

**The FORTNIGHTLY**

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

**25 October 2023**

**10 Cheshvan 5784**

**10 Rabi Al-Akhar 1445**

**EDI joins with all of Israel and the world in mourning the senseless murder of over 1,400 people at the hands of Hamas terrorists. We extend our sympathy to the families of the fallen and our prayers for the speedy recovery of the wounded.**

**Written & Edited by Seth J. Vogelman\***

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ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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* 1. Netanyahu Forms a National Emergency Government

On 11 October, five days after the Hamas assault on Israel, Prime Minister Netanyahu and National Unity leader Gantz announced the formation of a national emergency government. According to the agreed guidelines, a small war cabinet will include Netanyahu, Minister of Defense Gallant and Gantz, while MK Eizenkot and Minister of Strategic Affairs Dermer will serve as observers. Gantz, Eizenkot and MK Sa'ar will become ministers without portfolio. The new coalition agreement includes a decision that all senior appointments will be automatically extended during the war period.

It was also agreed that the National Unity party will have five ministers in the emergency government - Gantz, Eizenkot, Sa'ar and two others. The agreement came after a long delay, with both sides fortifying their positions. Netanyahu wanted to ensure that final decisions would remain in his hands, but Gantz demanded the establishment of a small and efficient war cabinet without leaks. Other opposition members may join the emergency government or support it without formally entering,

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* 1. World Leaders Show Their Support of Israel in a String of Solidarity Visits

In response to the Hamas onslaught against Israel, a distinguished list of international leaders arrived in the country to express their solidarity with the Jewish state. On 17 October, Prime Minister Netanyahu held a private meeting with German Chancellor Scholz in Tel Aviv.

US President Biden traveled to Israel on 18 October to stand in solidarity with the people of Israel in the wake of horrific terrorist attacks by Hamas that killed more than 1,400 innocent civilians, including at least 31 U.S. citizens. As the President made clear during the trip, Israel is not alone – and with U.S. support it will remain a safe, security, Jewish, and Democratic state today, tomorrow, and forever.

It was British Prime Minister Rishi Sunak's turn to land in Tel Aviv on 19 October, beginning a visit where he offered condolences to Prime Minister Netanyahu over the 7 October Hamas attack and discuss the Gaza war. Saturday night, 21 October, Italian PM Meloni and the President of Cyprus, Nikos Christodoulides, arrived in the country to meet with Prime Minister Netanyahu and Meloni spoke with President Herzog.

On 23 October, Prime Minister Netanyahu, at the Prime Minister's Office in Jerusalem, met with Dutch Prime Minister Rutte. They first held an expanded meeting in which the Director of the National Security Council, the Prime Minister's Chief of Staff, the Prime Minister's Military Secretary and the Prime Minister's Foreign Policy Adviser participated for the Israeli side and the National Security Adviser and the Dutch Ambassador to Israel participated for the Dutch side.

On 24 October, French President Emmanuel Macron arrived in Israel for solidarity visit. He also met with families of French nationals abducted by Hamas terrorists. At least 30 French nationals were killed in the attack, and seven are missing, including a confirmed hostage and others probably held by Hamas in Gaza.

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* 1. Bank of Israel Governor to Extend His Term

Bank of Israel Governor Prof. Amir Yaron has confirmed that he will extend his term in office following the establishment of a national emergency government. The Bank of Israel said the move was due to the emergency situation and Israel's economic challenges at this difficult time. The Governor thus accepted the request to extend his term, at least, until the end of the emergency period.

Yaron's five year term as Governor of the Bank of Israel was due to be completed at the end of December. He had previously announced that he would make public his decision on whether he would seek a second term after the recent holidays. The government for its part was thought to not want to nominate him Yaron for a second term due to his criticism of the government's judicial overhaul program. (Globes 12.10)

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* 1. Israel Bonds Raises $200 Million

Israel Bonds has raised over $200 million in bond sales and commitments from investors since Hamas' terrorists from Gaza began the current war. The debt raised includes $150 million in bond purchases from US states, local municipal governments and institutions.

Investments came from the Commonwealth of Pennsylvania, Florida Department of Financial Services, Illinois State Treasurer, New York State Common Retirement Fund, Texas Comptroller of Public Accounts - State Treasury, Treasurer of the State of Ohio, Palm Beach County and Cross River. These investments send a clear message of solidarity with the people of Israel and the global Jewish community.

Israel Bonds, which before the war broke out in Israel had nearly met its annual goal of $1 billion in bond sales, has also launched a special campaign to raise support for Israel among the US and international Jewish communities. Following what many are describing as the deadliest day in Jewish history since the Holocaust, Israel Bonds has responded swiftly and raised a substantial wave of investment in Israel from US state and municipal governments. (Globes 15.10)

ISRAEL MARKET & BUSINESS NEWS

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* 1. ParaZero & Maris-Tech Expand Collaboration into the Defense Market for Drones

ParaZero Technologies and Maris-Tech announced an expansion of their collaboration. ParaZero and Maris-Tech entered into a letter of intent to collaborate to develop a unified product, integrating safety technology and predictive maintenance. In addition, the companies will explore the possibility of enhancing the capabilities of ParaZero's failure prediction and emergency safety system, utilizing the AI acceleration capabilities in Maris-Tech’s original equipment manufacturer (OEM) products.

Kiryat Ono's [ParaZero](https://parazero.com) is a world-leading developer of autonomous parachute safety systems for commercial drone and urban air mobility (UAM) aircraft. Started in 2014 by a passionate group of aviation professionals and drone industry veterans, ParaZero designs smart, autonomous parachute safety systems designed to enable safe flight operations overpopulated areas and beyond-visual-line-of-sight (BVLOS).

Rehovot's [Maris-Tech](https://www.maris-tech.com) is a B2B provider of video streaming and AI technology. Its products are designed to meet the growing demands of commercial and tactical applications, delivering high-performance, compact, low power and low latency solutions to companies worldwide, including leading electro-optical payload, RF datalink and unmanned platform manufacturers. (ParaZero 12.10)

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* 1. Anonybit Raises Additional $3 Million to Revolutionize Identity Management

Anonybit secured an additional $3 million funding round led by JAM FINTOP with participation from Connecticut Innovations and 4S Bay Partners, the family office of Jessica Sarowitz and Steve Sarowitz, increasing its total funds raised to $8 million. This additional investment will accelerate Anonybit’s mission to provide privacy-by-design identity management solutions to enterprises that are looking for new ways to authenticate users in order to avoid account takeover attacks and data breaches.

Anonybit's patent-pending technology enables the distributed storage and processing of biometrics and other personal data. Anonybit Genie unifies the identity lifecycle, connecting digital onboarding to authentication and account recovery through the use of decentralized biometrics along the user journey. This prevents synthetic identity fraud and takeovers, supporting a wide range of enterprise use cases.

Tel Aviv's [Anonybit](http://www.anonybit.io) is a patented decentralized biometrics infrastructure (not blockchain) that protects personal data and digital assets. The company's flagship integrated identity management platform, the Genie, is the first privacy-by-design offering that connects the entire use lifecycle, from digital onboarding to authentication, closing the gaps that attackers exploit. The Anonybit Genie has been adopted by leading enterprises around the world to prevent synthetic identity and account takeover fraud. (Anonybit 17.10)

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* 1. Statement's AI Enabled Cash-Intelligence Platform Launches from Stealth

Tel Aviv's [Statement](https://www.statement.io/), the cash-intelligence company for multi-banking, global liquidity management, announced the general availability of its platform alongside $12 million in seed funding. The round was led by Glilot Capital Partners, with Citi, Mensch Capital Partners, Titan Capital and Operator Partners.

Dozens of companies leverage Statement to gain real-time visibility into their financial data and automate manual tasks including reconciliation and balance reporting, and reliably forecast their cash flow across the most comprehensive set of financial data - coupled with their ability to onboard customers in weeks, Statement is breaking the mold of traditional treasury and cash management solutions.

Founded in 2022, Statement was built from the ground up with an innovative data infrastructure and core capabilities that leverage artificial intelligence, with the purpose of empowering and supporting the ever-expanding strategic role of the finance department. With no IT resources required, Statement delivers global multi-bank and ERP connectivity, real-time cash-flow and performance analytics, automated A/R reconciliation and best-in-class forecasting in a single, intuitive UI. On top of this data set, their enrichment engine automates transaction categorization, which reduces the human time needed to build a strong balance sheet. (Statement 18.10)

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* 1. BHS Corrugated & Highcon Announce Strategic Partnership

Weiherhammer, Germany's BHS Corrugated Maschinen- und Anlagenbau and Highcon Systems announced a Strategic Partnership expected to have far-reaching implications for the digitalization of the corrugated packaging market.

BHS Corrugated is the leading provider of solutions for the corrugated industry. BHS Corrugated and Highcon recognized that Highcon's unique technology is starting to serve an important role in the core market of BHS Corrugated. Highcon's corrugated packaging and display products have already been placed with market leaders, including Pratt Industries, Schumacher, WestRock and many more, some with multiple installations. Moreover, BHS Corrugated is convinced that the incorporation of Highcon's digital die cutting equipment into the Box Plant 2025 strategy of the German company can well serve the industry's needs, as it moves towards greater automation and digitalization. Therefore, BHS will support Highcon with customer leads to acquire market potential and access.

Yavne's [Highcon](https://www.highcon.net/) develops, markets, sells and supports a portfolio of digital cutting and creasing systems that cover a wide range of formats, substrates and applications. The Highcon technology is transforming the industry, by providing cost effective solutions to the increasing manufacturing inefficiencies facing folding carton and corrugated carton manufacturers as the result of the emerging market trends of e-commerce, shorter time to market, lower job sizes and a drive to sustainability. Such requirements cannot be accommodated by the expensive and slow conventional die-making and setup process. The Highcon digital technology bridges the gap between agile production and design flexibility delivering improved responsiveness, JIT production, short runs, customization of structure and design, and the ability to perform a wide range of applications in-house. (Highcon 23.10)

REGIONAL PRIVATE SECTOR NEWS

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* 1. Qatar Announces 27-Year Gas Deal with Italy's Eni

Qatar has agreed to supply Italian firm Eni with natural gas for 27 years, the Gulf emirate's state-owned energy company announced in the latest in a series of major deals. Doha will supply one million tonnes of gas a year under the deal, QatarEnergy said, following an agreement with Eni for a share of Qatar's huge North Field gas expansion project. In the wake of Moscow's invasion of Ukraine last year, European nations have rushed to replace lost deliveries of natural gas from Russia.

In June last year Eni agreed a deal with QatarEnergy for a 3.1% share in Qatar's North Field East project, the first phase of the Gulf emirate's expansion into the largest gas field on the planet, which extends into Iranian territory. Deliveries of liquefied natural gas (LNG) to Italy's Tuscany region are expected to begin in 2026.

Eni said the deal "strengthens" its partnership with QatarEnergy, adding involvement in North Field East was "in line with Eni's transition strategy, which aims to progressively increase the role of gas". The deal with Eni follows a succession of agreements with European firms for gas supply from Qatar. Qatar announced a deal for 27 years with Britain's Shell and earlier, France's Total announced another deal of equal length. ConocoPhillips and ExxonMobil have also signed deals to partner in the expansion. Qatar is one of the world's top LNG producers, alongside the United States, Australia and Russia. (AFP 23.10)

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* 1. Cycls Raises $1 Million in a Pre-Seed Round

Saudi Arabia-based AI startup Cycls has raised $1 million in pre-Seed funding from angel investors. The new funding will be used to launch Cycls’s new product “Sarya” a chat-based generative AI tool, as well as fuel its expansion plans to the UAE.

Sarya is a chat-based experience whose generative AI (which underpins chatGPT) is brought to life in the tangible world. If chatGPT is the underlying powerhouse, enabling human-like conversations, Sarya is the embodiment of that technology in a user-friendly form, securely embedded into our day-to-day digital purchases and interactions. Users can ask, engage, shop, and pay - all within a single chat window, a Superchat. Started in Saudi Arabia, and now expanding into the UAE, Cycls is integrating with a wide range of services across various industries, including e-commerce, telecom, travel, and personal finance.

Riyadh's Cycls's brand ([Saryah](https://www.sarya.com/%20%E2%80%8E)) is a mobile app and an intelligent algorithm that promotes safety on our roads and offers better value to our customers by making insurance personalized. (Cycls 12.10)

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* 1. M42 Announces New Clinical LLM to Transform the Future of AI in Healthcare

M42, Abu Dhabi's tech-enabled healthcare network, has unveiled an impactful advancement in healthcare technology with the launch of Med42, a new open-access Clinical Large Language Model (LLM). The 70 billion parameter, generative artificial intelligence (AI) model is poised to transform the future of AI across the healthcare sector and create a direct impact on patient care outcomes.

Med42 provides high-quality answers to short and long-form medical questions. The model has been developed to exponentially enhance clinical decision-making and increase access to synthesized medical knowledge for healthcare professionals, patients, and medical researchers through to regulators. Med42 was trained using M42’s industry-leading curated dataset of medical knowledge. When tested on multiple healthcare-relevant datasets, the model outperforms larger closed models, like ChatGPT 3.5, and achieves a 72% score, in a zero-shot evaluation, on the United States Medical Licensing Examination (USMLE) Sample Exam questions.

[M42](http://www.m42.ae‎) is an Abu Dhabi-based healthcare company at the forefront of medical advancement. The company is seeking to transform lives through innovative clinical solutions that can solve the world’s most critical health and diagnostic challenges. By harnessing innovative solutions, and unique medical and data-centric technologies, including genomics and AI, M42 is transforming the traditional healthcare ecosystem and delivering the highest level of precise, patient-centric and preventative care. (Med42 12.10)

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* 1. US Electric Aircraft Maker Joby Aviation Set to Join Abu Dhabi’s SAVI Cluster

Santa Cruz, California's Joby Aviation plans to participate in Abu Dhabi’s newly formed Smart and Autonomous Vehicles Industry (SAVI) cluster, according to the Abu Dhabi Investment Office. The company aims to take part in the cluster to support the maturation of technology that will enable it to fly its aircraft autonomously in the future.

The UAE plans to set up the SAVI cluster in Masdar City in Abu Dhabi, which is expected to bring in AED 90 billion (c. $24.5 billion) to AED 120 billion to the economy. The formation of the cluster will help boost Abu Dhabi’s position as a global hub for the development of smart and autonomous vehicles.

Chinese autonomous driving startup WeRide will set up its regional headquarters in SAVI. The Abu Dhabi headquarters will operate as the regional headquarters to transform autonomous driving technology into concrete industry applications. The UAE granted its first national license for self-driving vehicles to China’s WeRide in July — a first in the Middle East. The license grants WeRide the right to conduct various road testing and operations of self-driving vehicles in the country. (Enterprise 16.10)

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* 1. Zero Petroleum & ADNOC to Explore a Synthetic Fuel Production Plant in the UAE

California's Zero Petroleum has signed an agreement with ADNOC to explore potential opportunities to develop a new plant in the UAE. The plant would focus on commercial scale production using Zero's breakthrough fuel technology. Zero has developed a revolutionary process to manufacture fossil-free gasoline, diesel and jet fuel from just air and water, offering a scalable and sustainable solution to the planet's future energy needs. The company secured the Guinness World Records title of "first aircraft powered by synthetic fuel" two years ago and recently announced a collaboration with Rolls-Royce to further develop its fuels for aviation, marine and industrial use.

The agreement aims to assess plans for a large-scale plant combining Zero's proprietary technology with green hydrogen, renewable power and carbon capture. This could lead to the joint provision of fossil-free fuels across a variety of sectors, including aviation.

The partnership between Zero and ADNOC will focus on the potential to launch of a plant to be located in the UAE that will manufacture 100% carbon neutral drop-in fuels using Zero's proprietary DirectFT technology. Zero fuels can be used directly in existing engines and can be made at unlimited scale. Synthetic fuels have the potential to de-fossilize numerous critical sectors and industries, with Zero predicting cost parity with fossil fuels within a decade. (Zero 11.10)

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* 1. China’s Trina Building Solar Panel Manufacturing Base in UAE

Chinese solar panel maker Trina Solar has signed a MoU with the UAE’s AD Ports and China-based investment firm Jiangsu Provincial Overseas Cooperation and Investment (JOCIC) to build a large-scale PV manufacturing base in the Khalifa Economic Zones Abu Dhabi. No financial details or a timeline for the project were disclosed.

The facility — which will be built in three phases — will have an annual production capacity of approximately 50k tons of high-purity polysilicon, 30 GWs of crystalline silicon wafers, and 5 GWs of photovoltaic modules. Trina Solar will send representatives to the UAE to conduct field research and draw up feasibility studies and business investment plans, the news outlet reports.

Trina Solar supplied the 45.5 MW solar station powering Saudi Arabia’s Jubail 3A water desalination plant with 700 watt PV modules last August. The firm delivered 800 MW of solar modules to Abu Dhabi’s 2 GW Al Dhafra solar plant in July. Back in March, the PV maker signed a five-year partnership and distribution agreement with Yemen’s Al Rabei for panels to generate some 500 MW of solar power. JOCIC is a Chinese state-owned company that was established in 2017 to fully manage, operate, and develop the China-UAE Industrial Capacity Cooperation Demonstration Zone. (Enterprise 23.10)

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* 1. Pearl’s Second Opinion Dental AI Platform Cleared in Turkey

Los Angeles' Pearl, a leader in dental AI solutions, announced that its Second Opinion chairside dental pathology detection aid has received clearance from the Turkish Medicines and Medical Devices Agency (TMMDA) as a Class IIa medical device. Turkey’s authorization of Second Opinion® adds to the solution’s growing number of global regulatory clearances.

Second Opinion®, Pearl’s flagship AI solution, supports dental professionals in their review of radiographs in patients 12 and older by applying computer vision and machine learning to automatically detect and identify key pathologic and nonpathologic findings, including dental caries (cavities), bone loss, root abscesses, calculus (tartar), faulty restorations, impactions, crowns, fillings, root canals, implants and more. Pearl’s AI delivers its findings in real-time for patient-facing display in the dental operatory, helping dentists ensure the accuracy of their x-ray evaluations and enabling them to better communicate diagnoses to patients. (Pearl 18.10)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. Tempo & Brenmiller Replace Fossil Fuel Boilers with Thermal Energy Storage System

Brenmiller Energy has signed a contract with Tempo Beverages to replace the beverage manufacturer’s heavy fuel oil boilers at its plant in Netanya, Israel, with Brenmiller’s bGen ZERO thermal energy storage system. Tempo, partially owned by Heineken International B.V., is one of Israel’s largest producers and distributors of beverages for brands including Heineken and Pepsi.

Brenmiller’s bGen ZERO system that will be installed at the Tempo plant will produce sustainable process steam using solar photovoltaic (PV) energy and off-peak grid power when electricity rates are most affordable. Brenmiller estimates that using thermal energy storage in place of fossil fuel boilers will eliminate the use of approximately 2,000 tons of heavy fuel oil annually and mitigate over 6,200 tons of carbon emissions each year. The project is expected to be completed by the end of 2024. The project is also entitled to a grant of approximately $595,000 from the Israeli Ministry of Environmental Protection.

Rosh HaAyin's [Brenmiller Energy](https://bren-energy.com) delivers scalable thermal energy storage solutions and services that allow customers to cost-effectively decarbonize their operations. Its patented bGen thermal storage technology enables the use of renewable energy resources, as well as waste heat, to heat crushed rocks to very high temperatures. They can then store this heat for minutes, hours, or even days before using it for industrial and power generation processes. (Brenmiller 10.10)

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* 1. Israel's Largest Renewable Energy Project Commences Commercial Operations

Enlight Renewable Energy began commercial operations at Genesis Wind, the largest renewable energy project in Israel. Genesis Wind was connected to Israel’s electricity grid in June 2023, and as of October 13 began selling electricity. Initially, 34 of the project’s 39 turbines have reached commercial operations, comprising a generation capacity of 180 MW. The remaining five turbines are expected to be operational after the completion of final tests, raising capacity to 207 MW.

Genesis Wind was built with a total investment of approximately $340 million and is expected to generate estimated revenues of approximately $50 million. Genesis Wind is expected to provide clean electricity equivalent to the annual consumption of approximately 70,000 households and avert an estimated 180,000 tons of CO2 emissions annually. As part of the project, a new 27 kilometer underground high-voltage transmission cable was built connecting the Golan Heights to Israel’s national grid. This in turn will enable the development of additional renewable energy projects in the region.

Founded in 2008, Rosh HaAyin's [Enlight](http://www.enlightenergy.co.il) develops, finances, constructs, owns, and operates utility-scale renewable energy projects. Enlight operates across the three largest renewable segments today: solar, wind and energy storage. (Enlight 16.10)

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* 1. Jordan’s Green Hydrogen Initiative Moves Ahead

Jordan’s Energy and Mineral Resources Ministry has signed a MoU with Jordan Green Ammonia to conduct feasibility studies on developing green hydrogen projects in the country. The MoU is the third of its kind to be signed by the ministry for the production of green hydrogen and ammonia.

The MoU will pave the way for Jordan Green Ammonia — a recently established JV between Poland-based Hynfra and Jordan-based Fidelity Group — to conduct a one-year preliminary feasibility study to set up a green hydrogen project in the country. The ministry will enter into a framework agreement followed by a final agreement based on the outcomes of the study. The JV was formed in June to establish an ambitious green ammonia plant in the Aqaba Special Economic Zone. The project includes a renewable ammonia synthesis plant powered by a 530 MW solar installation, an energy storage facility, and a seawater desalination plant. The project is expected to generate 100,000 to 200,000 tons of ammonia per year, with most of the output set for exports to EU countries. (Enterprise 16.10)

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* 1. Red Sea Global Builds Largest Off-Grid EV Charging Network in Saudi Arabia

Red Sea Global (RSG), the multi-project developer behind the world’s most ambitious regenerative tourism destinations, Amaala and The Red Sea, has completed installation of the largest off-grid electric vehicle (EV) charging network in Saudi Arabia. The network includes more than 150 charging stations spread across phase one of The Red Sea destination area. The stations are strategically placed to keep RSG’s initial fleet of 80 electric Lucid and Mercedes vehicles charged and on the road.

The Mercedes-Benz EQS and Lucid Air vehicles are for the exclusive use of guest transport during their stay at The Red Sea. Whether arriving to, departing from, or travelling between the destination’s airport, its various resorts and facilities, guests can use the luxury electric fleet through advanced bookings or on-demand. The infrastructure required to service, maintain, and operate the fleet is also now in place ready for the arrival of the first guests to the destination. This includes a mobility hub that is expected to create 1,500 new jobs such as chauffeurs, hub managers, skilled technicians, and EV charging specialists. These roles will contribute to enhancing the Kingdom’s pioneering role in the field of future mobility while reaffirming RSG’s commitment to empowering young Saudis, particularly in local communities, with opportunities to thrive in industries of the future.

[Red Sea Global (RSG)](%E2%80%8E%20www.redseaglobal.com) is a closed joint-stock company wholly owned by the Public Investment Fund (PIF) of Saudi Arabia. RSG is a global multi-project developer, seeking to lead the world towards a more sustainable future, showing how responsible and regenerative development can uplift communities, drive economies, and enhance the environment. (RSG 16.10)

ARAB STATE DEVELOPMENTS

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* 1. Jordan’s Largest Data Center to be Ready by Year’s End

Aqaba Digital Hub (ADH) is set to launch the largest data center in Jordan, and one of the largest in the region, by the end of 2023 in Aqaba. The data center is set to have a capacity of 6 MW, and will cost some JD 100 million to build. The project comes in a bid to create a secure platform for sensitive data, serving as a primary data center, as well as a backup center for disaster recovery purposes. The new data center has been linked to a neutral internet exchange point — AqabaIX — which enables the data exchange between the data center and local telecommunication companies, internet service providers and digital providers. AqabaIX is an interconnection hub located in Aqaba that provides terrestrial and submarine cables access, offering its users access to hundreds of networks.

ADH hosts the data center, along with fiber optic networks and internet exchange to cloud platforms, with an open access policy that allows it to connect the Middle East with more countries in Europe, Asia and Africa. (Various 24.10)

►►Arabian Gulf

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* 1. UAE & Saudi Arabia Lead MENA VC Fundraising

MENA’s venture capital industry recorded a 32% increase in funding in Q3/23 to $250 million compared to the second quarter of the year, according to startup data platform MAGNiTT. The fundraising in Q3/33 contributed to $1.4 billion raised through 286 transactions in the first nine months of the year.

Saudi Arabia and UAE led the region in capital raised, with the kingdom reporting a 172% quarter-on-quarter (QoQ) increase. Equally, the Emirates registered an upswing in new funding. By the number of transactions, the UAE reported the most activity, capturing a third of all deals closed in the region in the first nine months of 2023.

UAE’s Chimera Capital and Aliph Capital launched new funds during the period under review while in Saudi Arabia IMPACT46 and KAUST have raised funds to deploy in local startups. (Gulf Business 18.10)

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* 1. Dubai's Economy Grew by 3.2% in First Half

Dubai’s economy witnessed a growth of 3.2% in H1/23, compared to the same period last year. The economy’s total value has reached Dhs223.8 billion, reported Dubai Media Office. The emirate’s positive economic performance was driven by remarkable growth in sectors such as transportation, wholesale and retail trade, financial and insurance, accommodation and food services, real estate, information and communication and manufacturing.

These sectors collectively contributed to approximately 93.9% of H1 growth, with the transportation and storage sector leading with 42.8%, followed by trade at 12.9%, and the financial and insurance activities sector at 9.9%. The exceptional performance was driven by a 3.6% growth in real GDP in Q2/23.

Trade activities achieved an added value of Dhs53.6 billion in H1/23, growing by 1.7% compared to the same period in 2022, and contributing 23.9% of the GDP and 12.9% of total growth. Transportation and logistics led other sectors with a growth of 10.5% in H1 2023, compared to the same period last year. The sector contributed 42.8% to the overall recorded H1 growth, generating Dhs31.4 billion in added value. The transportation and storage sector included activities related to land transport for individuals and goods, maritime transport, handling and storage, postal services, air transport for individuals and goods and related supporting activities. Air transport accounts for the largest proportion of the transport and storage sector.

The sub-sector’s performance was positively impacted by the increase in the demand for the services of national carriers, which recorded 56% growth in passenger numbers in H1/23, compared to the same period last year. The hotel and food services sector reported a 9.2% growth rate in H1 2023, with an added value of about Dhs7.9 billion. The sector contributed 3.5% to the economy and 9.5% to overall growth.

The emirate welcomed 8.55 million international visitors with 20% growth, compared to the same period last year, exceeding the number recorded prior to COVID-19, when the city welcomed 8.36 million international visitors in H1 2019, according to figures from Dubai’s Department of Economy and Tourism.

Financial and insurance activities achieved a growth of 2.7% during H1/23, contributing 11.9% to the GDP, with an added value of Dhs26.6 billion, in addition to contributing 9.9% to the total growth. The volume of credit and deposits grew by an average of 9% compared to the same period of the previous year. Information and communications activity recorded a 3.8% growth in the first half of 2023, compared to the same period in 2022, achieving an added value of Dhs9.6 billion and contributing 5% of the total growth. Meanwhile, other economic sectors achieved growth of 0.7% during H1 2023 and together contributed a combined 6.1% of the total growth. (GB 15.10)

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* 1. UAE & South Korea Complete CEPA Negotiations

The UAE’s Foreign Trade Minister Al Zeyoudi and Korean Trade Minister Dukgeun Ahn have concluded negotiations on a CEPA agreement between the two countries. The CEPA aims to reinforce East-West supply chains, ease two-way FDI flows, and increase joint research and expertise exchange across several sectors. The two countries also signed a MoU to boost bilateral air transport cooperation, which includes increasing national carrier flights between them to 21 flights per week. (WAM 15.10)

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* 1. Saudi Arabia to Begin Middle East’s First Hydrogen Train Trials

Saudi Arabian Railways, in partnership with Alstom, will operate and demonstrate the world’s first hydrogen-powered passenger train. SAR and Alstom signed a memorandum of understanding in September 2022 to develop hydrogen infrastructure for the desert kingdom. Although hydrogen trains have been operating in parts of Europe since 2022, they are not passenger trains. The project will help Saudi Arabia reach its Vision 2030 goals, which intend to help diversify its economy away from a reliance on oil and reduce its national carbon emissions.

Alstom’s Coradia iLint will travel 10 to 20 kilometers on SAR's East Network’s Line 1 or Line 2 in Riyadh. The mechanism enables entities to meet their goals to reduce and remove emissions, ensuring collective action in Saudi's journey toward a sustainable and low-emission future. (Al-Monitor 09.10)

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* 1. Saudi Arabia Launches Esports World Cup 2024

Saudi Arabia’s Crown Prince Mohammed bin Salman unveiled a major initiative, announcing the inception of the Esports World Cup, set to become an annual event commencing in the summer of 2024. This global tournament, heralded as the world’s largest of its kind, will not only bolster the gaming and esports sector but also fortify Saudi Arabia’s position as a prominent international esports hub.

The launch of the Esports World Cup is seen as a pivotal step toward realizing the objectives of Saudi Arabia’s National Gaming and Esports Strategy. This strategic blueprint seeks to elevate the sector’s contribution to the nation’s Gross Domestic Product (GDP) by over $13.3 billion by 2030 and generate 39,000 new employment opportunities.

In addition to the tournament, the Crown Prince announced the establishment of the Esports World Cup Foundation, a nonprofit organization aimed at fostering collaboration among various stakeholders in the esports industry. This ambitious undertaking underscores Saudi Arabia’s commitment to becoming a global leader in the esports arena. (GB 24.10)

►►North Africa

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* 1. Saudi Arabia & UAE to Renew $10 Billion in Deposits with Egypt

Saudi Arabia and the United Arab Emirates (UAE) plan to renew their deposits with the Central Bank of Egypt (CBE) that amount to more than $10 billion and are due next year. The deposits are short-term and include about $5 billion from Saudi Arabia and $5 billion from the UAE. They said that an agreement has been reached between the two Gulf countries and Egypt to extend the deposits.

The renewal of the deposits comes at a time when Egypt faces a shortage of foreign currency liquidity and a rise in its external obligations. It also comes ahead of the completion of the IMF review.

According to the CBE, Arab countries have deposited about $29.9 billion in the bank, of which $15 billion are medium- and long-term deposits from the Gulf states, and $14.9 billion are deposits from the Gulf states and Libya. The UAE deposits in the CBE total about $10.7 billion, divided between $5.7 billion long-term and $5 billion short-term, while Qatar has deposited about $4 billion, Saudi Arabia has deposited about $10.3 billion and Libya has deposited about $900 million. The CBE also reported that net international reserves increased to $34.97 billion by the end of September 2023.

The Qatar Investment Authority is currently looking at several Egyptian companies to invest in, including the government’s stake in Vodafone Egypt. Qatar also expressed its interest in investing in some Egyptian ports. (AN 15.10)

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* 1. Rabat & Berne Cooperate on Water Training and Innovation

With its water potential deteriorating by the day, Morocco signed a cooperation agreement with Switzerland with a view to improving its performance in water management. The new cooperation agreement will focus on training and innovation. The cooperation agreement was signed during the first edition of the Moroccan-Swiss Scientific Days. This expertise will be provided for training, scientific research and innovation.

For several years now, Morocco has been developing strategies to deal with water stress. Firstly, the dam policy launched in the 1960s has led to the construction of 152 dams with a total storage capacity of 20 billion m3. At least 20 other dams are under construction to reach 26 billion m3 by 2030. Then there’s seawater desalination and the reuse of treated wastewater. These projects have clearly not prevented a drastic fall in the volume of water per capita. From 2,600 m3 in 1960, this volume has plummeted to 603 m3 in 2023 and should fall below 500 m3 by 2030 according to the United Nations (UN).

To boost their effectiveness, Moroccan experts and researchers will be working with those from leading Swiss universities under the new cooperation agreement. As well as exchanging experience in scientific research and innovation, the Moroccan experts will be given the tools they need to develop drinking water supply and sanitation projects in Morocco. (Afrik21 18.10)

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* 1. Morocco's 2024 Finance Bill Allocates $12 Billion for Defense

Morocco’s 2024 finance bill has allocated MAD 124.7 billion, or $12.088 billion, to the defense industry. Article 37 of the finance bill shows that the government is allocating the budget under the “acquisition and repair of materials for the Royal Armed Forces” and support for the defense industry development. This means that Morocco is adding nearly $484.7 million to its defense budget, compared to last year, when the budget for the sector was estimated at $11.6 billion. Last year’s finance bill also saw an increase of $387.7 million compared to the previous season, when the budget for the sector was estimated at $11.24 billion.

In recent years, Morocco has invested in modernizing its military sector and has become one of the world's top 40 arms importers. A recent report by the Stockholm International Peace Research Institute (SIPRI) ranked Morocco as the 29th largest importer of major weapons last year. The report identified the US as the top arms supplier to the North African country in 2022. France comes in second, while China is ranked third as the top arms exporters to Morocco. These initiatives of modernizing Morocco’s armed forces included the purchase of advanced military technology, including state-of-art drones, fighter jets and defense systems. In September, the American magazine Forbes highlighted Morocco’s efforts to strengthen its defense through the acquisition of advanced weapon systems. In particular, Forbes underlined the acquisition of Israeli Barak MX systems. (MWN 24.10)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Cypriot September Tourist Arrivals Soar by 18%

Cyprus saw a remarkable 17.9% surge in tourist arrivals during September compared to the same month last year, while for the first nine months there was a 23.4% spike. According to data released by the Statistical Service, the total number of tourist arrivals for September reached 487,350 from 413,382 recorded in 2022. The increase in September was part of a broader trend that has seen a 23.4% increase in tourist numbers in the first nine months of 2023. For the year to September, there were 3,136,145 arrivals from 2,540,554 in the same period last year.

Despite the upward trend, it is still short of the benchmark year 2019, when 524,707 tourists arrived in September and 3,260,546 in the first nine months. The United Kingdom emerged as the primary source of tourism for Cyprus during September, with a 34% share of the total arrivals (165,869). Israel followed, contributing 11.7% (57,088), with Poland at 6.7% (32,530), Germany at 5.5% (26,907), and Sweden at 4.6% (22,196).

For most tourists, holidays remained the primary reason for their visit, with 84.1% travelling for leisure, while 10.3% came to visit friends and relatives, and 5.5% had business-related purposes. Comparatively, in September 2022, 86.1% of tourists arrived in Cyprus for a holiday, 9.1% for family visits, and 4.7% for business purposes. (FM 17.10)

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* 1. Cypriot Car Sales Increase by 35%

Total Cypriot motor vehicle registrations rose 35% in September to 4,607 from 3,412 last year, while passenger saloon car sales increased 35.9% to 3,722 from 2,738, Statistical Service data shows. During the nine months of January-September, the total of registered vehicles increased by 29.0% to 34,280, compared to 26,581 during the same period in 2022. The registration of passenger saloon cars jumped 29.8% to 27,499, from 21,183 in the same period of 2022.

Of the total passenger saloon cars sold, 11,487 or 41.8% were new and 16,012 or 58.2% were used cars. Rental cars, in particular, showed an increase of 38.3% to 4,811. Motor coach and bus registrations increased to 266 in January-September, up from 68 in 2022, while goods conveyance vehicle registrations increased 12.5% to 3,226 from 2,867.

Light goods vehicles increased by 8.7% to 2,514, heavy goods vehicles by 37.2% to 398, road tractors (trailers) by 68.3% to 106, and rental vehicles by 3.5% to 208. Registrations of mopeds under 50cc increased to 230 in January-September, compared to 199 last year, while registrations of motorcycles over 50cc rose 33.3% to 2,651 compared to 1,989 in 2022. (FM 10.10)

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* 1. Revised Data on Greece Shows 2022 Growth Stood at 5.6%

Greek gross domestic product grew 5.6% in 2022 compared with 2021, according to revised data released by the Hellenic Statistical Authority (ELSTAT). Final consumption spending grew 6.2% (household spending rose 7.6% and general government spending rose 2.1%). Imports of goods and services rose 7.2%, while exports of goods and services were up 6.2%. Gross capital formation rose 5.5% in 2022 and gross fixed capital formation jumped 11.7%. (InTime News 19.10)

GENERAL NEWS AND INTEREST

\*ISRAEL:

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* 1. Thousands of Ultra-Orthodox Volunteers Rally to Aid Israel in Face of Hamas Attacks

In a show of unity and support, thousands of Haredi (ultra-Orthodox) community members in Israel have stepped forward as volunteers to assist their nation in response to Hamas onslaught. This grassroots mobilization has seen Haredi individuals from diverse backgrounds and walks of life come together to provide vital aid in various critical areas. One of the standout initiatives that have emerged from this collective effort is Chamal HaAchdut (The Unity Corps), a project established by Kikar Hashabbat, a Haredi news outlet, and the Tatia Foundation.

Chamal's activity is divided into three core divisions, each dedicated to addressing critical needs. The True Kindness division provides comprehensive support for funerals and shivas (the Jewish mourning period). There is also a group that assists the IDF and southern residents, daily preparing approximately 6,000 hot meals. These meals are distributed to IDF soldiers and the families of evacuees. An additional division has mobilized over 2,500 volunteers to contribute their skills and manpower where they are needed most. From assisting the elderly who live alone to working in factories and farms whose employees have been called up for military service, these volunteers are tackling a wide range of essential tasks.

Recent data from the Tatia Foundation also revealed that 68% of the ultra-Orthodox support military enlistment, while 60% believe that the Haredi community should contribute to the state, especially during wartime. Over 2,000 ultra-Orthodox men have expressed their desire to join the IDF immediately due to the ongoing war.

Additionally, 27% of the staunchly ultra-Orthodox Israelis, who are deeply rooted in the mainstream of these communities, have been seeking ways to assimilate further into the Israeli identity. They assembled a team dedicated to procuring and distributing goods and equipment worth millions, funded by international donors. This includes items like body armor, helmets and other military essentials. (JP 24.10)

\*REGIONAL:

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* 1. Dubai Private Schools Record Highest-Ever Enrollment in 2023/24 Academic Year

Private schools in Dubai have registered the highest-ever increase in enrollment growth since the Knowledge and Human Development Authority (KHDA) was set up in 2007. For the first time ever, enrollment growth entered double digits in the 2023-24 academic year, recording 12%, or more than 39,000 additional students, compared to this period in 2022. The total number of students attending private schools in the emirate is now more than 365,000. Dubai currently has 220 private schools, offering 17 curricula to students from more than 180 different nationalities. (GB 24.10)

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* 1. Female Students Fill Over 53% Seats at Moroccan Public Universities

Morocco’s Minister of Higher Education Mirawi announced on 12 October that the number of female students in public universities across the country has exceeded the long-sought gender parity rate, with women representing 53.6%of the total student population. Mirawi made the revelation during the 4th edition of the Women’s Leadership Meetings held under the theme “Women’s Leadership: Diversity and Social Inclusion.” Minister Mirawi shared that not only had gender balance been achieved but that the percentage of females in certain academic divisions had surpassed expectations.

In fields such as educational sciences, commerce and management, as well as medicine and pharmacy, female enrollment stood at 69%, 62%, and 58%, respectively. Minister Mirawi reported that the number of female doctoral researchers now stands at approximately 19,812, making up 43.8% of the total research community. This figure speaks of a noteworthy improvement, signifying a more inclusive educational environment than in previous years.

One of the most remarkable achievements highlighted by the minister was Morocco’s ranking as one of the global leaders in female engineering graduates. During the 2021-22 academic season, 46.9% of engineering graduates in Morocco were women, totaling 20,431 graduates. In comparison, France recorded a 20% rate, and the United States and Canada lagged behind with just 15%. This achievement underscores Morocco’s commitment to empowering women in STEM fields. (MWN 13.10)

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* 1. Number of Moroccan University Students Reaches 1.3 Million

Moroccan Minister of Higher Education, Scientific Research, and Innovation Miraoui has confirmed that the number of students at Moroccan university institutions increased by 6% during the current university academic year, to reach 1.3 million students, 94% of whom are studying in public universities. Miraoui said that the capacity of higher education institutions will increase by about 18,600 places. He pointed out that this number is primarily the result of expansion projects and modernizations undertaken by some universities.

These universities include Ibn Zohr University with 6,402 additional seats, Sultan Moulay Slimane University (2,460 seats), Abdelmalek Essaadi University (1,876 seats), and Ibn Tofail University, which will soon see 1,112 seats added. In addition, the ministry will add seats in institutions with limited polarization by opening three colleges of medicine and pharmacy in Errachidia, Beni Mellal, and Guelmim.

In the same vein, the minister stated that the 2023-2024 academic season will see the opening of new university campuses in Taza, Kenitra, and Agadir, in addition to the expansion of two campuses in Rabat and Nador. Mirawi explained that the capacity of these campuses amounts to 1,300 beds in Taza, 1,800 in Kenitra, and 1,600 in Agadir. Likewise, the Nador and Rabat campuses will also be expanded by 820 beds and 1,200 beds respectively. Additionally, a new student residence will be opened in Agadir in partnership with the private sector, with a capacity of 574 beds. (MWN 18.10)

ISRAEL LIFE SCIENCE NEWS

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* 1. MediWound Announces Collaboration with 3M on EscharEx Phase III Study

MediWound announced collaboration with 3M Health Care. 3M Health Care will provide its market leading two-layer compression systems Coban 2 and Coban 2 Lite to be used during the debridement and wound healing phases of the EscharEx Phase III study.

EscharEx is being evaluated for efficacy and safety in the debridement of chronic wounds, with the first indication being VLUs. During the debridement phase, as well as in the wound healing phase of the study, 3M’s two-layer compression systems will be used as standard of care in all study arms, until the wounds reach complete healing. EscharEx is a topical biologic drug applied daily that enzymatically removes nonviable wound tissue, or eschar, in patients with chronic wounds without harming viable tissue. EscharEx has been the subject of successful Phase 2 studies, and is entering into a global Phase III study in 2024.

Yavne's [MediWound](http://www.mediwound.com) is the global leader in next-generation enzymatic therapeutics focused on non-surgical tissue repair. 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’s first drug, NexoBrid, is an FDA-approved orphan biologic for eschar removal in severe burns that can replace surgical interventions and minimize associated costs and complications. Utilizing the same core biotherapeutic enzymatic platform technology, MediWound has developed a strong R&D pipeline including the Company’s lead drug under development, EscharEx. (MediWound 11.10)

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* 1. Mana.bio Advances AI-Based Nanoparticle Platform for Programmable Drug Delivery

Mana.bio unveiled its AI-based lipid nanoparticle (LNP) delivery platform to accelerate the development of nucleic acid-based therapeutics and vaccines. Backed by an oversubscribed $19.5 million seed financing co-led by Andreessen Horowitz Bio + Health, Base4 Capital, NFX, LionBird and Technion, Mana.bio is unique in its AI-native approach to novel lipid chemistry and LNP formulation design. The financing enables Mana.bio to advance development of its proprietary, purpose-built AI LNP platform to more safely and effectively deliver RNA and gene therapies to specific extrahepatic tissues in the body, ushering the potential for new therapies across a wide range of unmet needs.

Mana.bio's unique approach, which is based on academic research from the Technion Institute of Technology, cycles through design, build, test and learn steps that are enabled by artificial intelligence, allowing the company to rapidly innovate and optimize LNPs for targeted delivery of RNA therapies.

Tel Aviv's [Mana.bio](http://www.Mana.bio) is a biotechnology company revolutionizing targeted RNA delivery using artificial intelligence-enabled LNP discovery and optimization. This approach accelerates research and enables reliable, tissue-specific delivery to unlock the full potential of RNA and CRISPR therapies. Mana.bio is pioneering the merging of AI and biological insight. (Mana.bio 10.10)

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* 1. Odysight.ai Announces Expanded Commitment with Key Medical Partner

Odysight.ai today a solidified purchase order (PO) with a leading orthopedic, US-based healthcare corporation. Formal commitments under the PO with this Fortune 500 customer amount to a total of $3.3 million for FY2024, highlighting the robust trust and growing collaboration between our companies. The Company believes these numbers will grow substantially in coming years.

Following FDA approval and the U.S. market launch of the Fortune 500 company's groundbreaking minimally invasive surgical device, which features Odysight.ai's visual technology, our collaboration with this key medical partner has strengthened. The expanded PO not only confirms a clear commitment to our product by our medical partner but also solidifies our decision to negotiate improved terms that are in line with the premium quality of our offerings.

Omer's [Odysight.ai](https://www.odysight.ai) is pioneering the Predictive Maintenance (PdM) and Condition Based Monitoring (CBM) markets with its visualization and AI platform. Providing video sensor-based solutions for critical systems in the aviation, transportation, and energy industries, Odysight.ai leverages proven visual technologies and products from the medical industry. Odysight.ai’s unique video-based sensors, embedded software, and AI algorithms are being deployed in hard-to-reach locations and harsh environments across a variety of PdM and CBM use cases. Odysight.ai’s platform allows maintenance and operations teams visibility into areas which are inaccessible under normal operation, or where the operating ambience is not suitable for continuous real-time monitoring. (Odysight.ai 17.10)

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* 1. RespirAI & Mayo Clinic Work for Development of AI Respiratory Platform

RespirAI Medical has entered into a collaboration with Mayo Clinic for developing a wearable AI-based home monitoring platform for respiratory diseases. This endeavor aims to improve patient care by creating a comprehensive platform that closely monitors the rehabilitation process of chronic obstructive pulmonary disease (COPD) patients who have undergone the Zephyr Valve procedure.

RespirAI Medical is committed to the management chronic health conditions, with a strong focus on pulmonology. RespirAI's innovative platform, driven by proprietary biomarkers, empowers patients to accurately monitor their disease in real-time from the comfort of their homes. It allows for the detection of disease exacerbations early on, which can potentially enhance disease management, medication adherence, reduce the need for in-person visits, and could save lives while lowering healthcare costs.

The collaboration is designed to create a platform that proactively monitors the rehabilitation process of patients following the Zephyr Valve procedure and rapidly identifies early signs of exacerbations. By improving patient monitoring and support during the critical rehabilitation period after the procedure, this initiative strives to enhance patient outcomes and provide peace of mind to both patients and healthcare providers.

Herzliya's [RespirAI Medical](http://www.respirai.com) is developing a wearable AI-based home monitoring platform to improve management of respiratory diseases. The company is dedicated to improving the lives of patients with chronic health conditions, with a strong emphasis on pulmonology. RespirAI's proprietary biomarker-driven technology allows patients to monitor their conditions in real-time, leading to better disease management and early detection of exacerbations. (RespirAI Medical 18.10)

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* 1. Innocan Pharma Discovery Regarding its LPD Platform and Global CBD Research

Innocan announced the company's latest groundbreaking findings. Research over the past several months has identified animals that metabolize cannabidiol (CBD), administered as a liposomal CBD injection, in a manner similar to humans. This means that results related to LPT-CBD metabolism obtained from experiments with these types of animals are likely to be very applicable to humans. The Company expects that this development could improve the strength of its application to the FDA for new drug approval.

This groundbreaking discovery is not unique to their LPT-CBD and can be implemented on these animals using other Cannabidiol (CBD) delivery methods. This is an important piece of the puzzle, which expected to not only facilitate their application for FDA approval, but also open new horizons for global medical research with CBD.

Understanding the pharmacodynamic (PD), pharmacokinetics (PK) and safety of a drug is paramount for FDA approval. Typically, such studies are first conducted in animals before progressing to human trials and require the animal to show a similar drug metabolic behavior to that of humans. This groundbreaking data identified animals that have the potential for studying pharmacokinetics, pharmacodynamics and safety of liposomal-CBD formulation.

Herzliya's [Innocan](https://innocanpharma.com) is a pharmatech company that operates under two main segments: Pharmaceuticals and Consumer Wellness. In the Pharmaceuticals segment, Innocan focuses on developing innovative drug delivery platform technologies comprises with cannabinoids science, to treat various conditions to improve patients' quality of life. In the Consumer Wellness segment, Innocan develops and markets a wide portfolio of innovative and high-performance self-care products to promote a healthier lifestyle. (Innocan 23.10)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. REE Automotive Obtains EPA Certification for Its P7 Electric Truck Lineup

REE Automotive received United States Environmental Protection Agency (EPA) certification for its P7-C chassis cab and P7-S stripped chassis products. Certification from the EPA is another step towards REE’s planned full-vehicle certification in late 2023. EPA certification confirms that REE’s P7 electric truck lineup is in conformity with the Clean Air Act, which is intended to reduce and control air pollution across the United States. REE has already announced the certification feasibility for its full by-wire systems and its remaining milestones to full certification now include CARB certification and FMVSS certification.

REE is currently focusing on the class 3-5 market producing zero emission battery electric vehicles powered by proprietary REEcorner and full x-by-wire technology. The company is targeting $1 billion in cumulative sales in 2024-2026 and believes it is on track to begin deliveries to customers later this year.

Herzliya's [REE Automotive](http://www.ree.auto) is an automotive technology company that allows companies to build electric vehicles of various shapes and sizes on their modular platforms. With complete design freedom, vehicles “Powered by REE” are equipped with the revolutionary REEcorner, which packs critical vehicle components (steering, braking, suspension, powertrain and control) into a single compact module positioned between the chassis and the wheel. (REE 11.10)

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* 1. Alarum's NetNut Launched its New SERP Scraper API Product

Alarum Technologies announced that NetNut, its wholly owned subsidiary, launched its most advanced product to date, a Search Engine Results Page (SERP) Scraper Application Programming Interface (API). The new product marks NetNut's entrance to the data collection and labeling market. The new SERP Scraper is the first product developed together and is the first of NetNut’s new data collection products line. The Company intends to continue developing its next generation of data collection solutions, catering to the growing need and demand by enterprise customers worldwide.

Search engines are a valuable resource that provide numerous opportunities for businesses. Businesses extract information from search engines to make use of SERP data. However, manually extracting massive amounts of data from search engines is tedious. SERP Scraper APIs allow businesses to obtain SERP data from search engines automatically. The SERP Scraper API delivers real-time, structured data from global search engines, tailored to enterprises' needs.

Tel Aviv's [Alarum Technologies](http://www.alarum.io) is a global provider of internet access and web data collection solutions. The solutions are based on the world’s fastest and most advanced and secured hybrid proxy network, enabling customers to collect data anonymously at any scale from any public sources over the web. The network comprises both exit points based on proprietary reflection technology and hundreds of servers located at their ISP partners around the world. (Alarum 12.10)

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* 1. CyberArk Launches New Capabilities for Its Identity Security Platform

CyberArk announced new capabilities for securing access to cloud services and modern infrastructure for all users, based on the company’s risk-based intelligent privilege controls. Included are major enhancements to the CyberArk Secure Cloud Access solution, which provides just-in-time access with zero standing privileges to cloud management consoles and services running in multi-cloud environments. The new security controls enable secure access to every layer of cloud environments, while causing no disruption or change to the way developers and other users access cloud services.

Part of the CyberArk Identity Security Platform, Secure Cloud Access elevates permissions just-in-time to roles scoped for least privilege access, enabling cloud developers and administrators to maintain velocity while reducing the risks of credential theft and excessive access.

Petah Tikva's [CyberArk](https://www.cyberark.com) is a leader in identity security. Centered on intelligent privilege controls, CyberArk provides the most comprehensive security offering for any identity – human or machine – across business applications, distributed workforces, hybrid cloud environments and throughout the DevOps lifecycle. The world’s leading organizations trust CyberArk to help secure their most critical assets. (CyberArk 12.10)

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* 1. Papaya Global Completes its Unified Payroll and Payments Platform

Papaya Global redefines the way organizations manage global workforce payments through its innovative direct deposit Workforce Wallet, the first solution designed specifically for workforce payments. The Workforce Wallet solves major pains in the payroll and payments space, by enabling direct deposit, safeguarding and segregating clients' funds from any risks, providing transparency, eliminating the need for multiple bank accounts, and optimizing FX management.

The Workforce Wallet is fully regulated via Papaya Global's global money transfer licenses and supported by J.P. Morgan infrastructure. This bank-level control and security ensures employers' funds are safeguarded and segregated, setting the Workforce Wallet apart as the only regulated and audited solution for global workforce payments. The Workforce Wallet drives global payroll payment processing 80% faster, offering 95% same-day worker payments with global payroll payment rails, and less 0.1% bounced payments. Payments arrive as quickly as 15 seconds and up to 72 hours, guaranteed. Clients using the wallet solution benefit from a 2-day KYC process and a 3-day pre-payment period.

Founded in 2016, Herzliya's [Papaya Global](https://www.papayaglobal.com/) is a SaaS fintech company enabling enterprises to master the complexities of global workforce management. Papaya's integrated approach consolidates workforce management tools from HCM (Human Capital Management) to ERP (Enterprise Resource Planning), to create a single source of truth and turn payroll into a strategic asset. (Papaya Global 12.10)

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* 1. Quantum Machines Introduces QBoard-II - A Next-Generation Cryogenic Sample Holder

Quantum Machines announced QBoard-II, a modular, PCB-based sample holder system for low-temperature spin-qubit chips, general transport experiments, and superconducting circuits. QBoard-II represents a leap forward in cryogenic sample holder technology, designed to simplify and enhance quantum experiments.

Improving upon the performance and usability of the original QBoard, QBoard-II features more compact dimensions, new PCB, interposer, and daughterboard designs, and the addition of a shielding lid. A versatile set of mounting brackets ensures full compatibility with popular dilution refrigerators. Customers can easily transition from QBoard-I with unchanged connector configurations.

Tel Aviv's [Quantum Machines](http://www.quantum-machines.co) (QM) drives quantum breakthroughs that accelerate the realization of practical quantum computers. The company's Quantum Orchestration Platform (QOP) fundamentally redefines the control and operations architecture of quantum processors. The full-stack hardware and software platform is capable of running even the most complex algorithms right out of the box, including quantum error correction, multi-qubit calibration, and more. (Quantum Machines 18.10)

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* 1. Guardz Introduces New AI-Powered Cyber Risk Prospecting Tool for MSPs

Guardz introduced its AI-powered cyber risk assessment prospecting tool for Managed Service Providers (MSPs). By generating comprehensive reports that delve into the cybersecurity posture of MSPs' existing or prospective clients, this game-changing tool provides actionable insights for small and medium-sized enterprises (SMEs) looking to bolster their cybersecurity defenses and offers MSPs an invaluable business development resource — all at no cost.

Guardz's cyber risk assessment tool leverages large language models (LLMs) to assess businesses' cybersecurity risk as compared to industry benchmarks, providing MSPs with an in-depth security posture analysis of their prospective customers. The tool serves as a versatile business development and prospecting asset, enabling MSPs to evaluate existing clients' security and more effectively target new SME customers. By generating free, comprehensive and branded reports at the click of a button, MSPs can approach potential clients with concrete representations of their security needs and actionable insights.

[Guardz](https://guardz.com) is a holistic cybersecurity and insurance solution designed for SMEs. Its all-in-one, affordable platform is on guard 24/7, and is easy to use for both in-house IT personnel and MSPs. With cutting-edge technologies stacked into a robust platform, Guardz's solution continuously monitors businesses' digital landscapes to protect their entire range of assets, enables them to react to cyber risks in real time with swift remediations, and provides cyber insurance for peace of mind. (Guardz 18.10)

ISRAEL ECONOMIC STATISTICS

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* 1. Israel's CPI Falls During September to 3.8%

The Central Bureau of Statistics announced that Israel’s Consumer Price Index (CPI) fell by 0.1% in September. Over the twelve months to the end of September, the index rose by 3.8%, down from 4.1% from the 12 months to the end of August. The new figures came as a surprise, as analysts had been predicting a 0.1% rise in the CPI in September.

There were notable price falls in September in transport, which fell 1.5% last month, and food and in culture and entertainment, which each fell 0.5%. However, there were notable price increases in fresh fruit and vegetables, which rose 4.3%, education, which rose 1.3% and rent, furnishing and household equipment, which each rose 0.5%.

The Central Bureau of Statistics also released figures for home prices, which are not part of the CPI. A comparison of deal prices in July-August 2023 with deals in June-July 2023 shows a fall of 0.4%. Prices have now fallen for the past five consecutive months. In comparison with June-August 2022, prices in July-August 2023 were 0.8% higher. (CBS 15.10)

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* 1. Israel's Fiscal Deficit Widens to 1.5%

Globes observed that the deficit between state revenues and spending has been on the rise for the past six months, but is still relatively low, and constitutes a good starting point for the war. Even before the war began, Israel's fiscal deficit widened to 1.5% of GDP at the end of September 2023, amounting to NIS 27.4 billion over the past 12 months, the Ministry of Finance Accountant General Division reported. Israel's fiscal deficit was up from 1.3% at the end of August and is now well above the annual target of 1.1% set by the government when the budget was approved in May.

The effects of the fighting on the country's fiscal situation will be felt in the next Ministry of Finance report at the end of October. The deficit has been on the rise for the past six months, but is still relatively low, and overall constitutes a good starting point for the economic front of the war.

The deficit has been widening from both sides, due to a decrease in state revenues and an increase in government spending. These trends are expected to continue in the near future. Many defense expenses are expected to pile up on the Ministry of Finance table in the coming months, and it seems that a financial aid package for businesses will also be required. In terms of state revenues, a slowdown in economic activity will result in a decrease in tax collection. Since the start of 2023, state tax revenues have fallen by 4.1%, compared with the same period in 2022. At the same time government spending grew 8.7% in the first nine months of 2023. The state budget took only into account an increase in government spending at a lower rate, of 7.6%. (Globes 12.10)

IN DEPTH

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* 1. ISRAEL: Moody's Places Israel's A1 Ratings on Review for Downgrade

On 19 October, [Moody's Investors Service (Moody's)](http://www.moodys.com/) placed the Government of Israel's A1 long-term foreign-currency and local-currency issuer ratings on review for downgrade. Previously, the outlook was stable. Moody's has also placed on review for downgrade Israel's A1 foreign-currency and local-currency senior unsecured ratings and its (P)A1 foreign-currency senior unsecured shelf and senior unsecured MTN program ratings.

Israel's backed senior unsecured rating has been affirmed at Aaa. The related issuances benefit from an irrevocable, on-demand guarantee provided by the government of the United States (Aaa stable).

**RATINGS RATIONALE**

**Rationale for Initiating the Review for Downgrade**

The initiation of the review is triggered by the unexpected and violent conflict between Israel and Hamas, in response to a large-scale, multipronged attack by Hamas. The most important consequence is the human cost arising from loss of life. This rating announcement addresses the credit implications of recent events.

Israel's credit profile has proven resilient to terrorist attacks and military conflict in the past. However, the severity of the current military conflict raises the possibility of longer lasting and material credit impact. The review will focus on the likely duration and scale of the conflict, and on assessing its implications for Israel's institutions, in particular the effectiveness of its policymaking, its public finances and the economy. The review period may be longer than the typical three months.

**Unexpected Military Conflict**

The military conflict is increasing Israel's already relatively high exposure to geopolitical risks. During the review period, Moody's will assess whether the conflict is likely to move towards resolution or whether there is a likelihood of significant escalation over an extended period. While a short-lived conflict could still have credit impact, the longer lasting and more severe the military conflict, the greater its impact is likely to be on policy effectiveness, public finances and the economy.

**Policies in Flux**

Israel has experienced domestic political tensions for some years, which have posed challenges to effective policy-making. The formation of a unity government following the onset of military conflict will likely support greater domestic cohesion for the duration of conflict. The review will assess the government's ability to implement policies to mitigate the economic and fiscal impact of the conflict, and orchestrate a future recovery from the crisis.

**Impact on Public Finances**

Moody's will also assess whether the conflict will interrupt or reverse the previously expected positive trends in debt metrics. Israel spends around 4.5% of GDP on defense, considerably more than other OECD countries. While defense spending has declined as a share of GDP over the past two decades, it has typically increased around episodes of violence in the past. It will probably do so as part of the current conflict. Higher defense spending would add to the deficit, which Moody's expected to stand at around 2% of GDP prior to the attack.

**Economic Implications**

An estimated 8% of the working population is drafted into the military effort, but this alone need not have credit implications. The economy has recovered relatively swiftly from past episodes of violent conflict and its dynamism benefits from a diversified high-tech sector as the main engine of growth. However, this conflict is more severe than the episodes of violence in the last few decades. As a result, there is a risk of a diversion of resources, drop in investment and loss of confidence, which would undermine Israel's economic outlook.

The publication of this rating action deviates from the previously scheduled release dates. This action was prompted by the declaration of war against Hamas by the Government of Israel on 8 October 2023 following Hamas' attack.

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

Moody's would likely downgrade Israel's ratings if it were to conclude that the current military conflict was likely to materially weaken Israel's institutions, in particular the effectiveness of its policymaking, its fiscal and/or its economic strength. Moody's would most likely reach that conclusion if the military conflict were to escalate significantly or were to spread further beyond Israel's borders. The extent of any rating impact would depend on the severity of the impact to Israel's credit profile over the medium term.

Moody's would likely confirm Israel's A1 rating, if its review concluded that the current military conflict could be resolved without lasting and material damage to Israel's economic, fiscal and institutional strength. There are currently efforts under way to de-escalate the situation, limiting the humanitarian and civilian cost and negotiating the release of the hostages, all of which could limit the duration and scale of the conflict, and thus its impact on Israel's credit profile. (Moody's 19.10)

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* 1. UAE: IMF Staff Concludes Visit to United Arab Emirates

A staff team from the [International Monetary Fund (IMF)](http://www.imf.org/) visited the United Arab Emirates during 25 September to 3 October 2023, to discuss economic and financial developments, the outlook and the country’s policy and reform priorities. At the conclusion of the mission, the IMF issued the following statement:

“The economy continues to grow, benefitting from strong domestic activity. Non-hydrocarbon GDP growth is expected to exceed 4% this year and to remain at a similar pace in 2024, driven by tourism, construction, and real estate related developments. Social and business-friendly reforms and the UAE’s safe haven status continue to attract foreign inflows of capital and labor, underpinning growth and contributing to elevated real estate prices, particularly in high-end segments. Following the OPEC+ production cuts, hydrocarbon GDP growth is expected to slow in 2023, but to accelerate next year with the UAE’s 2024 OPEC+ production quota increase. Overall real GDP is expected to grow around 3.5% this year. Average inflation will remain contained at around 3% in 2023, down from 4.8% in 2022.

“Fiscal and external surpluses remain high on the back of high oil prices. The fiscal balance is expected to be around 5% of GDP in 2023, driven by oil revenue and strong economic activity. The phased introduction of a corporate income tax that began in June 2023 will support higher non-oil revenue over the medium term. Public debt is projected to continue to decline, falling firmly below 30% of GDP in 2023, including with the benefit of the Dubai Emirate reducing its public debt by AED 29 billion in line with its Public Debt Sustainability Strategy. The current account surplus is expected to be notably above the medium-term level in 2023 and 2024.

“Banks are adequately capitalized and liquid overall. Bank profitability has increased with higher interest rates and overall credit continues to grow, although at a slower rate. However, rising real estate prices and tighter financial conditions underscore the importance of continued close monitoring of financial stability. Continued efforts to strengthen the macro-prudential and resolution and recovery frameworks, promote the effective management of non-performing loans, and advance the National AML/CFT Strategy and Action Plan are welcome.

“The outlook remains subject to heightened global uncertainty. A decline in oil demand and reduced global trade and tourism from slower global growth, higher-for-longer interest rates, tighter financial conditions, or geopolitical developments would weigh on growth and pressure fiscal and external balances. However, higher oil prices and healthy fiscal buffers help mitigate risks, while reform efforts pose upside risks to growth.

“The UAE’s sustained reform efforts support medium-term growth and a smooth energy transition, but prioritization and sequencing remain key to ensure effective outcomes. Advancing a medium-term fiscal framework, underpinned by careful coordination of emirate-specific fiscal anchors and rules, would promote long-term sustainability, and help meet climate policy challenges. Ongoing efforts to boost private sector employment, further develop the domestic capital market, and leverage trade and investment in digital and green initiatives will further advance diversification and lift medium-term growth. Building on recent improvements in economic data collection, sharing, and dissemination will buttress these efforts. (IMF 16.10)

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* 1. SAUDI ARABIA: Saudi Arabia to Use More Fiscal Space to Support Strong Growth

[Fitch Ratings](http://www.fitchratings.com/) said on 9 October that Saudi Arabia’s latest projection of modest budget deficits over the medium term, of around 2% of GDP, in its 2024 pre-budget statement (PBS) marks a shift away from the previous set of medium-term figures that projected annual surpluses and a decline in government debt/GDP.

The government estimates that 2023 spending will be up by 32% y-o-y, 13% above budgeted levels. Spending will be broadly flat in 2024, before trending higher again in 2025-2026. These numbers are well in excess of previous medium-term projections in the 2023 budget that envisioned annual surpluses – 2025 spending will be 15% higher than previously planned.

This policy recalibration reflects a decision to make more use of the Kingdom’s fiscal space to support strong non-oil economic growth and press ahead with economic and social priorities under the Vision 2030 strategic development plan. Overall real GDP growth is being dragged down by oil production cuts, but real non-oil GDP excluding government spending rose by 5.7% y-o-y in H1/23, or 5.3% y-o-y when including government activity. Saudi Arabia’s strong fiscal balance sheet was a driver of our decision to upgrade its rating to ‘A+’, from ‘A’, with a Stable Outlook in April 2023.

Higher levels of on-budget spending will accompany the significant spending pipeline of the Public Investment Fund and other off-budget public-sector entities. The PBS also emphasizes the importance of structural reforms and fiscal sustainability, including the level of government reserves and public debt.

The PBS does not provide spending or revenue breakdowns, but highlights the government’s desire to support economic diversification through accelerating mega projects and various development programs. This would imply greater capex than previously planned in the next few years. The document also emphasizes education, healthcare and the environment as priorities. The full 2024 budget will further reveal spending plans in fields such as wages and subsidies, which could be politically harder to adjust in future compared with capex.

Based on the PBS, we estimate a budget deficit of around 3% of GDP in 2023, assuming an annual average oil price of $80/barrel (bbl). The 2023 deficit would be closer to 2% of GDP, as the PBS estimates, if oil prices average $85/bbl. The PBS does not disclose its oil assumptions.

Fitch expects a smaller deficit in 2024 than the PBS states, given our higher revenue forecast. We assume oil prices will fall to $75/bbl on average and that production moves slightly higher. We have also incorporated an estimate for performance-related dividends from Aramco that does not seem to be included in the PBS. On this basis, we expect the fiscal breakeven oil price would be around $80/bbl in 2024, although this will depend on oil production levels.

The PBS indicates that financing needs will be met through debt issuance, rather than drawdowns of government deposits at the Saudi Central Bank. We forecast this will push debt close to 30% of GDP in 2026, from close to 27% in 2022, but we expect this ratio to remain lower than the median for ‘A’ category sovereigns (projected at around 55% in 2025).

We believe the more pro-cyclical fiscal policy outlined in the PBS could leave Saudi Arabia more exposed if a global economic shock causes a slide in oil prices. We expect the government to rein in spending in such a scenario, as it has done previously. This could limit the hit to public finances, but would also aggravate macroeconomic volatility. The risk that higher spending levels become entrenched is also set to rise the longer oil prices remain high, which could, in our view, increase the difficulty of any future spending adjustments. (Fitch 09.10)

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* 1. EGYPT: Egypt Downgraded to 'B-' on Mounting Funding Pressures; Outlook Stable

On 20 October, [S&P Global Ratings](http://www.standardandpoors.com/) lowered its long-term foreign and local currency sovereign credit ratings on Egypt to 'B-' from 'B'. The outlook is stable. We also affirmed our short-term sovereign credit ratings at 'B.' At the same time, we revised downward our transfer and convertibility assessment on Egypt to 'B-' from 'B'.

**Outlook**

The stable outlook balances the risk that the Egyptian authorities may be unable to finance high external debt redemptions or address the country's foreign currency shortage against the possibility of an acceleration of key monetary and economic reforms that would help bridge Egypt's large external financing gap.

**Downside Scenario**

We could lower the ratings if the authorities fail to implement the macroeconomic reforms required to reduce Egypt's economic imbalances and to unlock multilateral and bilateral funding.

We could also lower the ratings if the government's already elevated interest costs rise further, increasing the risk of a distressed debt exchange.

**Upside Scenario**

We could raise our ratings if Egypt reduces net government debt levels and gross external financing needs, via an acceleration of reforms that support competitiveness, growth, and fiscal outcomes. Under such a scenario, we would expect renewed bilateral and multilateral financial support.

**Rationale**

The downgrade reflects the recurring delays to the implementation of monetary and structural reforms, exacerbating imbalances in the currency market, deteriorating the net foreign asset position of systemic banks, and delaying critical IMF disbursements and other multi- and bi-lateral financing. These funding sources include Gulf Cooperation Council (GCC) support, which we expect to continue. That said, given the evolution in the nature of GCC funding toward greater conditionality and achieving economic returns, we have less confidence that additional financing will be forthcoming in a timely manner to cover all external funding gaps.

We also view the government's very high debt servicing costs, which largely relate to its domestic debt (70% of the total), as a potential challenge to debt sustainability. Interest spending consumes over 40% of government revenues, limiting fiscal space to provide additional support to Egyptian households grappling with a severe, multi-year cost of living crisis. The financial strength of Egypt's large commercial banking system--with total financial assets at about 130% of GDP--is highly correlated with that of the state. We estimate banking sector gross claims on the general government, including securities and credit facilities, are equivalent to 60% of total assets.

Furthermore, limited transparency around the financing sources and import content of ongoing "national projects," constrains our ability to assess their implications for public sector debt and the balance of payments.

Despite an agreement with the IMF to move to a flexible exchange-rate system, the government's response to currency pressures has been to impose controls on private sector imports, via the banking system. With presidential elections scheduled to take place in December, policymakers are understandably preoccupied about the second-round effects of a devaluation on inflation. Moreover, the authorities may be aiming to increase reserve buffers ahead of any exchange-rate adjustment to help smooth post-liberalization volatility. While such concerns are understandable, in our view, the costs of delaying exchange-rate liberalization are also high and rising. These include a reduction in badly needed remittance and investment inflows, alongside weaker private sector confidence.

We expect an exchange-rate adjustment will result in a devaluation of the Egyptian pound (EGP) to around its level in the parallel market, currently about EGP40 per U.S. dollar. After which, we expect the Central Bank of Egypt (CBE) to allow the pound to be much more responsive to external shocks. That said, given the economy's high import dependency, and the political sensitivity of inflation, in our view, the authorities may be tempted to re-introduce foreign currency controls as they have done previously, should currency volatility worsen.

Higher inflation will likely result in higher CBE policy rates, further increasing government debt service costs, at least in the short term.

On 7 October, the Palestinian terrorist group Hamas attacked Israel. In response, Israeli air strikes have targeted Gaza and Israeli troops are preparing for a ground invasion. It is unclear how the conflict will develop. Our current base case is that the conflict will likely be largely contained to Israel and Gaza. However, given its border with Gaza, and its control of the Rafah crossing, Egypt is directly affected. The shutdown of Israel's Tamar gas platform has already reduced Egypt's gas imports to 650 million cubic feet per day (cf/d) from 800 million cf/d, reducing Egypt's ability to meet domestic demand and export liquefied natural gas. As a result of the conflict, Egypt is also likely to see fewer tourists, further pressuring the Egyptian economy, in our view.

Institutional and economic profile: Implementation of reforms, including the reduction of the state's economic footprint, are key to Egypt's economic prospects

* We expect President Al-Sisi to be re-elected in December 2023 and lead the government in its pursuit of the key tenets of the IMF program.
* The government has begun to sell stakes in state-owned enterprises (SOEs) to develop the private sector and encourage foreign direct investment (FDI) inflows rather than more flighty portfolio investment.
* We expect Egyptian economic growth to average about 4% over the next three years, albeit these forecasts will remain highly sensitive to exchange-rate and inflation trends, as well as to the fallout on tourism from the Israeli-Hamas conflict.

In our view, the presidential elections were brought forward to December 2023 from spring 2024 to create political space to enable the authorities to implement post-electoral reforms. The incumbent, Abdel Fattah Al-Sisi, is widely expected to retain his position after presidential elections to be held from 10 December to 12 December 2023. The results are likely to be announced on 18 December. If a run-off election is required, the results will be announced on 16 January 2024. Constitutional amendments in 2019 allow candidates to run for a third presidential term and extended term lengths to six years from four.

Key structural constraints to economic growth include the large informal sector; relatively weak, albeit improving, governance and transparency of SOEs; and barriers to competition that restrict private-sector activity. As part of the conditionality of the IMF program, the government is implementing a law to improve the business environment by ending preferential tax, fees and customs treatments for the economic and commercial activities of SOEs including military companies. The CBE has also discontinued its subsidized lending programs.

The government has embarked on a plan to reduce its dominance, and that of the military, over much of Egypt's productive sectors. In December 2022, President Abdel Fattah Al-Sisi outlined the government's vision for the future role of the state in the economy. This included raising the participation of the private sector in public investments to 65%, from 30% currently, within three-to-five years. The government has made progress selling stakes in various SOEs, meeting its target for fiscal year 2023 (ended June 30, 2023). The related U.S. dollar inflows to the country of about $2.5 billion are gradually being released, following due diligence by the investors. As a result, FDI inflows increased to nearly $10.0 billion in fiscal 2023, the highest level on record. We expect FDI to remain around this level in fiscal 2024. The government is working on a further $4.6 billion in asset sales this year.

We estimate economic growth slowed to about 4.0% in fiscal 2023, from 6.6% in the previous year. The lack of foreign currency availability restricted imports, which depressed economic activity, particularly investment. The cost and apparent preference of national project investments--with elevated import content and an uncertain productive benefit to the economy--has raised questions about Egypt's economic strategy, and the extent and sources of extra-budgetary financing. However, we understand that the government has issued a decree, whereby projects with a completion rate of 50% or below, or with a heavy foreign currency component, are to be stopped. This should reduce related imports and support the external position.

In fiscal year 2023, tourism revenue on the balance of payments reached a record high of $14 billion, supported by Egypt hosting the 2022 United Nations Climate Change Conference, more commonly referred to as COP27. A sharp decline in tourists from Russia and Ukraine was more than compensated by a pickup in tourists from other countries, including Germany and Italy.

The tourism sector is an important source of foreign currency earnings for Egypt. However, given the uncertainty around the exchange rate, we understand the associated foreign currency inflow for the most part has been kept by commercial entities rather than flowing through the financial system. As a result, there is relatively limited availability of foreign currency on the interbank market.

Due to the foreign currency crunch, we expect GDP growth to slow further in fiscal 2024. However, after the CBE's long-term strategy for the exchange rate becomes clearer, market confidence should improve. We project growth to pick up over our forecast horizon to fiscal 2026. The construction and energy sectors could be key drivers of growth, along with IT and communications, wholesale and retail trade, agriculture and health care. The *Hayah Karima* program, which aims to improve living standards in rural communities, should help develop the quality of infrastructure.

The sociopolitical environment in Egypt remains relatively fragile, in our view, with about 30% of Egypt's 105 million population below the poverty line. Sporadic small-scale protests reflect the discontent of more vulnerable and younger sections of society. The 2011 political uprising, which unseated long-time president Hosni Mubarak, was partly spurred by high unemployment and food price inflation. Under the existing subsidies program, more than 60 million Egyptians, or nearly two-thirds of the population, get five loaves of round bread daily for 50 U.S. cents a month; this has barely changed since countrywide bread riots prevented a price hike in the 1970s. Given these political dynamics, the government largely covered the cost of higher wheat prices in 2022 and postponed a reform to the bread subsidy scheme. In response to very high inflation, the government has also implemented wide ranging social support programs, including widening the number of households benefiting from the *Takaful* and *Karama* schemes, doubling the exceptional allowance for pensioners, and increasing the minimum wage for public servants. This was achieved within the confines of the government's fiscal targets.

Egypt will become a full member of the BRICS group of countries (comprising Brazil, Russia, India, China, and South Africa), from January 2024. We do not expect this to significantly boost the economy. Egypt has had access to concessional funding from the BRICS-created New Development Bank (NDB; AA+/Stable/A-1+/) since 2021.

We expect GCC states to continue to support Egypt, given that instability in the country could spill over into the rest of the region. A matter of weeks after the onset of the Russia-Ukraine conflict in February 2022, when it became clear that Egypt would experience financial stress, some GCC states deposited $13 billion (2.7% of Egyptian fiscal 2022 GDP) at the CBE.

However, GCC states have recently been directing their funds to Egypt via more commercially focused routes, for example by purchasing stakes in SOEs. This is an alternative to providing substantial funds without conditions on concessional terms. We expect the GCC to provide more commercially oriented support, such as the United Arab Emirates (UAE) dirham (AED) 5 billion ($1.36 billion equivalent) currency swap, announced in September, between the CBE and UAE central bank. This allows Egypt to finance trade with the UAE, up to the prescribed amount, in EGP rather than U.S. dollars. The CBE also has the equivalent of a $2.6 billion (0.7% of GDP) swap line with the People's Bank of China. In August, UAE entities also announced a $500 million package of low-cost financing to support Egyptian wheat purchases, $100 million per year (about 0.1% of GDP each year).

Tension with Ethiopia largely relates to the Grand Renaissance Dam, although under our base-case scenario we do not expect there to be a significant escalation. Ethiopia continues to fill the reservoir behind the dam, raising concerns over water shortages in Egypt and Sudan, which also depend on the Nile's waters. Ethiopia is filling the reservoir to power a turbine and increase electricity provision in the country. To mitigate the risk, Egypt is directing more water from Lake Nasser, the reservoir behind its own hydropower Aswan High Dam, into the Nile, and implementing several desalination projects and water management strategies, such as recycling agricultural waste and surface water.

Flexibility and performance profile: Increased exchange-rate flexibility should keep current account deficits moderate

* Egypt's current account deficit narrowed sharply in fiscal 2023.
* The fiscal 2023 government deficit was lower than we expected but is budgeted to widen this year.
* Inflationary pressures are likely to remain high as we expect further exchange-rate weakness.

Egypt's current account balance is broadly characterized by a large deficit on the goods balance, alongside a deficit on net income, which the surpluses on the services and transfers balances are insufficient to offset. The lack of foreign currency has led to a sharp contraction in goods and to a lesser extent services imports. This was the main reason for the narrowing of the current account deficit to $4.7 billion (1.2% of GDP) in the fiscal year ended June 30, 2023, from $16.6 billion (3.5% of GDP) in fiscal 2022. The high level of tourism and Suez Canal-related revenues also supported a strong performance by service sector exports.

We expect a resolution to the current foreign currency crunch to allow imports to grow and remittances to strengthen over the forecast period to fiscal 2026, resulting in wider current account deficits, which we expect to average 2.7% of GDP. This is lower than the current account deficits in the three years to fiscal 2022, which averaged 3.6% of GDP, because we think increased exchange-rate flexibility and a depreciating currency will constrain imports and support exports.

In terms of external funding, we expect net flows to the financial account will more than offset the current account deficits over the period through fiscal 2026, with CBE's gross reserves rising to $38 billion on average. We expect Egypt's net external debt, adjusted for liquid external assets, to average about 139% of current account receipts (CARS) over the period through fiscal 2026. The CBE is not intervening to provide foreign currency to the domestic economy and, as such, its international reserves have been gradually increasing. Instead, commercial banks' balance sheets have taken the hit as they liquidate foreign assets and increase borrowing from abroad, while households and companies have limited access to foreign currency via official channels.

Given the short-term nature of the inflow of GCC deposits in fiscal 2022, our external liquidity metric has deteriorated. We estimate gross external financing needs as a share of CARs and usable reserves of about 150% over the three years through fiscal 2026, and usable reserves covering about 2.4 months of current account payments over the period until fiscal 2026. Our estimate of usable reserves deducts required reserves on resident foreign-currency deposits from officially reported reserves. Given the uncertainty about the level of the EGP, we expect foreign currency deposits, and therefore required reserves, to increase sharply to 40% of total deposits in fiscal 2024, having reached about 20% in fiscal 2023.

In addition to funding of the current account ($9.5 billion) in fiscal 2024, we estimate principal payments of about $8 billion on government external debt (for the whole economy principal payments are about $19 billion). Payments to multilateral agencies account for 67% of the government's principal payments on external debt in fiscal 2024, with the IMF alone accounting for 48% of the total. We expect most of this donor funding to be rolled over on concessional terms. About $2 billion, or 27%, relates to the government's principal payments on commercial external debt. Interest payments on external commercial debt are an additional $2 billion. We expect this commercial debt service to be made on time and in full.

About 70% of Egypt's government debt is domestic and in local currency. The main funding source for this domestic debt is the Egyptian banking system, which, in our view, remains liquid in local currency and can increase its lending to the government, if necessary, despite its already-high exposure at about 60% of total assets. This is because we think the banking sector has solid domestic liquidity in local currency, with a low loan-to-deposit ratio at 48.7%, as of April 2023. Resident deposit growth is high, averaging above 20% annually over the three years to fiscal 2022. This is partly due to rising levels of financial intermediation, as the base of financial inclusion in Egypt is very low. We estimate that Egyptian domestic banks--of which the two state-owned banks, National Bank of Egypt, and Banque Misr, constitute close to half in terms of total assets--hold about 60% of general government securities. The CBE holds another 10% of the total.

We estimate that the general government deficit will rise to about 7% of GDP on average, over the period through fiscal 2026, having narrowed to 5.8% in fiscal 2023 due to strong revenue growth. We estimate that even amid the current challenges, the central government primary surplus (deducting interest costs from the headline deficit) will average about 1% of GDP over fiscals 2024-2026, similar to the level reported over the previous three years. However, we note that the government is targeting a primary surplus of 2.5% in fiscal 2024, suggesting some upside to our fiscal forecasts. We expect tax administration reforms and a broadening of the tax base to strengthen the fiscal balance. On the spending side, growth will be spurred by capital investments, subsidies, grants, social benefits and salaries.

Headline inflation is well above the upper boundary of the CBE's target range of 7% plus or minus 2%, partly as food prices, which had been increasing even before the Russia-Ukraine conflict, continue to rise. Inflation has been gradually rising since mid-2021 and reached 38% in September 2023. The CBE tightened its monetary policy stance, increasing its main operation rate to 19.75% from 8.75% in February 2022. At its latest policy meeting in September, the CBE did not change its policy rates as inflation dynamics were broadly as it had expected.

Devaluation of the Egyptian pound will directly impact banks' capital, inflating foreign currency risk-weighted assets. We think it is unlikely to directly harm banks' asset quality, since foreign currency lending is at relatively low levels and is usually granted to companies that generate revenue in the same currency. However, under our base case, we still expect credit losses to increase due to the indirect impact of related increased production costs, as well as limited availability of foreign currency liquidity adding additional burden to sectors relaying on imports. In addition, expanded lending to inherently riskier small and midsize enterprises (SMEs) will also contribute to asset quality deterioration. The CBE raised the threshold for SME lending to 25% of banks' loan books on December 2022, from 20% previously, and set a new 10% minimum threshold for lending to small enterprises. We expect the banking sector's pre-provision income to absorb the hit from increased loan loss provisions, thus not materially hindering capital. Banks' increased reliance on external funding and limited access to foreign currency liquidity do, however, weigh on their funding profiles. (S&P 20.10)

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* 1. EGYPT: Egypt's Progress Egypt's on the Tech + Digital Infrastructure Front

[Enterprise](https://enterprise.news/) reported that Egypt has spent over EGP 100 billion to expand its tech and digital infrastructure over the past five years, including expanding fiber optic cable networks, boosting internet connectivity and offering digital government services. A recent report published during the Story of a Homeland conference gives a snapshot of our tech infrastructure upgrades over the past years, and some targets for our digital services, exports and infrastructure for the next three years.

Information and communication technology (ICT) is an exploding industry in Egypt. The sector outpaced all other state’s economic sectors in FY 2021/2022 with a growth rate of 16.7%, according to ITIDA, the executive IT arm of the Ministry of Communications and Information Technology. The sector made up 5% of the country’s GDP last year, the statement reads, while digital exports registered $4.9 billion.

The government has spent some $2 billion into boosting internet speeds since 2019, taking it to 42.5 megabytes per second in 2022, up from just 6.4 mbps in 2019. Egypt also climbed eight spots in Speedtest’s January Monthly Global Index of mobile internet speed in February this year, making it the country with the fastest internet in Africa at the time, with median download speeds of 19.34 megabits per second (Mbps) putting us 88th out of 140 countries.

Some 18k governmental buildings have been fitted with fiber optics cables, with plans to connect 31.5k buildings in total to the network, according to the report. Meanwhile, some 2563 high schools have been connected to fiber optic cables in every governorate across the country, according to the report.

The FY 2023-24 telecommunications investment budget for the initiative has earmarked EGP 5.6 billion to extend the fiber optics cable network to cover 1,468 villages.

Some 17 submarine communication cables currently pass through Egypt, connecting it to 60 countries, according to the report. These are supported by 10 landing stations across the country, including three established recently in Ras Ghareb, the report said.

Launched in 2022, the “Digital Egypt Platform” — which has received at least some EGP 10 billion in investments so far — offers 170 online services like e-payment, car license renewals and booking appointments for civil services. Some 7.6 million people are currently registered on the platform, according to the report. The platform is set to include all government-related services and procedures by the end of the year, the report noted, adding that this will bring the number of e-signatures from digital transactions to 375 million a year, compared to just 3 million in 2020.

The developments we’ve made have boosted Egypt's rankings on the UN’s e-government development index to 103 in 2022, up from 111 in 2020.

Exports of digital services — which refers to a range of exports of digital services that can be provided online, such as ins., business processes, outsourcing and financial services — have risen to $4.9 billion in FY 2021-22, up from $4.1 billion in FY 2019-20. The government wants to see digital outsourcing services bring $9 billion into the economy as of 2026, according to the report.

The big four accounting firm PWC kicked off their $10 million Egypt Technology and Innovation Center (ETIC) with ITIDA in May. The new technology hub will hire up to 5k tech experts and raise its digital exports to $300 million by 2025. ITIDA also welcomed South African outsourcing agency SoluGrowth which opened its new office earlier in May, becoming the first South African company in its sector to invest in Egypt.

The government has been offering incentives to companies in the industry to help boost the local market. The incentives included tax reductions, subsidies and export rebates. ITIDA also invested some EGP 11 billion to train 200k Egyptians to become qualified IT professionals and outsourcers, the report reads. (Enterprise 18.10)

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* 1. GREECE: Greece Upgraded To 'BBB-/A-3' On an Improved Budgetary Position

On 20 October, [S&P Global Ratings](http://www.standardandpoors.com/) raised to 'BBB-/A-3' from 'BB+/B' its long- and short-term local and foreign currency sovereign credit ratings on Greece. The outlook is stable.

**Outlook**

The stable outlook captures balanced risks in the external environment that could affect Greece's open economy, alongside our expectation that persistent primary budget surplus targets will continue to drive the reduction in government debt.

**Downside Scenario**

We could lower the ratings if Greece's budgetary performance and external imbalances, such as from the elevated current account deficit, worsened materially more than we expect.

**Upside Scenario**

We could raise the ratings if Greece's net government debt-to-GDP ratio falls further to levels in line with that of peer sovereigns. We believe this would result from a combination of sustained solid primary budget surpluses over a protracted period and structural economic reforms that boost Greek economic competitiveness, and full deployment of the large NextGenerationEU funds available to Greece.

**Rationale**

Significant budgetary consolidation has placed Greece's fiscal trajectory onto a firmly improving track. Supported by a very rapid economic recovery, the Greek government has been able to regularly outperform its own budgetary targets despite gradually increasing social transfers. We expect the government will achieve a primary surplus of at least 1.2% of GDP this year, exceeding its 0.7% target, even considering the material budgetary cost associated with the recent wildfires and floods. We forecast an average primary budget surplus of 2.3% of GDP over 2024-2026. In our opinion, political pressures will likely complicate the government's ability to sustain large primary budget surpluses in the medium to long term, and this could slow the progress in debt reduction in the outer years of our forecast horizon and beyond.

General elections held earlier this year yielded another outright majority for incumbent New Democracy (ND) party. The clear mandate and the avoidance of a potentially unstable coalition allows the government to continue to build upon past reform efforts. The election outcome looks broadly to be a mandate for policy continuity, and we expect the government to advance its reform agenda. This includes further addressing Greece's still-large government debt stock (e.g. by continuing to close the VAT gap), enshrining banking system stability, and making structural reforms in the justice and health care systems, among other efforts to enhance Greek competitiveness.

We estimate the Greek net government debt stock will fall to about 146% of GDP by year-end, which would represent a marked improvement from the peak of 189% of GDP in 2020. This somewhat reflects an inflation dividend, but also weighs in a rapid post-pandemic economic expansion and sharp budgetary consolidation. While the stock of debt remains high, its profile is one of the most favorable of all sovereigns we rate; the general government debt's weighted-average maturity was 19.7 years at end-June 2023, and interest payments currently occupy a relatively modest 5.7% of estimated general government revenue. An extensive interest-rate swap program materially eases the government's gross financing needs--a situation that also benefits from Greece's very large liquid assets (estimated at about €37.2 billion, or 17% of GDP, in October 2023).

Like other small open economies, Greece remains exposed to changing winds in the global economy. This includes risks from a potential economic slowdown that might affect the important external-facing sectors of tourism or shipping, or another sudden spike in energy prices. These developments could slow the improved momentum of Greece's credit metrics. Our ratings remain constrained by still-large government debt and a weak external position.

**Institutional and economic profile**: Sizable investment flows and related structural reforms will underpin economic growth

* Real GDP growth will cool in 2023, although remain above euro area peers' at an estimated 2.5%, primarily underpinned by investment and tourism.
* We expect Greece will continue to implement structural reforms that will support medium-term economic and fiscal outcomes.
* Following a successful reelection bid, the ND-led government has an absolute parliamentary majority and are unlikely to face significant legislative hurdles in implementing their policy agenda.

The Greek debt crisis (2009-2015) triggered a long period of economic depression and institutional instability, accompanied by acute underinvestment, as successive governments cut spending on health, education and infrastructure. By 2019, the situation improved as foreign direct investment recovered (including via banks' sales of nonperforming loans), while business confidence rapidly strengthened in conjunction with progress on budgetary consolidation and structural reforms, including on tax compliance, the labor market, competition laws, and aspects of (yet to be fully completed) judicial reform.

The recovery from the debt crisis then the COVID-19 pandemic galvanized the incipient recovery of investment and confidence in the economy. Rapid digitalization of public services drove considerable progress in reducing tax evasion and unlocking other efficiencies within the public sector. The strong performance of tourism, shipping, and manufacturing in the past several years, alongside banks' progress in selling and resolving nonperforming exposures, spurred additional investment.

Furthermore, Greece's GDP growth has withstood several devastating wildfires and floods in 2023. We do not expect these climate events to substantially affect Greek economic growth, owing to the highly localized and time-limited nature of the events. High-frequency sentiment data suggest only some marginal softening in confidence, consistent with affected areas only representing a small portion of economic activity.

We forecast real GDP growth of 2.5% for 2023, broadly in line with the 2.4% economic expansion observed in the first half of the year. The tourism sector is doing particularly well; data show Greece had its best ever first half for inbound travelers since records began, which is also confirmed by the first seven months' travel and transportation receipts being 18% above levels for the same period in 2019. This is the fastest recovery among major European tourist destinations.

Expanding investment flows, improving labor market outcomes (unemployment is expected to decline to 9.2% next year from the peak of 28.2% in third-quarter 2013), and supportive credit conditions following banking sector normalization will underpin growth in the coming years, which we project will average 2.6% over 2024-2026. The absence of significant further tightening of fiscal policy will help, while the impact of the monetary policy tightening on growth will no longer be contractionary. Greece's economy has grown by 26% (in real and seasonally adjusted terms) since its COVID-19-induced trough in second-quarter 2020. Yet, output remains about 22% below its pre-sovereign debt crisis peak in second-quarter 2007 (notwithstanding that national account data prior to 2010 are not fully comparable because they have a different base year) suggesting room for above-trend growth in the coming years.

Parliamentary elections were held in May and June earlier this year and have returned another majority for the incumbent ND party. Following the reinstatement of a bonus seat system, the latest June poll awarded 158 of the Hellenic Parliament's 300 seats to ND, which is the same number achieved in the 2019 poll. The result seems to imply a mandate for continuity and further economic and budgetary reforms.

On 31 August 2023, Greece submitted a request to modify its National Resilience and Reform Plan, with the principal revision stemming from an additional €5 billion in loans tied to RePowerEU, along with an extra €795 million tied to new reform measures. This will bring total funds available to Greece up to €36 billion (€18.2 billion in grants and €17.7 billion in loans) available under the EU's Resilience and Recovery Facility (RRF) over 2021-2026. Greece is the largest beneficiary of the RRF in the EU relative to the size of its economy.

More than one-third of the allocation from the RRF is planned for the country's green transition, almost one-quarter for digitalization, and the remainder for supporting private investment, labor market policies, health care and public administration, including tax administration and the judiciary. Greece made its third RRF disbursement request on 16 May 2023, which will unlock €1.72 billion of funding. It was among the first three countries to make a third disbursement request, highlighting the strong uptake from Greece. In our opinion, if used efficiently, these funds could fast track structural economic improvements, contribute to stronger growth, and enhance the sovereign's debt-servicing capacity over our forecast horizon. However, despite the successful disbursements, the execution rate of these funds has so far been low, and we expect it to accelerate.

Since 2015, subsequent Greek governments have made considerable progress in reducing tax evasion, overhauling state-owned enterprises, reforming the labor market, insolvency system (benefiting loan workouts for the banks), public health care, and competition law, and some aspects of the judicial system. Nevertheless, the legal process in Greece, involving long trial times and uncertain law enforcement, remains a deterrent to business and investment. Although cadastral mapping and property boundary demarcation continues and is increasingly digitized, not all regions of Greece are registered in the national cadaster (this is unique in Europe).

Greece's large, flexible, and competitive shipping sector complicates the analysis of the broader economy, since it represents a fairly modest share of employment and value added, but makes up the larger share of non-financial sector external debt. It also explains a large component of external lending and investment in the Greek economy via foreign subsidiaries (as well as volatile import data and substantial re-exports).

**Flexibility and performance profile:** Primary budget surpluses have returned to Greece following the pandemic, accelerating the reduction of government debt

* Government revenue outperformance has created fiscal space and the return of primary budget surpluses; we expect the general government budget deficit to average 0.5% of GDP over 2023-2026.
* Greece's government debt has one of the world's longest average tenors, comes with very favorable interest costs, and government debt has reduced steadily since 2020.
* The current account deficit materially worsened in 2022 to 10.3% of GDP, as energy and capital imports increased, and we expect it will average 5.8% over 2023-2026.

Greece's budgetary performance remains robust. We anticipate the primary budget balance will reach a surplus of at least 1.2% of GDP this year, despite the material budgetary cost linked to the recent wildfires and floods. Revenue outperformance has been central to the improving budgetary position, with efforts to increase digitalization paying dividends in the form of higher tax compliance. While Greece has so far been successful in closing its value-added tax (VAT) gap (the difference between estimated VAT collections and actual VAT revenue; a measure of tax compliance), it remains worse than peers'. This implies some room for further revenue growth, although the ratio of total government revenue to GDP in Greece is one of the highest among the sovereigns we rate. While this suggests there could be political pressure to lower taxes, we expect the percentage of government revenue to GDP will gradually decline as GDP continues to recover to its pre-debt crisis levels.

The tabled 2024 budget anticipates further consolidation, with a target primary surplus of 2.1% of GDP. To achieve this, authorities have announced further plans to tighten tax compliance. However, a large component of the consolidation is a result of past measures, including the 2016 pension reform (Katrougalos Law), which means even in a no-policy change scenario Greece's fiscal trajectory will continue to improve. In this sense, the government appears to have room while still hitting fiscal targets to pursue its plans to increase expenditure in 2024, in line with election promises including in areas such as public sector wages, one-off pension rises, a targeted personal income tax cut for families, and increasing allocations to public investments.

Debt is now firmly on a downward trajectory. After peaking at 207% in 2020, we estimate gross general government debt will fall to about 139% of GDP by 2026. We estimate about 45%age points of this improvement to have materialized between 2020 and 2023, predominantly thanks to pronounced nominal GDP growth. However, we expect Greece's tight fiscal regime to play an increasing role, and we already anticipate that net debt flows will become negative by 2025. Although we expect an outright budget balance to be achieved only in 2026, the Public Debt Management Agency's (PDMA's) extensive swaps program is expected to reduce Greece debt financing needs by about €1.2 billion in each of the coming years. Cash buffers are sizable in Greece, currently amounting to about €37.2 billion (17% of GDP). We deduct liquid assets from gross government debt in our key fiscal metric net government debt, which we estimate will fall to 125% of GDP by end-2026.

Greece's central government debt-servicing costs remain very low at about 1.64% as of June 2023. Still, this is starting to increase in line with the wider backup in rates across markets; the weighted-average cost of new borrowing shot up to 3.3% in the first six months of 2023 from 1.3% in 2022. Nonetheless, the aforementioned swaps program entered by PDMA (which broadly offsets spikes in the governments interest rate exposure) along with Greece's extremely long average debt maturity (the weighted-average residual maturity stood at 19.7 years at June 2023), are important mitigants.

Following a substantial worsening last year, Greece's current account deficit (CAD) is showing signs of easing. Latest revisions indicate the CAD reached 10.3% of GDP in 2022. However, in the first seven months of 2023, the CAD eased to €7.3 billion, from €11.5 billion in the corresponding period of 2022. The improvement can largely be explained by rebounding tourist spend as well as a drop in the country's energy import bill. Although the spike in interest rates has caused a notable worsening in the primary income account, which swung to a €1.7 billion deficit from a €200.0 million surplus over the corresponding period in 2022. Overall, we see the CAD tightening to an average 5.8% of GDP over 2023-2026, consistent with our view that the energy bill will remain contained, tourism will continue to grow, and the heightened capital and intermediary goods imports will convert to exports.

Domestic inflation is beginning to normalize towards the ECB target of below 2%; inflation in the first nine months of 2023 fell to an average of 4.4% from 9.3% for all of 2022. Energy prices have been exerting a clearly deflationary impact on overall prices for most of 2023, although given recent oil price developments, we expect a slight reversal in this trend for the final months of the year, and forecast inflation of 4% for 2023 as a whole. Eventually, we see inflation cooling to an average 2.1% over 2024-2026, in line with moderating domestic demand and our house assumption for stable imported energy prices over the period. To the extent that inflation remains in line with trading partners, Greek competitiveness is broadly unaffected.

Greece has started to sell down its various stakes in the banking system. On 9 October, the Hellenic Financial Stability Fund (HFSF) sold its 1.4% stake in systemic lender Eurobank, generating €94 million. HFSF still has stakes in the remaining three systemic lenders, respectively owning 40.4%, 27%, and 9% of National Bank of Greece, Piraeus Bank and Alpha Bank. Given the very strong stock performance of Greek banks in 2023 (the FTSE/ATHEX Banks Index has increased about 45% this year), along with wider clear improvements in system wide asset quality, we view the plans to offload remaining stakes by 2025 as broadly credible.

With the improving situation in the banking system, private credit has finally started expanding in net terms, reversing the trend since 2010 of shrinking net lending. This is partly explained by RFF loans being channeled through the banking system, but to a greater degree, it reflects the balance sheet progress made so far, resulting in increased capacity to support the economy. (S&P 20.10)

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**\* END \***