digital therapeutics company dedicated to creating effective, safe, affordable, low-side effect therapies for idiopathic pain conditions. The company's flagship wearable, Nerivio, is the first FDA-cleared, smartphone-controlled, physician-prescribed migraine bioband for acute and preventive treatment of migraine and already serves more than 45,000 people with migraine in the USA, including adolescents and veterans. (Theranica 16.05)

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* 1. Enzymit & Aleph Farms Reduce Costs and Shorten Time-to-Market for Cultivated Meat

Enzymit announced the successful development of insulin substituents, in partnership with food technology company Aleph Farms, which can reduce the cost and development time for producing cultivated meat at scale. One of the most prohibitive expenses in scaling up cultivated meat production is developing non-animal-derived serum protein mimetics that promote and support cell growth. Such proteins are not widely available in the current market at the quantity, quality and cost necessary for large-scale production. Aleph Farms turned to Enzymit to co-develop novel insulin substituents in microorganisms that can fulfill the function of proteins found naturally in animals and do so with greater desired activity per molecule.

Utilizing its proprietary computational design algorithms and high-throughput testing capabilities, Enzymit was able to quickly develop a variety of insulin substituents and experimentally assess their functionality. All those selected were soluble proteins expressed in E. coli and purified without requiring refolding, complex purification steps, or other treatments.

Ness Ziona's [Enzymit](https://www.enzymit.com) is building a cell-free production platform that will make bio-production faster, simpler, cost-effective, and sustainable. The company leverages complex computational design and deep learning algorithms to create novel enzymes for use in real-world settings.

Founded in 2017, Rehovot's [Aleph Farms](http://www.aleph-farms.com) is designing new ways to grow quality animal products that improve sustainability, food security and animal welfare in food systems. Under its product brand, Aleph Cuts, the company will launch its first product, the Petit Steak, grown from the non-modified cells of a premium Angus cow. (Enzymit 16.05)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. LightSolver All-Laser Technology Poised to Outperform Quantum & Classical HPC

LightSolver unveiled the first pure laser-based processing unit (LPU), a new computing paradigm that is poised to outpace and outperform quantum and supercomputers. This quantum-inspired solution utilizes all-optical coupled lasers that require no electronics to compute, enabling it to be as small as a traditional desktop computer while offering unrivaled scalability, low power requirements, and room temperature operation. Additionally, it is built from well-understood laser technology and commercially available components. LightSolver is available to businesses today as a software-as-a-service (SaaS), providing solutions to optimization problems previously considered unsolvable once they exceed a certain number of variables.

LightSolver is a revolutionary step in the high-performance computing field. Similar to the GPU that surpassed the performance of the CPU, LightSolver’s proprietary LPU can outperform today’s strongest classical supercomputers. The technology harnesses the natural properties of light to break the physical limits of electronics, outperforming traditional supercomputers and providing solutions to complex problems with greater speed, accuracy, and scalability.

Founded in 2020, Tel Aviv's [LightSolver](https://lightsolver.com) has successfully harnessed the unique physical properties of light to develop and build an innovative computing paradigm that is faster and more accurate and scalable than quantum or supercomputing. LightSolver has secured investment from TAL Ventures, Entree Capital, IBI Tech Fund, and Angular Ventures. (LightSolver 09.05)

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* 1. Chain Reaction and ePIC Blockchain Forge Collaboration for Hashing Systems

Chain Reaction and Toronto, Ontario's ePIC Blockchain, a Bitcoin mining system leader, are collaborating to produce ePIC’s next-generation hashing systems for Bitcoin mining. The systems, expected in late 2023, will be based on Chain Reaction’s EL3CTRUM ASICs. Partnering to leverage their expertise in ASICs, GPUs, network design and system domains, Chain Reaction and ePIC Blockchain are delivering high-performance and efficient solutions for the Bitcoin proof-of-work problem. This partnership will facilitate scalability and help meet the rapidly evolving requirements of the industry. ePIC is leveraging Chain Reaction’s expertise and knowledge to deploy new generations of hardware that will benefit its customers.

Tel Aviv's [Chain Reaction](http://www.chain-reaction.io) is engineering the future of disruptive blockchain and privacy technologies. The company accelerates compute performance, enabling organizations to adopt and scale solutions to the world's most complex problems. Chain Reaction transforms compute infrastructure with custom ASICs and systems that optimize for low-power, high-performance compute. Purpose-built and custom-designed, its solutions power the next generation of secure, scalable, and green computing to help protect people, privacy and the planet. (Chain Reaction 17.05)

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* 1. Satori Augments Security with Posture Management & Data Store Discovery Capabilities

Satori announced the availability of Posture Management, a new capability within Satori’s platform that monitors the authorization of users to data across all of a company’s data stores. In addition, Satori announced the availability of Data Store Discovery, which scans and monitors an organization’s cloud accounts to discover new data stores.

Powered by Satori’s open-source Universal Data Permissions Scanner, Posture Management is designed to give companies a comprehensive understanding of who has access to what data within the organization, at all times. Posture Management scans all data permissions, provides an analytics layer over data access in the organization, and tracks KPIs to help improve data access posture. Using Posture Management, companies can proactively eliminate risks of a data breach due to over-privileged data access. In addition, with Posture Management, companies can view authorization permissions over time and at any specific point in time, making compliance audits and forensic investigations easier and more efficient.

Rehovot's [Satori](http://www.‎satoricyber.com) is revolutionizing data security. Its data security platform seamlessly integrates into any environment to automate access controls and deliver complete data-flow visibility utilizing activity-based discovery and classification. The platform provides context-aware and granular data access and privacy policies across all enterprise data flows, data access and data stores. (Satori 17.05)

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* 1. Pecan AI Opens Platform & Fast Predictive Modeling for All Data Professionals

Pecan AI has opened its predictive analytics platform to all users. Free trials let anyone try the platform’s intuitive SQL-based editor for building predictive models focused on real business challenges. New “fast modeling” capabilities provide rapid results and generate real predictions, all within the trial experience. Data analysts and other data professionals can dive right in and quickly build their own predictive models without the assistance of data scientists.

Pecan’s low-code predictive analytics platform lets businesses quickly and efficiently gain the competitive edge of AI and data science. The free trial reveals how easily analysts can rapidly use Pecan to create accurate, action-oriented predictive models — without help from data scientists — and integrate predictions directly into their existing business systems for immediate impact.

Founded in 2018, Tel Aviv's [Pecan](http://www.pecan.ai) is a low-code predictive analytics platform that makes predictive modeling accessible to business teams without hiring data scientists. With Pecan, companies can use customer and transaction data to accurately predict customer behavior, refine marketing budget allocations, optimize marketing campaigns, and other business outcomes. Pecan automates data preparation, model building, and deployment in a user-friendly interface. (Pecan AI 17.05)

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* 1. OX Security Launches OX-GPT, AppSec's First ChatGPT Integration

OX Security announced the launch of OX-GPT, the first ChatGPT integration to improve software supply chain security. With the new integration, OX now presents developers with customized fix recommendations and cut and paste code fixes, providing for quick remediation of critical security issues across the software supply chain.

The first of its kind ChatGPT integration provides developers with contexts for the specific issues they are facing, including how the code in question could be exploited by hackers, the possible impact of such an attack and potential damage to the organization. It then provides them with control over security and enables faster and easier remediation with cut and paste code crafted to secure and fix the specific issue, along with an explanation of why the fix works.

Tel Aviv's [OX Security](https://www.ox.security) believes that security should be an integral part of the software development process, not an afterthought. OX is the first end-to-end software supply chain security solution. OX provides DevSecOps teams with the automation, visibility, and risk insights they need to bring security and integrity to every step of the supply chain. (Ox Security 17.05)

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* 1. XM Cyber Partners with SAP to Deliver Robust Security for Hybrid Environments

XM Cyber announced its strategic partnership with SAP. Leveraging the capabilities of XM Cyber's Exposure Management Platform and its attack-path technology, this partnership will help organizations utilizing SAP solutions, such as RISE with SAP and SAP eCommerce Cloud, to transition their data and processes to the cloud with less risk and without compromise. SAP customers can now use the company's exposure management technology to gain visibility into their entire attack surface, both on-premise and in the cloud, to detect and migrate malicious activity before it can occur.

According to XM Cyber's recent research, 71% of organizations have exposures in their on-prem networks that put their critical assets in the cloud at risk, highlighting the need for stronger hybrid security controls. In addition to offering the XM Cyber platform to customers, SAP is also utilizing XM Cyber to secure its own hybrid cloud and IT infrastructure. The platform provides SAP with continuous attack identification, remediation, monitoring, and validation capabilities.

Herzliya's [XM Cyber](https://xmcyber.com) is a leading hybrid cloud security company that's changing the way organizations approach cyber risk. XM Cyber transforms exposure management by demonstrating how attackers leverage and combine misconfigurations, vulnerabilities, identity exposures, and more, across AWS, Azure, GCP and on-prem environments to compromise critical assets. (XM Cyber 16.05)

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* 1. Ceragon Signs Multi-Year Contract with Cincinnati for City-Wide Public Safety Upgrade

Ceragon Networks signed a multi-year contract with the City of Cincinnati to upgrade its public safety network for payment of up to $4.2 million over several years. Ceragon's future-proof plan includes a multi-technology, multi-service solution that provides a robust, modernized backhaul and routing solution, as well as a long-term maintenance and support plan. Ceragon is providing turnkey services for the design, architecture, equipment, rollout, and integration of the multi-technology solution. The new upgrade is anticipated to significantly enhance the capacity, efficiency, and lifespan of the network, while able to support high-demand applications such as artificial intelligence, automation, and real-time video.

Rosh HaAyin's [Ceragon Networks](http://www.ceragon.com) is the leading solutions provider of 5G wireless transport. They help operators and other service providers worldwide increase operational efficiency and enhance end customers' quality of experience with innovative wireless backhaul and fronthaul solutions. Their customers include service providers, public safety organizations, government agencies and utility companies, which use our solutions to deliver 5G & 4G broadband wireless connectivity, mission-critical multimedia services, stabilized communications, and other applications at high reliability and speed. (Ceragon Networks 16.05)

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* 1. Lidwave 4D Sensor Evaluation Platform for Available Selected Partners

Lidwave announced that its evaluation platform is available as a development platform for selected partners. Lidwave is approaching 3D sensing from a different perspective by exploiting unique coherent properties of the light to extract depth information. Lidwave novel FCRTM (Finite Coherent Ranging) technology enables realization of a true monostatic design in which the light transmitter and receiver are integrated at the pixel level in a LiDAR-on-a-single-chip.

Lidwave's evaluation platform is fully configurable for studying different use cases in a variety of applications. It streams real-time high-quality raw data that includes high-resolution 3D maps of range + reflectivity + instantaneous velocity, thus providing a complete data set of the scene dynamics without any complex computation or post-processing.

Founded in 2021, Jerusalem's [Lidwave](http://www.Lidwave.com) is a pioneering deep-tech startup that develops a revolutionary perception sensor-on-a-chip that disrupts the LiDAR industry. Lidwave's unique Monostatic chip provides the best of both worlds. It produces unique 4D high-quality raw data and enables manufacturing at scale with no need for precise calibration. (Lidwave 19.05)

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* 1. Seraphic Security Named as a 2023 SC Awards Finalist

Seraphic Security has been recognized as a 2023 SC Award finalist in the Trust Award category for Best Threat Detection Technology. Seraphic Security introduced a first of its kind approach to threat detection that protects against web-based attacks, browser exploitation, and phishing sites. Seraphic is designed to work on any browser, anytime, anywhere all while enforcing corporate compliance and governance policies across all corporate applications. Seraphic's patented technology is a light browser agent that operates within the browser, only during the session, with no impact on performance. It is the only solution providing robust protection against zero-days and unpatched n-days. Seraphic also provides effective and unique anti-phishing capabilities and comprehensive protection against clickjacking, XSS, HTML smuggling and all other web-based attacks, as well as simple and secure remote access to corporate applications from personal device (BYOD).

Tel Aviv's [Seraphic Security](http://www.seraphicsecurity.com) was launched in August 2022 on the idea that web security could exist directly in the browser while remaining transparent to the end user. The result is an easy-to-deploy browser security solution that can transform any commercial web browser into an enterprise browser, for any user on any device, anywhere. (Seraphic Security 23.05)

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* 1. Sightful's Spacetop is the World’s First Augmented Reality Laptop

After nearly three years of development, Sightful unveiled Spacetop: the World’s First Augmented Reality (AR) Laptop. Spacetop represents the next generation in personal computing and the first application of Augmented Reality that seamlessly fits into users’ daily lives. With customized hardware and a proprietary spatial environment, Spacetop leverages AR to remove the physical constraints of standard laptops. The result is a first-of-its-kind product that allows users to carry with them a massive, private, virtual workspace designed and customized by the user to be their most creative self, no matter where they are – all in a familiar laptop form factor.

Designed specifically for the “work from anywhere” movement, Spacetop takes full advantage of Augmented Reality to transform the world around users into a portable home office. With a more than 100” virtual canvas, Spacetop users design their perfect working environment – uncluttered and organized in the exact way that helps them focus and do their best work. Unconstrained by 13”-16” screens that lead to endless tabs, buried applications, and constant window switching, Spacetop users are able to focus, with their key applications visible and accessible at any moment, all overlaid on the real world, while users still remain present in the real world.

Tel Aviv's [Sightful](http://www.sightful.com), creators of Spacetop, the world’s first Augmented Reality laptop, is an HCI company (Human computer interaction) that is dedicated to transforming the world around us for the work from anywhere movement. Founded by spatial computing veterans, Sightful brings together a rapidly growing team of 60+ employees with expertise in product management, UX/UI, core software, cloud, applications, marketing, computer vision, systems, and design. Sightful investors include Corner Ventures, Aleph and more. (Sightful 18.05)

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* 1. Firmbase Emerges With Its Modern Financial Planning & Analysis Platform

Firmbase emerged from stealth, announcing $12 million in funding for their Financial Planning and Analysis (FP&A) platform. The round was led by S Capital with participation from Meron Capital and a wide group of unicorn startup founders and prominent angel investors, including executives from Google, Amazon and Microsoft. Unlike legacy FP&A tools, Firmbase can be implemented in days, giving businesses instant insights and the power of collaborative planning.

Firmbase's easy to use SaaS platform incorporates powerful collaboration and permissions features so all parts of the business can work together to produce the most accurate budgets and financial forecasts. The platform's advanced budget vs. actuals solution enables companies to automatically track their plans against performance, and proactively adjust forecasts on the fly. Firmbase's software integrates with a company's financial and operational systems to extract live data, like employee headcount and expenses. It provides real-time visibility and together with the platform's modeling engine allows companies to quickly build dynamic budgets and run scenario planning.

Founded in 2021, Tel Aviv's [Firmbase](https://www.firmbase.io/)'s modern financial planning and analysis platform allows CFOs and finance teams to quickly build data-driven budgets and accurate financial forecasts, automatically monitor plans against actual company performance, and identify and analyze the main drivers that impact business results. Firmbase uses generative AI to simplify financial data, increasing engagement among budget owners, who play a critical role in the planning process. (Firmbase: 22.05)

ISRAEL ECONOMIC STATISTICS

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* 1. Israel's April Inflation Level Higher Than Expected

Israel's Consumer Price Index (CPI) rose by 0.8% in April 2023, the Central Bureau of Statistics announced, albeit pundits predicted a rise of only between 0.4% and 0.5%. Over the past 12 months the CPI has risen cumulatively by 5%, unchanged from last month. There were notable price rises in April in fresh fruit and vegetables (4%), transport (2.5%), clothing and footwear (1.9%), culture and entertainment (1.8%), housing costs (0.5%) and food (0.4%). Price falls last month in household maintenance products (0.5%) and furniture and household equipment (0.2%). Changes in home prices are published at the same time as the CPI but are not included in it. In February-March 2023 housing prices were unchanged in comparison with January-February 2023, and have risen 11% in comparison with February-March 2022. (CBS 15.05)

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* 1. Israel's GDP Expanded by 2.5% in During First Quarter

Central Bureau of Statistics announced that Israel's GDP grew by 2.5% on an annualized basis during the first quarter of 2023. This is in line with the annual forecast of the Bank of Israel and slightly below the Ministry of Finance forecast of 2.7% but well above the IMF's forecast of 1.5% GDP growth in Israel in 2023. With Israel's population growing by about 2% annually, the latest figures show per capital GDP growth of just 0.1%, albeit S&P forecast that Israel would have negative per capita GDP growth in 2023.

Moreover, the latest data showed that private consumption fell by 1.7% in Q1/23 in Israel, due to the influence of higher interest rates. Imports of goods and services fell 5.8% in the first quarter of 2023.

The Central Bureau of Statistics also reported that there was 0.6% GDP growth in the first quarter of 2023 compared with the preceding quarter - a figure that is higher than the OECD average and higher than the US, UK, France and Germany. Israel's economy grew by 6.5% in 2022 but inflation and rising interest rates have caused a slowdown both worldwide and in Israel. (CBS 16.05)

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* 1. Unemployment Rate in Israel Continues to Drop

Unemployment in Israel, after being seasonally adjusted, fell to 3.6% in April 2023 from 3.8% the previous month, the Central Bureau of Statistics announced. The employment rate itself and the work force participation rate remained unchanged last month from March. The unemployment rate has been low since the end of the COVID lockdowns, with unemployment reaching its highest over the past year at 4.3% in January.

The latest unemployment figures reflect a job market that remains tight despite the aggressive rate hikes made by the Bank of Israel. The Bank of Israel Governor has cited the tight job market a significant factor contributing to the rise in inflation and the low unemployment figure will be taken into account as the Monetary Committee considers the interest rate. (Various 15.05)

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* 1. Israel's Housing Sales Fall to a 20 Year Low

The Chief Economist of Israel's Ministry of Finance announced that during Q1/23, 20,189 homes were sold, 42% down from the first quarter of 2022 and 26% down on the fourth quarter of 2022. This was the lowest quarterly figure for 20 years for housing deals, except for during the COVID lockdown in 2020 and the social protests in 2011. The Chief Economist also noted that 1,800 of the apartments sold during Q1/23 were within the framework of the Buyer Price government subsidy program.

Indications are that the number of housing deals will be even lower in Q2/23 with the number of deals falling from month to month in the first quarter. Another such indicator is that mortgage taking was very low in April. (MoF 15.05)

IN DEPTH

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* 1. ISRAEL: IMF Staff Concluding Statement of the 2023 Article IV Mission

A Concluding Statement of preliminary findings of an [IMF](https://www.imf.org/en/Home) mission to Israel released on 10 May stated that following a remarkable recovery from the pandemic anchored in strong fundamentals, the outlook is for Israeli growth to slow broadly in line with potential, as inflation falls to the targeted range by the end of 2024.

**Key Policy Recommendations:**

* Fiscal policy should safeguard fiscal buffers while raising growth-enhancing spending. The fiscal stance seems adequate to preserve buffers, but additional fiscal space is needed for boosting potential growth and reducing inequality. There is scope to raise income tax revenues.
* Monetary policy. With a tight labor market, positive output gap, and headline inflation above the target range, the policy stance should remain tight. The Bank of Israel (BOI) should continue to closely monitor underlying price pressures and stand ready to further hike the policy rate if inflation surprises on the upside or inflation expectations rise past the target band while underlying pressures remain strong, risking de-anchoring.
* Macro-financial policies. The recent retightening of macro-prudential tools is welcome, as these have helped to contain unwarranted risk taking. Further calibration of macroprudential tools should be driven by sector specific developments. Policies should strive to continue to bolster housing supply.
* Structural policies. To enhance potential growth, authorities must prioritize education reform and infrastructure investment. Improving the skills of minorities will foster an inclusive economy. Improving local transportation infrastructure is key to reducing congestion, improving job accessibility, and alleviating cost of living pressures.
* Judicial reform. Permanently lowering the uncertainty around judicial reform requires a politically sustainable solution that is clearly communicated and well understood both domestically and abroad.

**Outlook and Risks**

**Israel’s economic performance in 2022 was remarkable.** Growth reached 6.5%, pushed by a vibrant high-technology sector, with unemployment at a record low. Public debt-to-GDP fell rapidly to pre-covid levels, international reserves are ample, the external position is strong, and the banking sector has adequate capital and liquidity buffers.

**Economic activity is expected to decelerate and thereafter converge towards its potential.** Staff projects economic growth to slow to about 2.5% in 2023, as households’ purchasing power moderates and firms rein in investment; government expenditure stays broadly constant as a fraction of GDP, reflecting prudent fiscal management; and the external position continues to be strong. Despite some easing, the labor market is expected to remain tight, with the unemployment rate increasing slightly, while labor force participation rises. The growth rate is anticipated to converge towards its potential rate, with the output gap closing in the medium term. Against this backdrop, inflation is forecast to fall to the target range by end 2024.

**Risks to growth are tilted to the downside and risks to inflation to the upside.** Spillovers from a weaker global outlook remain a downside risk to growth. Economic activity and inflation could both be negatively affected by a renewed surge in global energy prices, new supply chain disruptions, or an increase in geopolitical tensions. Heightened global financial volatility due to stress in foreign banking sectors could negatively impact the pricing and availability of financing. Rising geopolitical tension or a falling interest rate differential versus major central banks, could exert further depreciation pressure on the shekel.

**Continued uncertainty around the judicial reform presents a notable downside risk to growth.** Absent the emergence of a durable and politically sustainable solution, continued uncertainty could significantly increase the price of risk in the economy, tightening financial conditions and hindering investment and consumption, with potential repercussions for growth, also in the longer term.

**Macroeconomic Policies**

A lasting reduction of the uncertainty associated with the ongoing discussion of judicial reform is important to anchor the baseline. Permanently lowering the uncertainty around judicial reform requires a politically sustainable solution that is clearly communicated and well understood both domestically and abroad. Also, as in any country, maintaining strength of the rule of law would be important for economic success.

Staff assesses the fiscal stance to be appropriate, as a stronger-than-anticipated fiscal consolidation in 2022 allowed rebuilding fiscal buffers faster than envisaged, and the medium-term consolidation path is based on expenditure restraint, preserving buffers. The expected 2023 general government deficit—at about 1% of GDP—is anchored in expenditure projected to be among the lowest in recent times, and driven by a drop in windfall revenue from last year. Over the medium term, revenue in terms of GDP is expected to continue falling over time until it converges to its pre-pandemic level. As fiscal spending in terms of GDP is expected to remain low and broadly stable, fiscal deficits are estimated to converge to below 3% of GDP by 2028, while debt ratios are projected to continue falling and remain about 60% of GDP.

But additional fiscal space would be needed for growth-enhancing spending and to support the authorities’ climate goals. Staff analysis suggests that additional investment in infrastructure and education could boost GDP growth and reduce inequality. Further resources would be needed to support the authorities’ climate agenda, including for accelerating investment in transport infrastructure, funding R&D in green technologies and for adaptation strategies. Hence, Israel should proactively strengthen revenue measures to finance growth-enhancing spending while maintaining robust buffers.

To reinforce the conduct of fiscal policy, additional measures should be considered. A review of the fiscal framework should assess whether fiscal rules are binding, flexible and transparent. To support the budgetary planning of growth-enhancing expenditure, including infrastructure projects and education, a framework to define priorities across competing needs could be developed. In this context, the “projections procedure” that provides MoF staff independence in the estimation of macroeconomic and financial projections is helpful. A mechanism to ring-fence allowances for infrastructure and education projects could also be considered, while keeping fiscal envelops that protect fiscal buffers. This could improve transparency of available funding in the medium term, and support budgetary planning and implementation.

The establishment of an independent fiscal council should be considered, to serve in an advisory role. It could propose criteria for projects to be included under the allowance for growth-enhancing measures and assess their enforcement. The council could also evaluate the fiscal stance, assess budgetary forecasts, and monitor the fiscal rule; and it could advise the government on the reprioritization of spending, including growth enhancing measures or further reduction of debt. Safeguards to guarantee minimum qualifications and avoid council members’ conflicts of interest should be considered.

The central bank has appropriately moved the monetary policy stance above neutral; it should maintain this stance while underlying price pressures remain strong. Headline inflation, at 5% year-on-year in March 2023, remains above target, driven by broad-based price rises. This reflects underlying pressures which are still strong. While near-term inflation expectations have, since end-2022, moved back into the inflation target range, the output gap is arguably still positive, and the labor market remains tight. Recent shekel weakness adds further to inflationary pressures. It would be prudent to hold the policy interest rate elevated and restrictive, ensuring the monetary policy stance stays tight until there are clearer signs that aggregate demand is cooling, taking into account the transmission lag from the policy rate to inflation. The BOI’s well-established independence in setting interest rates to maintain price stability is an important element in this effort. Market forces should be allowed to continue to set the price of the shekel.

Housing price and mortgage credit growth remained buoyant in the first half 2022 but have started to ease. The overall house price level increased by 17% for the year, supported by robust growth in mortgage lending. However, amid rising lending rates, driven by the higher policy rate, housing prices have started to stabilize. Mortgage credit growth, issuance of new mortgages, and total housing transactions started to gradually decline during 2022, while the stock of new dwellings for sale is rising. In parallel, building starts increased significantly in 2022.

To contain financial risks, staff welcomes the authorities’ prudent macroprudential stance and efforts to raise the supply of housing. The recent retightening of macro-prudential tools is helpful to contain unwarranted risk taking. Further calibration of macroprudential tools should be based on sector specific developments. Continued increases in the supply of housing will ease real estate prices and affordability pressures. Staff welcomes recent measures to boost supply. These measures should be aligned with population growth over time, be supported by complementary infrastructure investment in areas where building is needed, and come with the removal of fiscal disincentives to residential construction at local authority level.

Staff assesses the banking sector to be broadly robust but pockets of vulnerability require close monitoring. Banks are well capitalized and liquid, while overall household and corporate leverage levels are comparatively low. However, concentration in the real estate sector is high. Bank loans for residential and commercial real-estate combined reached over 50% of total loans in 2022. While buffers are robust and asset quality is strong, a sudden and large correction of real estate prices, or a shock to household or corporate incomes or balance sheets, could jeopardize their ability to repay and negatively impact the system.

Further improvements in risk measurement and management should be considered. Staff welcomes the implementation of liquidity alerts to monitor liquidity risks. The BoI’s retightening of capital requirements and minimum leverage ratios during the post-pandemic rebound and the recent strengthening of credit risk management—including a requirement to allocate additional capital against highly leveraged land financing—are also welcome. Making use of existing credit bureau information, staff recommend improving supervisory models for the measurement of risk at the individual exposure level to ensure that risk absorbing capacity in the system is appropriately adjusted to changes in risk across the financial cycle. A legal framework to clearly delineate activities of banking and non-banking institutions, including payment services, needs to be developed and adhere to international standards, taking into account consumer protection and financial stability aspects.

Staff cautions against interference in the setting of market interest rates. Recent initiatives to impose minimum payments on retail deposits and caps on mortgage rates would distort risk-taking and pricing mechanisms of banks, as well as the transmission of monetary policy. Such measures may also arbitrarily interfere with established contracts and market principles.

Education reform and infrastructure investment would improve productivity, foster participation and prevent further widening of inequality. A historical record of high overall rates of economic growth, driven predominantly by the dynamic high-tech sector, masks an underlying dual economy with highly unequal economic performance. Skill and knowledge gaps affect employment opportunities, particularly for specific demographic groups. Policies should focus on providing marketable skills, improving infrastructure, and removing product market barriers.

* **Addressing skill gaps**. Education reform should focus on providing market relevant skills, particularly among populations with low participation rates, such as the Haredi and Arab communities, while making sure to keep gender opportunity equality in higher-education and in the work-place. Improving teacher quality at schools in disadvantaged communities is also relevant. A greater adaptation of the different education streams will be needed to help align student qualifications with increasingly digitalized-labor market needs. Active labor market policies should seek to expand vocational training and encourage employers’ involvement in training programs.
* **Improving infrastructure.** Infrastructure improvements are particularly pressing in transportation to ease traffic congestion and improve job accessibility. Upgrading digital infrastructure to expand access to digital networks in poor communities will be key in supporting labor participation and reallocation.
* **Furthering product market reforms.** Staff welcomes improvements in product market regulation, including allowing the import of products that meet European Union standards, and the free trade agreement under negotiation with the UK. Staff supports authorities’ proposals to reduce regulation of parallel imports, removal of barriers to entry of service companies to Israel, the health insurance cost reduction reform and increased financial market competitiveness.

The authorities should further advance measures to meet their commitments to reduce greenhouse emissions. Staff welcomes planned measures to support the authorities’ nationally determined contribution (NDC) commitments. Staff analysis indicates that the 2030 electricity sector target is feasible; however, without reductions in other sectors, the overall target appears difficult to reach. Staff therefore recommends enacting a climate law and defining a carbon pricing mechanism, taking into account energy security needs. These measures should be reinforced by fiscal incentives across different sectors to foster private sector investment in mitigation. It is also important to look for alternative approaches based on Israel’s innovative technologies for which additional fiscal support for R&D would likely be needed. Further advancing a strategy to deal with climate adaptation is also recommended. (IMF 10.05)

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* 1. ISRAEL: S&P's Israel Ratings Affirmed at 'AA-/A-1+'; Outlook Stable

On May 12, 2023, [S&P Global Ratings](http://www.standardandpoors.com/) affirmed its 'AA-/A-1+' long- and short-term foreign and local currency sovereign credit ratings on Israel. The outlook is stable.

**Outlook**

The stable outlook balances elevated regional and domestic political risks against the country's resilient economy, strong balance of payments, and moderate level of public debt.

**Downside scenario**

We could lower the ratings if regional or domestic political risks escalated sharply, depressing Israel's economic, fiscal, and balance-of-payments metrics.

**Upside scenario**

We could raise the ratings if we saw a significant reduction in regional and domestic political and security risks.

**Rationale**

Israel's credit strengths include its wealthy and diversified economy, its net external asset position, and the benefits that accrue from flexible monetary settings and a relatively deep pool of domestic savings.

However, the ratings are constrained by persistent domestic and regional political and security risks. In August 2022 and again in May 2023 Israel carried out military operations in Gaza against Islamic Jihad, a Palestinian group, while rockets were launched from Gaza toward Israel. A more significant escalation previously happened in May 2021 with a violent outbreak lasting 11 days between Israeli security forces and Hamas in Gaza. Domestically, large public protests against the judicial reform proposed by the coalition government persist.

**Institutional and economic profile:** Near-term political and economic uncertainty regarding the proposed judicial reforms persists

* We expect domestic political uncertainty to remain elevated in Israel during the coming months as public protests against the judicial changes proposed by the coalition government persist.
* The impact of tightening monetary policy and weaker growth in key trading partners will be exacerbated by domestic political factors; therefore, we forecast that economic growth will slow to 1.5% in 2023 from 6.5% in 2022.
* Nevertheless, we assume that the broader domestic political consensus will ultimately prevail, and that economic growth will recover to an annual average of 3.5% from 2024, supported by strong performance in Israel's diversified high-tech sector.

Israel is currently experiencing elevated domestic political uncertainty, which we expect to persist in the coming months. The general election held in November 2022 was the fifth in four years and led to a comeback by Israel's long-serving prime minister, Benjamin Netanyahu. One of the key priorities of the right-wing government now led by Mr. Netanyahu has been the implementation of judicial reforms that would effectively transfer some powers from Israel's Supreme Court to the legislative and executive branches of government, if implemented as proposed.

Specifically, some of the key proposed measures include:

* Increasing the government's influence over appointments to the judicial selection committee;
* Limiting the Supreme Court's ability to review laws passed by the Knesset (parliament) and allowing a simple majority in the Knesset to overturn a decision of Supreme Court on adopted legislation; and
* Ending the Supreme Court's right to block government decisions based on the reasonableness concept.

The initial proposals led to public protests against the reform that have persisted and grown since they began in January 2023. Prime Minister Netanyahu temporarily suspended the implementation of the reform at the end of March. The coalition and the main opposition parties are attempting to reach a compromise through negotiations mediated by the president (who otherwise has a largely ceremonial role in Israeli politics).

In our view, it is difficult to predict the future course of the proposed judicial changes. We see several possible scenarios. If the reform were to be implemented in a form close to the original proposals, we anticipate that it could further exacerbate the polarization of domestic politics. The coalition's recent statements suggest that this scenario is becoming less likely. It also remains possible that, if the changes were to be implemented, they could be reversed by a future government comprising different parties. We note that Israeli politics is characterized by frequent elections and government changes.

Conversely, it is not clear whether the coalition's more right-wing parties would see suspending the reform entirely as acceptable. This could lead to the government resigning and another out-of-cycle general election.

Our current baseline scenario assumes that elevated domestic tensions will ultimately be de-escalated and some form of consensus will be established. The judicial reform was put on hold at the end of March 2023 and the negotiations between the coalition and the opposition continue. That said, the government's near-term priorities are turning to passing the 2023 budget before the approaching May 29 deadline. Under Israeli law, a failure to pass the budget before this deadline would lead to dissolution of the Knesset and another snap election. We expect attention to turn to the judicial reform once again after the budget has passed.

Even though we expect tensions to ease, the current uncertainty is likely to weigh on growth in the near term in our view. While it is difficult to quantify, spillover effects could include the postponing of both domestic and foreign investments, as domestic corporates and overseas investors delay their spending decisions.

According to the Bank of Israel (BOI), additional transmission channels could include a rise in the country's risk premium or a slowdown in export growth and in private consumption. Depending on how persistent the economic consequences of the reform prove to be, BOI estimates that real GDP growth could be eroded by 0.8%-2.8% per year.

Growth in 2023 could also be dampened by continued global and domestic monetary policy tightening, as well as weaker economic performance at Israel's key trading partners. Over 60% of Israel's trade in goods and services is with the U.S. and European countries, where we project a sharp slowdown in growth during 2023. The U.S. economy is forecast to grow by just 0.7% this year, and the Eurozone by just 0.3%. We anticipate that lower investment from these countries in Israeli services could weigh on the small and open Israeli economy.

We project that Israel's economic growth will be 1.5% in 2023, slightly below our November 2022 forecast of 2%. This represents a notable slowdown from the 6.5% growth outturn in 2022. We expect that consumption (total public and private) will see growth of 2%, and that growth in exports and investments will decelerate sharply in real terms, to 0.5% and 1.5% respectively, compared with 8% and 9% last year.

From 2024, we forecast that Israel will sustain annual growth rates of about 3.5%; this is broadly in line with our previous forecast. Our projection is based on domestic political volatility receding and the external environment improving. Israel's economy has increasingly shifted toward high-value-added IT-related service exports, such as cyber security, fintech, digital health, defense, and broader technology, mostly in the business-to-business segment. Since 2021, high-tech exports of goods and services have comprised over half of total exports. We expect performance in the technology sector to remain strong.

Nevertheless, Israel has yet to resolve several structural economic shortcomings, with outcomes outside the strongly performing tech sector being notably weaker and characterized by lower wages and productivity levels. In addition, significant portions of the population are underrepresented in the labor force, including ultra-Orthodox Jewish men and Israeli-Arab women. Based on current demographic trends, these groups will in future comprise an increasing proportion of the Israeli population.

In the long term, further expansion of the Israeli gas sector could support growth rates, particularly given that the disruption to gas supplies in Europe has prompted many countries to seek alternative suppliers. We anticipate that domestic gas production will continue to expand over the next four years. For now, Israel's key export markets are Egypt and Jordan, but additional infrastructure could allow Israel to export liquefied natural gas to Europe in future. In 2022, Israel agreed a maritime demarcation deal with Lebanon, which we believe could support gas exploration in both countries by limiting security risks.

Israel has entered into a number of other regional agreements over the past two years that could also help promote economic cooperation and reduce regional tensions related to security. The most notable of these were the Abraham Accords, which normalized bilateral relations between Israel and the Arab countries that have become signatories - United Arab Emirates (UAE), Bahrain, Morocco, and Sudan. Israel's free-trade agreement with the UAE, based on a partnership agreement first signed last May, came into force on 1 April 2023.

Despite the ongoing normalization process, in our view Israel will continue to face elevated domestic security and regional geopolitical risks that constrain our ratings on the sovereign. This was highlighted in May 2021, when there was a major escalation in hostilities between Israeli security forces and Hamas. Although the conflict was ultimately relatively short-lived, it represented the most significant escalation in years and was complicated by the flare-up in domestic interethnic unrest between Israeli-Arabs and Jews. Subsequently, in August 2022 and May 2023 Israel carried out military operations in Gaza against Islamic Jihad, a Palestinian group, while rockets were launched from Gaza toward Israel.

We also consider that the presence in government of parties with a more hardline policy agenda could complicate the dynamics around Judea & Samaria. In our base-case scenario, we do not expect geopolitical tensions to escalate uncontrollably into an open and full war in Gaza or Judea & Samaria, or with Iran or Syria. Nevertheless, risks remain--if the hostilities were to escalate into a broader conflict, several credit factors could be impaired simultaneously, including economic growth, the balance of payments, and fiscal performance.

**Flexibility and performance profile:** The strong balance of payments and credible monetary policy remain key rating strengths

* We forecast that the general government deficit will widen to 2.5% of GDP in 2023 as revenue contracts modestly following an unusually strong performance in 2022.
* Nevertheless, we anticipate that net general government debt will drop below its pre-pandemic level of 58% of GDP by the end of 2023 and that current account surpluses will average 3.5% of GDP through 2026.
* BOI is approaching the end of its policy tightening cycle and we expect inflation to fall to an average of 3.8% in 2023.

We expect Israel's fiscal performance to weaken in 2023. Its monthly fiscal statistics show central government revenue contracting by 4% year-on-year over January-February 2023. General government revenue grew by almost 14% in nominal terms last year, boosted by exceptional tax outturns related to company exits and capital market gains. We consider these unlikely to be repeated. Although revenue performance could strengthen later in 2023, we forecast nominal revenue for the full year to contract slightly. This could be partly offset by controlling expenditure--Israel is still operating without an approved budget for 2023--under the proportional expenditure system, which limits additional spending.

We forecast a general government deficit of 2.5% of GDP in 2023, narrowing to 2% from 2024. This implies that net general government debt will reach the pre-pandemic level of 58% of GDP by the end of 2023, and will fall further thereafter, to 54% by 2026.

Israel's public debt structure remains favorable. Close to 85% of debt is denominated in Israeli shekel and held domestically by local banks, pension funds and other institutional investors. The country benefits from strong access to capital markets, both domestically and internationally. This has supported the government's efforts to diversify its funding base and lengthen average debt maturity. Substantial investor demand has allowed it to access foreign markets again, even against the background of higher global interest rates. In January 2023, Israel issued a $2 billion, 10-year, U.S. dollar-denominated green bond at a spread of 95 basis points to a U.S. government bond of a similar maturity. The issuance was oversubscribed several times. We consider future funding disruptions to be unlikely, but if they were to occur, the government also has recourse to the remaining portion of a long-standing U.S. debt guarantee program.

We consider Israel's balance of payments to be a key ratings strength. The country has been running a current account surplus for the past 20 years, primarily supported by the fast expansion of high-value-added information and communications technology service exports. In total, net services exports averaged a 7% of GDP surplus annually over 2017-2022. This has given Israel a substantial net external asset position of over 30% of GDP - one of the highest among non-commodity-exporting sovereigns - and has reduced its gross external financing needs. In 2022, the current account surplus amounted to 3.8% of GDP. Strong global demand for Israeli services, as well as gas exports from the new fields, should keep the current account surplus close to 3.0%-3.5% of GDP over 2023-2026.

Israel's monetary policy flexibility is another credit strength. BOI has a record of operational independence and uses a range of market-based monetary instruments. Monetary policy also benefits from the deep local currency financial and capital markets. Throughout the pandemic, the central bank softened the effect on the Israeli economy by deploying tools such as policy rate cuts, quantitative easing, and the extension of loans to banks at low interest rates. The BOI had also amassed substantial foreign exchange reserves of US$200 billion by the end of March 2023 (38% of GDP). Current foreign exchange reserve levels cover Israel's overall external debt (including government and private sector foreign debt) by almost 1.5 times.

Although inflation in Israel picked up last year, it remains significantly below the upswing experienced in other emerging and developed markets, including the U.S. and the U.K. We project average annual inflation of 3.8% in 2023, a deceleration from 4.4% in 2022. Domestic inflation has been slowed by Israel's increased reliance on domestically produced gas, which partially offsets the impact of the increase in global energy prices. Nevertheless, the BOI reacted to rising inflation by commencing a tightening cycle and raising the key interest rate by a cumulative 440 basis points since April 2022. The key policy rate now stands at 4.5%. In our view, Israel is approaching the end of the current tightening cycle. We expect inflation to continue to decline over 2023-2025.

The Israeli banking system is well capitalized, profitable and liquid. Higher interest rates boosted profitability and will support banks' earnings and capital buffers over the next 12-18 months. Banks' asset quality has been strong since the pandemic began in 2020 and we expect that inflationary pressures, rising interest rates, and increased leverage will have only a moderate effect on borrowers' creditworthiness. We anticipate that nonperforming loans will increase to about 1.5% of total loans in 2023, from a low of 0.9% in 2022. Most of the deterioration will come from small and midsize enterprises and real estate-related lending.

We are cautious about banks' exposure to mortgage lending, but the risk appears to be contained. The loan-to-value ratio is moderate and demand has mostly been fueled by population growth and supply-side limitations. Nevertheless, higher interest rates could increase refinancing risk in the real estate sector. A slowdown in the high-tech sector could also weigh on the market: we see a risk of oversupply in the office space.

The construction sector's vulnerability to a slowdown in demand, combined with increased leverage in the sector, has increased the risk associated with the segment. The risk picture is complicated by the increasing share of the market being taken by nonbank lenders that are not supervised by BOI. Although the various regulatory bodies cooperate, differences in approach are sometimes apparent. We see potential for financial risks to emerge without being fully supervised. (S&P 12.05)

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* 1. ISRAEL: Landmark Ruling Recognizes Same-Sex Couple in National Insurance Claim

[Davar](https://en.davar1.co.il/) reported on 15 May that in a precedent-setting ruling, the Regional Labor Court in Tel Aviv recognized the right of a man in a same-sex relationship to be recognized as a “homemaker” who is exempt from paying social security and health insurance, after the National Insurance Institute had claimed that this right should only be given to a woman. The court ruled in favor of the plaintiff, refunding payments he had previously paid to the National Insurance Institute in the past, but refrained from awarding compensation for discrimination on the grounds that they did not have the authority to do so.

The National Insurance Law defines a “housewife” as a woman who is married or recognized by Israel as being in a common-law marriage, whose spouse is insured by the National Insurance Institute, and who does not work herself either as an employee or as someone who is self-employed. The plaintiff Amir Hendel, and his partner Dvir Yariv, were recognized as a couple by the National Insurance Institute, Israel’s social security organization, in January 2018. Starting in March of that year, the two lived together while Hendel was not working. In February 2021, Hendel sent a request to the National Insurance Institute through their website, in which he asked: "Isn’t a homemaker whose spouse works entitled to an exemption from paying National Insurance fees?" In response, the National Insurance Institute replied that "only a housewife is exempt from payment, therefore you are obligated to pay this debt.”

Hendel paid his debt to the National Insurance Institute, but after legal advice, he petitioned the court, demanding that he be recognized as a homemaker, as well as submitting a claim for compensation for discrimination and the return of the money he had already paid.

During the proceedings, the National Insurance Institute claimed that the language behind the National Insurance Law is "clear and not ambiguous" and that the law explicitly and intentionally distinguishes between a man who does not work and is not self-employed and a woman who does not work and is not self-employed, and that this was "in clear and unequivocal language that does not allow for us to change what is the clear intent of its words."

The legal adviser to the government stated before the court that a previous petition to recognize a man in a same-sex relationship as a “homemaker” had in the past been rejected by the Supreme Court. Accordingly, she told the court that she had turned to the Minister of Social Affairs to instruct the professional authorities to conduct an examination of the issue in order to promote equality on this track. The legal advisor further argued that this is a constitutional issue and therefore the place to clarify this should be before the High Court of Justice and not before the Labor Court, a position that was also agreed upon by the National Insurance Institute.

"We accept the plaintiff's claim that the legislation was created around the institution of the 'housewife' in order to provide a 'social benefit' to the family unit where one of the spouses does the housework and does not enter the labor market," wrote Judge Idit Itzkovich. "At that time that it was written, it was mostly the woman who did the housework, so the law was written in the language of 'housewife' only. However, we believe that the existing legislative arrangement is based on outdated worldviews, and disadvantages a family unit that consists of two men. Within a legal system that advocates for equality, this gender discrimination between men and women seems puzzling. The benefits from the relevant social security laws should be granted to all family units, so that each couple will have the right to choose which one of the partners stays at home."

Judge Itzkovich also noted that the historical roots of the existing arrangement originated from the British welfare model, which was based on a worldview in which the man was the “breadwinner” for the family unit. She wrote: "The historical context makes it clear that the existing arrangement perpetuates patriarchal concepts that do not fit with the values of a society that seeks to promote equality between the sexes.

The judge ruled that although section 238 of the National Insurance Law, concerning the exemption of housewives from paying social insurance and health insurance premiums, defines a housewife as a woman, it must be applied by way of interpretation to spouses who are both men, in the same way that the other provisions of the law already apply to “non-traditional” family units. The judge also pointed out that the Labor Court had previously ruled that in a case concerning two women who were a couple, and clarified that they have the right to choose which of the two will be defined as a housewife.

As mentioned, the court recognized Hendel as a “homemaker” (assuming he meets the other conditions set out in the law) and determined that he will be entitled to be exempt from paying social security and healthcare fees, and will even receive a refund of payments to the amount of NIS 7,000 [$1905] for the payments he made in 2018-2021, as well as court costs for a total of NIS 5,000 [$1361]. The judge clarified that the Labor Courts Act authorizes them to hear claims related to the interpretation of the National Insurance Law. However, she clarified that awarding compensation for discrimination in his favor is not within the jurisdiction of the Labor Court. (Davar 15.05)

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* 1. JORDAN: IMF Reaches Staff-Level Agreement on the Sixth Review Under the EFF

An International Monetary Fund (IMF) mission visited Amman during 3–17 May to conduct the sixth review of Jordan’s economic reform program supported by the IMF’s Extended Fund Facility (EFF). At the end of the visit the IMF issued the following statement.

“We are pleased to announce that the IMF team and the Jordanian authorities reached a staff-level agreement on the sixth review of the authorities’ economic reform program supported by the EFF arrangement. The completion of this review will bring the total IMF disbursements since the start of the program in 2020 to SDR 1300 million (around $1.750 billion). This agreement is subject to approval by the IMF’s management and the Executive Board.

“Despite a challenging global and regional environment, Jordan has maintained macroeconomic stability and access to international capital markets through prudent monetary and fiscal policies. As a result, the program remains firmly on track, with key program targets met and continued strong progress on structural benchmarks. The central government reduced its primary deficit (excluding grants) by 0.8% of GDP in 2022, to 3.7% of GDP, by taking timely measures to offset the higher cost of subsidies. Meanwhile, the CBJ has successfully maintained monetary and financial stability. It remains committed to the peg and has raised policy rates in line with the U.S. Federal Reserve. As a result, inflation has been relatively moderate and has started to decline. The banking system remains well-capitalized and liquid, as also confirmed by the recent Financial System Sustainability Assessment.

“The post-pandemic recovery continues, with real GDP expected to grow by 2.6% in 2023. Inflation is on track to moderate to 2.7% in 2023, due to an appropriately monetary policy stance. Medium-term growth is projected to increase to 3%, although uncertainty surrounding the global outlook is high.

“Moving forward, continued prudent policies remain critical to preserving macro-economic stability. The government aims to further reduce the central government primary deficit to 2.9% of GDP in 2023, with a view to gradually reducing public debt to 80% of GDP by 2028, through continued efforts to broaden the tax base, and by improving the efficiency of public spending. Continued efforts to tackle the deficits in the electricity sector are also essential to safeguarding fiscal sustainability. Monetary policy will need to continue prioritizing safeguarding the peg, backed by adequate international reserves.

“With unemployment still high, at 22.9%, and particularly among the youth and women, structural reforms are essential for achieving strong and inclusive growth and creating more jobs. This includes enhancing the ease of doing business, and reducing the cost of doing business, promoting competition, increasing labor market flexibility, and enhancing governance and transparency. While progress has been made in these areas, more is needed to create a more dynamic private sector, attract more investment, and create job-rich economic growth. Continued concessional support from donors is crucial, particularly to assist Jordan in continuing to host refugees. (IMF 17.05)

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* 1. QATAR: IMF Staff Concludes Staff Visit with Qatar

On 18 May, the IMF announced that an International Monetary Fund ([IMF](https://www.imf.org/en/Home)) team visited Doha during 2–11 May to gather facts on recent economic and financial sector developments, and the authorities’ policy actions and plans. At the end of the visit, the IMF issued the following statement:

“A decade of the nation’s efforts to diversify the economy culminated in the successful hosting of the 2022 FIFA World Cup. Qatar managed the COVID-19 pandemic well, providing a safe environment for the first major global sport event since the pandemic. Qatar is well placed to leverage the top-notch infrastructure built and capitalize on the momentum and visibility created by the World Cup as the government lays out its 3rd National Development Strategy to help achieve the ambitions of Qatar National Vision 2030.

“Qatar has smoothly navigated the recent global economic and market volatility. The Russian war in Ukraine highlighted risks from geopolitical tensions, including the impact on energy prices, and the role of natural gas in safeguarding energy security, opening up opportunities for Qatar. The banking sector turmoil originating from the U.S. has had only a limited and temporary impact on the domestic financial system.

“After very strong growth in 2022 boosted by the World Cup, the economy is expected to normalize in the near term while the outlook remains relatively favorable. Real GDP growth is expected at 2–2½% in 2023–24 on robust domestic demand and the ongoing LNG expansion, with inflation moderating gradually to around 3%. Medium-term growth is likely to rise to around 4–4½% after the North Field expansion starts boosting LNG production. Aided by buoyant export revenue and public spending, the fiscal and external current accounts are projected be in surpluses throughout the medium term.

“Risks to the outlook are broadly balanced. Downside risks stem mainly from an unfavorable global environment, including a sharper-than-expected global growth slowdown, tighter and more volatile global financial conditions, increased commodity price volatility and further worsening of geopolitical tensions. On the upside, accelerated reform efforts guided by the 3rd National Development Strategy, to be unveiled in the summer of 2023, could boost productivity and promote economic diversification. Sustained high hydrocarbon prices would further strengthen the outlook.

“Fiscal discipline has been broadly maintained in 2022, with most of the hydrocarbon windfalls saved and overall expenditure largely kept within the budget envelope. As a result, fiscal surplus rose to around 10% of GDP in 2022, from close to zero in 2021. Central government debt declined by 16% to around 42% of GDP during the same period. The 2023 budget balances continued discipline and sustaining domestic demand, with a broadly unchanged wage bill and cuts in public investment from 2022 outturns. The upcoming medium-term budget, for 2023–25, will be developed following the release of the 3rd National Development Strategy to balance aspiration for transformation and fiscal discipline.

“The QCB has maintained price and financial stability. Monetary policy has been tightened broadly following the U.S. Federal Reserve, consistent with the currency peg to the U.S. dollar. Monetary policy transmission has strengthened through more effective liquidity management. Banks remain well-capitalized, liquid and profitable, although the non-performing loans (NPLs) ratio has edged up amid monetary policy tightening. Relatively high provisioning for NPLs, on the other hand, mitigates the risk. Qatar’s AML/CFT mutual evaluation, completed in February 2023, confirmed that the nation has made significant progress on technical compliance with the FATF Standards, while more work is needed to further improve the effectiveness.

“Banks’ reliance on non-resident deposits has progressively fallen by more than one-third (nearly $30 billion) since their peak registered in late-2021. The completion of World Cup-related projects and hydrocarbon windfalls have reduced credit demand from the public sector and provided additional liquidity to banks, reducing their funding needs. The QCB has implemented several macroprudential measures since the Spring of 2022 to discourage banks from relying on non-resident deposits, especially of short tenors.

“Structural reforms have advanced further to achieve Qatar National Vision 2030, including in green financing and digitalization. The Ministry of Finance has developed a Sovereign Green Financing Framework with a clear set of principles. The QCB has created a dedicated department to define the ESG policies, standard reporting framework and management of ESG risk and compliance. Related initiatives at the national level involving main regulatory bodies are being assessed. Qatar has also successfully capitalized on the 2022 FIFA World Cup to upgrade its digital infrastructure. The Investment Promotion Agency of Qatar embarked on partnerships to accelerate digital transformation and foster technological innovation domestically, including through FDI. The QCB recently launched the National Fintech Strategy, with detailed guidelines and standards under development. (IMF 18.05)

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* 1. UAE: UAE-China Nuclear Deals Signal Evolving Energy Relationship

On 11 May, [Al-Monitor](https://www.al-monitor.com) observed that the United Arab Emirates signed three agreements with Chinese nuclear energy organizations, which experts believe is only the beginning of the nuclear energy goals for the country, and region. Emirates Nuclear Energy Corporation, which is developing the UAE’s nuclear energy sector, signed memorandums of understanding with China’s Nuclear Power Operations Research Institute, the China National Nuclear Corporation Overseas, and the China Nuclear Energy Industry Corporation. This took place months before the UAE hosts the COP28 global climate summit this year, amid its strategy to shift 6% of its energy needs to nuclear to fulfill its net zero by 2050 plan.

Robert Mogielnicki, senior resident scholar at The Arab Gulf States Institute in Washington, said China will play a significant role as the UAE gets serious about diversifying away from oil. This will lead China, a major crude importer from the Middle East, to change its relationship with the region, he added. “As oil and gas producers in the Middle East move away from traditional energy exports and toward cleaner and greener energy, China’s role as a supplier of equipment, technology, and industry knowledge is going to become more prominent,” he told Al-Monitor.

He expects the momentum in the energy partnership between the UAE and China to continue and be mutually beneficial. “Economic actors on both sides stand to gain from this collaboration. I also think there is a way that government actors can capitalize on these deals too,” he said, adding that Gulf countries will also seek partnerships with other countries to realize their nuclear goals.

Nuclear energy development is still nascent in the Middle East and North Africa, with Iran, Turkey, Jordan and Saudi Arabia claiming nuclear ambitions.

Saudi Arabia, which has been interested in nuclear power for decades, is seeking bids to build its first nuclear power plant, according to its 2023 budget statement in February. The kingdom also signed a memorandum of understanding with France on energy cooperation during the same month, which highlighted nuclear energy development.

In 2020, after a three-year delay, the UAE connected the Arab world’s first multi-unit nuclear plant to its grid, built by the Korea Electric Power Corporation. The Barakah Nuclear Energy Plant in Abu Dhabi began Unit 3 operations in February 2023, and upon completion of Unit 4 it is expected to provide 25% of the country’s electricity. This would reduce carbon emissions by 21 million tons, equivalent to 3.2 million cars off the road annually, according to the UAE government.

After Iran and Israel, the UAE is the first country in the MENA region to actively use nuclear energy. The 123 Agreement with the United States in late 2009 established a legal framework for commerce in civilian nuclear energy between the two countries. It allowed the UAE to develop its civilian nuclear program and also provide US firms the opportunity to participate in its nuclear programs, according to the country’s embassy in Washington.

More recent agreements are starting a new chapter in the region’s nuclear energy goals with a wider range of partners. Ahmed Zaheer, a consultant at Dubai-based Qamar Energy, said the recent normalization deal between Iran and Saudi Arabia in March of this year, brokered by China, helped open the door for these recent deals. “These nuclear agreements with the UAE and China come in the backdrop of the Saudi-Iran deal and could have been discussed as part of the brokering deal that happened in March,” he said, citing the nuclear agreements as an entry point into the region for China, which he said operates more than 53 nuclear energy projects and has about 20 more under construction.

He said China sees these nuclear deals with the UAE as a diplomatic win as it increasingly seeks to present an alternative vision to US presence and order in the Middle East in the field of energy. (Al-Monitor 11.05)

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* 1. OMAN: Moody's Upgrades Oman to Ba2, Maintains Positive Outlook

On 15 May, [Moody's Investors Service (Moody's)](http://www.moodys.com/) upgraded the Government of Oman's issuer and long-term senior unsecured ratings to Ba2 from Ba3 and maintained the positive outlook. Moody's has also upgraded the Government of Oman's senior unsecured medium-term note program rating to (P)Ba2 from (P)Ba3.

The upgrade reflects the improvements in Oman's debt burden and debt affordability metrics during 2022, mainly as a result of the large oil and gas revenue windfall, which increase the sovereign's resilience to potential future shocks. Importantly, the strengthening of the fiscal metrics was supported by the government's spending restraint and its decision to use the fiscal surplus and previously accumulated fiscal buffers to pay down debt, which in Moody's view demonstrates an improving track record of fiscal policy effectiveness and governance strength.

The positive outlook captures the prospect that the improvements in the government's debt metrics will be sustained over the next few years, despite lower oil prices, through maintenance of spending discipline and further implementation of fiscal and structural reforms.

This rating action also applies to Oman Sovereign Sukuk S.A.O.C, a special-purpose vehicle domiciled in Oman, whose obligations, in Moody's view, are ultimately the obligation of the Government of Oman. The entity's backed senior unsecured ratings and its backed senior unsecured medium-term note program rating were upgraded to Ba2 and (P)Ba2 from Ba3 and (P)Ba3 respectively.

Oman's local currency (LC) and foreign currency (FC) country ceilings were raised by one notch in lockstep with the sovereign issuer rating upgrade. The LC country ceiling at Baa3, two notches above the sovereign issuer rating, incorporates the economy's heavy reliance on a single revenue source, the government's large economic footprint, and Oman's track record of high external imbalances, partly mitigated by predictable institutions and moderate political risk. The FC country ceiling at Ba1, one notch below the LC ceiling, reflects relatively modest transfer and convertibility risks, supported by the sovereign's robust foreign-currency buffers and Oman's track record improving fiscal policy effectiveness, set against its high, albeit declining, level of external indebtedness.

**RATINGS RATIONALE**

**Rationale for the Upgrade to Ba2: Debt metrics improved significantly due to a large oil revenue windfall and spending restraint**

Increase in global oil demand and prices since the trough during the pandemic has generated a large revenue windfall for Oman, turning its fiscal deficit of 3.2% of GDP in 2021, and nearly 12% of GDP on average during 2015-20, into a surplus of 3.4% of GDP in 2022. Moody's estimates that nearly all of the fiscal improvement during 2022 was due to higher hydrocarbon revenue, which rose by more than 30% and amounted to an equivalent of 26% of GDP.

However, the fiscal improvement was also supported by the government's spending restraint, which helped to maximize Oman's fiscal surplus. The government, in turn, used the surplus to pay down more than 15% of its outstanding debt during the course of 2022. As a result, the government debt burden declined to 40% of GDP (123% of revenue) in 2022 from 61% of GDP (186% of revenue) in 2021 and the all-time peak of 68% of GDP (235% of revenue) in 2020, returning below pre-pandemic levels. Furthermore, its stock of foreign-currency denominated external debt declined to 30% of GDP in 2022 from 46% of GDP in 2021 and more than 50% of GDP in 2020.

Despite the large cyclical rebound in revenue during 2022, the government maintained spending discipline, in contrast with other previous episodes of rising oil prices, including during 2018. The increase in non-interest government spending, excluding expenditure related to oil and gas production, was limited to an increase in the domestic fuel subsidy, the negative fiscal impact of which was easily offset by significantly higher oil revenue. Most of the spending related to oil and gas production was removed from the budget during 2021-22, and is now the responsibility of Energy Development Oman (EDO). EDO, a state-owned holding company, retains some of the oil and gas revenue that previously flowed into the budget in order to cover its own spending needs, but can also borrow, which can reduce the negative fiscal impact of a temporary decline in oil prices.

Since 2018, the government cut non-interest spending, excluding oil and gas related expenditure and the fuel subsidy, by more than 9% (equivalent to more than 9% on non-hydrocarbon GDP), thereby demonstrating an improving track record of fiscal policy effectiveness. Furthermore, the government underscored its improving policy effectiveness by the decision to reduce its outstanding debt by repaying maturing loans and bonds and through eurobond buy-backs during 2022. During the first quarter of this year, the government reduced its debt by close to another 6% compared to the outstanding amount at the end of 2022.

Moody's assesses that the government's change in conduct of fiscal policy during periods of high or rising oil prices denotes an improvement in fiscal policy effectiveness and governance that will further support Oman's credit profile in the medium to long term. This improvement was also underpinned by the introduction of medium-term fiscal planning and the implementation of new non-hydrocarbon revenue measures, although at a slower pace and with relatively smaller fiscal impact compared to some of Oman's regional peers.

**Rationale for Maintaining the Positive Outlook: Prospect that fiscal strength improvements are sustained in the medium term**

Based on Moody's assumption that oil prices average $80-85/barrel during 2023-24, the improvement in Oman's fiscal strength metrics will likely be sustained over the next few years provided the government remains committed to fiscal spending restraint. The approved 2023 budget targets a modest 4% increase in non-interest spending, excluding oil and gas related sending and the fuel subsidy. The next update of the Medium-Term Fiscal Plan, to be published later this year, will provide further clarity regarding the government's fiscal strategy beyond the current fiscal year.

The medium-term fiscal outlook remains exposed to declines in global oil demand and prices given the sovereign's heavy economic and fiscal reliance on the hydrocarbon sector, as was underscored by the past eight years of high oil price volatility and the subsequent very significant erosion of the government's balance sheet. Furthermore, while Oman's government liquidity and external vulnerability pressures have diminished substantially since 2020, the sovereign remains susceptible to a potentially large and sudden increase in its funding needs whenever oil prices decline significantly, which is also likely to be accompanied by a tightening of financing conditions facing the government.

Oil prices that Moody's assumes over the next couple of years afford the government additional time to advance its structural economic reform agenda initiated in 2020, increasing the likelihood that Oman's vulnerability to potential future declines in global oil demand and prices will be reduced to a point consistent with a higher rating level. The ongoing reforms include strengthening of public finance management through the introduction of the treasury single account, improving tax administration to reduce the tax gap, a gradual broadening of government non-hydrocarbon revenue streams, improving efficiency of Oman's public pension and social security system, better targeting of social spending including subsidies, and advancing economic diversification by improving Oman's business and investment environment.

The planned development of a large green hydrogen production capacity in Oman could, if successful, contribute to mitigating the sovereign's longer-term credit risks stemming from global carbon transition. However, Oman's relatively limited proved hydrocarbon reserves compared to most regional peers, estimated at around 15 years of production for crude oil and natural gas condensate, are a distinct source of a longer-term downside risk, in particular if the established track record of the one-for-one rate of replacement of extracted barrels with new reserves cannot be maintained.

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

Increasing confidence that the improvements in the fiscal metrics achieved during 2022 will be sustained in the medium term would likely prompt an upgrade. Such confidence would be underpinned by the continuation of fiscal reforms supporting further structural improvements in the non-hydrocarbon fiscal balance, reflecting a diminishing exposure to cyclical declines in oil demand and prices and to longer-term global carbon transition risks. A migration to a significantly higher rating level over time would likely reflect a combination of a further significant strengthening of the government balance sheet and a significant expansion of the government's non-hydrocarbon revenue base accompanied by an increase in non-hydrocarbon sector trend growth, jointly pointing to greater level of economic and fiscal diversification and the sovereign's declining reliance on the hydrocarbon sector.

Given the positive outlook, a downgrade in the near term is unlikely. Nevertheless, a significant and durable reversal of the improvements in the sovereign's fiscal strength metrics achieved in 2022 would exert negative pressure on the rating. Such pressure could result from a large and persistent oil price shock unmet by an equally large fiscal adjustment, and/or from a significant reversal of the non-oil fiscal adjustment implemented by the government in recent years. Such a reversal would increase Oman's exposure to potential future declines in oil demand and prices, increasing the likelihood that government and broader public sector debt rises again significantly if oil prices decline in the medium term. In the longer term, materially slower progress in implementing further fiscal reforms and advancing economic and fiscal diversification than Moody's currently expects would also likely trigger negative rating migration, in particular if accompanied by increasing evidence that global carbon transition is accelerating significantly compared to Moody's current baseline expectations and/or by evidence that Oman's capacity to replace extracted oil with new proved reserves has materially declined. (Moody's 15.05)

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* 1. EGYPT: Assessing Egypt’s State Ownership Policy: Challenges and Requirements

On 8 May, Yezid Sayigh observed in the [Carnegie Endowment](https://carnegieendowment.org/) that in the past year, Egypt has announced several ambitious economic initiatives. The Egyptian government will have to overcome major challenges to actually implement those changes.

More than thirty years after the launch in 1991 of the Economic Reform and Structural Transformation Program that was supposed to privatize much of Egypt’s state-owned economy, government interventions through laws and regulations remain so widespread that they virtually determine the level and composition of output in many economic sectors, even those in which the private sector owns majority stakes. In 2020, a Country Private Sector Diagnostic for Egypt by the World Bank’s International Finance Corporation reaffirmed that the "presence of SOEs [state-owned enterprises] in almost every sector feeds a perception of widespread activity and even overstretch, while the multitude of governing laws and ownership frameworks under which they operate makes their identification difficult and complex.” The following year, the International Monetary Fund (IMF) recommended that Egyptian state “centraliz[e] state ownership in a single entity” while exiting the rest of the economy. The severe financial and economic crisis that struck Egypt in early 2022 has pushed these issues to the forefront in an unprecedented manner.

In response, Egyptian Prime Minister Mostafa Madbouly announced in May 2022 that the government was preparing to remap the "state’s borders in the economy” with the aim of invigorating the private sector’s role. The government followed up in June by releasing a draft State Ownership Policy outlining its plan for the state to exit a number of economic sectors, reduce its role in some, and increase its role in yet others. It also launched consultations with the private sector and other actors with a view to producing a final draft, which was ultimately approved by the Council of Ministers on 30 November, and by President Abdel Fattah el-Sisi on 29 December. The original announcement of the draft State Ownership Policy coincided with the government’s ongoing talks with the IMF over a new loan, its fourth since 2016, suggesting that the new policy initiative was at least partly a public relations exercise. But even if only parts of the new policy framework are properly implemented, this could start to pry open the country’s political economy, improving prospects for further, transformative change.

However, the actual thrust and impact of the State Ownership Policy are open to question. The fact that it was only one of several economic policy frameworks announced by the government within ten months suggests a lack of policy coherence, and possibly of commitment as well. The most important of these initiatives was the Memorandum of Economic and Financial Policies (MEFP), which the government submitted on 30 November as part of its new loan agreement with the IMF. While the memorandum acknowledged the State Ownership Policy as its “structural benchmark,” in reality it promised a much larger scope of reforms in public financial and economic management. On the positive side, departing from the State Ownership Policy would negate it as a policy framework. Adhering to the State Ownership Policy, conversely, would effectively negate the memorandum. The generation of official strategies might in itself be the goal, however, rather than ensuring their mutual harmony and consistency. After all, the government had already committed to a structural reform agenda in agreement with the Organization for Economic Co-operation and Development in October 2021, only months before drafting the State Ownership Policy and a mere year before submitting the MEFP to the IMF.

Similarly, the announcement by Madbouly in February 2023 that shares in thirty-two state-owned companies would be offered to private investors was presented as implementing the State Ownership Policy, but diverged from it in at least one key respect. Whereas the State Ownership Policy endorsed the Sovereign Fund of Egypt as its preferred vehicle for receiving private investments, Madbouly now announced that flotations would happen through the Egyptian Exchange or in bilateral negotiation with strategic investors. As Mada Masr correspondents Ahmed Bakr and Reham al-Saadany noted, the flotation list moreover represented “a repackaging of companies and assets that the government has been attempting to levy for foreign investment for the past five years.” This was a reference to the government’s half-hearted pursuit starting in 2018 of a partial privatization plan for twenty-three state-owned companies, which failed almost completely to materialize. Consequently, the government’s apparently ad hoc addition of half a dozen more companies for flotation in the weeks after its February 2023 announcement, and the unrealistic twelve-month time frame for completing the sales, only reinforced the impression of policy confusion and lack of either a genuine strategy or political will to confront the vested interests that had already blocked previous privatization efforts.

The same credibility problems apply to the State Ownership Policy itself. Having announced—and indeed implemented—a consultative process following its release of the draft document in June 2022, the government allowed the initiative to drop entirely from public view. There has been little evidence of political preparation among key economic and social groups—business, labor, civil servants—to support changes of the scope and scale envisaged. The government billed an economic conference it convened at the end of October as concluding its consultations on the draft policy, but in fact it was scrambling to respond to a passing comment from Sisi that he wanted the state to have its say on economic issues. In reality, there was minimal discussion of the State Ownership Policy during the three-day conference, which instead revolved around lengthy interventions from the president and the prime minister.

A line-by-line comparison of the first and final drafts of the State Ownership Policy moreover confirms that, apart from minor editorial changes to the text, the overall policy framework it contained and its modalities remained the same. The only substantive differences were the reallocation of a few activities between categories: from full to partial state exit, or to no exit, or vice versa. These specific changes were significant only in what they suggested about the economic interest groups that had presumably lobbied for them and about what the document’s authors regarded as permissible or not. Most significantly, the section that presents the rationale for maintaining—or even increasing—state ownership and intervention across the economy remains untouched.

Finally, the Egyptian government must tackle major challenges if it is to make a success of the State Ownership Policy. This is a big “if.” As the essays in this compendium show, the means of financing the policy are murky and uncertain. Selling shares in profitable state-owned companies may be the government’s only means of raising badly needed capital, but would deprive it of part of an assured revenue stream. The Sisi administration’s heavy bias toward investment in non-tradable sectors has further impeded productivity and profitability increases in tradable sectors, while widening the disconnect between the country’s need for investment capital and the economy’s ability to generate it. Delays and pull-outs have already beset negotiations with “strategic investors” among Egypt’s partners and allies in the Gulf. Last but not least, a bifurcated strategy that applies only to civilian state-owned entities, but exempts the military (whether de jure or de facto), is more than likely to deter the private sector uptake that the State Ownership Policy ostensibly seeks.

Its fundamental flaws and discrepancies aside, the State Ownership Policy appears far from sufficient to resolve the crisis facing Egypt. Crucially, the real problem is one of intention and credibility: To what extent does the government actually have the will or, as worryingly, the capability, to implement the MEFP in the face of deeply entrenched and politically powerful actors, including the president and an economically active military?

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