

**The FORTNIGHTLY**

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

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ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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* 1. Israeli Airlines Lobby for Assistance Amidst $155 Million Refund Burden

In a recent meeting of the Knesset's Economic Committee, the dire financial situation of Israeli airlines came to the forefront, with revelations that approximately $155 million has been refunded to customers due to canceled flights during the ongoing conflict. This information was disclosed by the committee on 4 December, shedding light on the impact of the war and the need for a delay in the enforcement of the Aviation Services Law.

The Aviation Services Law (aka the Tibi Law) mandates compensation for flight cancellations. However, the current situation has prompted discussions about the necessity of amending the law, considering the exceptional circumstances of the ongoing conflict.

Chairman MK Bitan urged the ministries of finance and transportation to devise a comprehensive assistance plan for the struggling aviation industry within the next two weeks. The committee meeting aimed to address the exclusion of the aviation sector from general compensation arrangements, sparking concerns about the financial viability of Israeli airlines.

Some have urged a reevaluation of the Aviation Services Law, particularly in times of war or pandemics like COVID-19, citing the lack of clear provisions in such cases. Israeli airlines asked for equal competition conditions with foreign companies and said that in the case where the state or its institutions fly employees or delegations, priority should be given to flying with Israeli companies. (JP 05.12)

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* 1. Israel’s Oshkosh Tactical Vehicle Orders to Keep Line Open Longer

On 1 December, Wisconsin's [Oshkosh Defense](http://www.oshkoshdefense.com) announced that the Israeli Ministry of Defense (IMOD) has placed two orders for Oshkosh Joint Light Tactical Vehicles (JLTV) for the Israeli Defense Forces (IDF). A total of 75 JLTVs were purchased via Foreign Military Sale (FMS) and dozens more were purchased via Direct Commercial Sale (DCS).

This new order of Joint Light Tactical Vehicles from Oshkosh Defense will keep the company’s production line open into 2025, longer than originally planned. Oshkosh said earlier this year it was preparing to close its JLTV production line by the end of 2024 after the Army selected AM General to take over production of the Humvee replacement. Oshkosh won the original JLTV deal in 2015 to replace the Humvee fleet, beating out both Humvee-maker AM General and competitor Lockheed Martin.

Oshkosh Defense is the only manufacturer that can supply JLTVs through DCS, and will continue to support NATO, Allied and Coalition Forces that want to modernize their militaries with the JLTV’s battlefield-proven payload, performance and protection for years to come. As stated, while Oshkosh was planning to close down its JLTV line at the end of 2024, these orders will let the line to continue into 2025. (Oshkosh 01.12)

ISRAEL MARKET & BUSINESS NEWS

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* 1. Court Awards Energean Full Rights to Karish North

Israel's Supreme Court has ruled that the full economic rights following the North Karish offshore discovery belong to Energean. The justices dismissed Chevron and Delek Group unit NewMed Energy's claim to some of the economic rights in North Karish, even though part of the field is located in the area of the Alon D license that they held when the discovery was made. The court was required for the first time to address the question of ownership of rights in such a case, and determined that a company that holds a license to search for gas in a certain area but does not actively search for it, will not enjoy the rights as a result of a search performed by another company.

The ruling was based on three facts. First, that Chevron and NewMed Energy did not make any significant investment in the Alon D license (400,000 dunams) adjoining North Karish) and even avoided undertaking the geological survey that they were committed to. Second, was that the discovery came close to expiry of the Alon D license and third, that the area in the license in which gas was found was small.

Dismissal of the petition comes with relatively heavy legal costs. Chevron and NewMed Energy must pay NIS 60,000 to the state and NIS 40,000 to Energean. In 2020 Energean announced the Karish North discovery, adjacent to its Karish field. Development of the field in which there is an estimated 32 billion cubic meters (BCM) of natural gas, worth about $3.4 billion, is in advanced stages. (Globes 29.11)

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* 1. Nayax Completes Acquisition of Retail Pro International

Nayax has completed the acquisition of Retail Pro International, a global leader in retail Point of Sale (POS) software with Tier 1 global brand names across the world. The transaction was completed for an implied enterprise value of $36.5 million on a cash-free debt-free basis, to be paid partially in cash and the remainder in cash or equity, subject to certain earnout targets being met. The acquisition meaningfully expands the scope of Nayax’s retail business and solutions to over 9,000 retailers in more than 100 countries, including access to an extensive, worldwide distribution network. The combined businesses, together with Retail Pro’s 80 distributors, create a powerful and complete solution with Nayax’s payment and loyalty platform, including significant cross-sell opportunities.

Herzliya's [Nayax](http://www.nayax.com) is a global commerce enablement, payments and loyalty platform designed to help merchants scale their business. Nayax offers a complete solution including localized cashless payment acceptance, management suite, and loyalty tools, enabling merchants to conduct commerce anywhere, at any time. With foundations and global leadership in serving unattended retail, Nayax has transformed into a comprehensive solution focused on our customers' growth across multiple channels.

Folsom, California's Retail Pro International has a 30+ year brand history as a global leader in retail Point of Sale (POS) software and is recognized world-wide as a market leader for its rich functionality, multi-national capabilities, and unparalleled flexibility. . (Nayax 30.11)

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* 1. HUB Security & Blackswan Provide a Cyber Enterprise Solution for EU Banks

HUB Cyber Security announced a significant expansion of its collaboration with Blackswan Technologies, a leading U.S. enterprise-AI vendor, to provide a joint solution for enterprise Confidential Computing to the financial sector. In connection with an agreement recently signed by Blackswan Technologies with one of Europe’s largest financial institutions, HUB undertook to provide Confidential Computing cybersecurity solutions to safeguard the bank’s critical data assets in their most vulnerable state – while undergoing processing. The framework agreement signed for 3 years term with potential 24 month extension. It is expected that Hub’s share of the revenue will exceed $25 million within the year and a half.

Tel Aviv's [HUB Cyber Security](http://www.HubSecurity.com‎) was established in 2017 by veterans of the elite intelligence units of the Israeli Defense Forces. The Company specializes in unique Cyber Security solutions protecting sensitive commercial and government information. The Company debuted an advanced encrypted computing solution aimed at preventing hostile intrusions at the hardware level while introducing a novel set of data theft prevention solutions. (HUB Cyber Security 01.12)

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* 1. Mine Raises $30 Million in a Series B for Data Privacy Platform

Mine announced the completion of a $30 million Series B funding round led by Battery Ventures and the investment arm of PayPal, with the participation of a new investor, the investment arm of U.S. insurance giant Nationwide. The funding round was also joined by all the investors from previous rounds, who maintained their stake. These existing investors include Google’s AI fund, Gradient Ventures, Saban Ventures, MassMutual Ventures, and Headline Ventures. Among Mine’s 150 customers are Reddit, HelloFresh SE, Fender, Guesty, Snappy and Data.ai.

The capital raised will provide for the company’s needs in the coming years and assist in the global expansion efforts of the company’s MineOS B2B platform both into the U.S. and into the enterprise segment. The company is preparing to hire dozens of developers and QA and ML professionals in Israel.

Tel Aviv's [Mine](https://www.saymine.com/) was founded at the beginning of 2019 and has about 35 employees in offices in Tel Aviv, the U.S. and Germany. The company’s vision has been to make privacy regulations accessible to both individuals and businesses. Over the past two years, the company’s has focused on its MineOS B2B platform and its aim to provide companies with One Source of Truth for Data inside the organization, which systems and assets they have and what data they keep inside. (Mine 05.12)

REGIONAL PRIVATE SECTOR NEWS

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* 1. Dubai Selects Everbridge to Safeguard Nearly 20 Million Residents & Tourists

Everbridge announced that Dubai selected Everbridge’s state-of-the-art Emergency and Incident Management platform for operational and crisis management, dispatching, and incident command in order to manage the full life cycle of a critical incident.

Everbridge improves situational awareness for fast, in-the-field decision making by law enforcement and emergency management, providing coordinated operational response to accelerate rescues and minimize the impact of critical events. Working closely with Esharah Etisalat and Security Solutions, Everbridge provides the software to coordinate the management of first responders via a single, modular, and multi-lingual user interface, supporting desktop and mobile workstations, smartphones, and tablets, as well as a range of alphabets including Latin, Greek, Cyrillic, Arabic and Chinese.

Boston based Everbridge empowers enterprises and government organizations to anticipate, mitigate, respond to and recover stronger from critical events. Everbridge digitizes organizational resilience by combining intelligent automation with the industry’s most comprehensive risk data to Keep People Safe and Organizations Running. (Everbridge 28.11)

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* 1. Saudi's B2B Digital Distribution Startup Retailo Gets $15 Million in Equity Funding

Saudi Arabia's Retailo, a Saudi Arabia-based B2B digital distribution startup catering to micro-retailers and restaurants, has successfully secured $15 million in equity funding. New investors including Bahrain’s Yusuf Bin Kanoo Group and Dubai's technology group Majd Digital participated in the funding round, and existing investors such as Saudi's Aujan Group Holdings, Shorooq Partners, Abercross Holdings and Graphene Ventures, among others, also continued their support.

Retailo intends to utilize the newly acquired funding to bolster its current operations, explore new verticals, and enhance its footprint in Saudi Arabia. Earlier this year, the startup revealed a technology distribution collaboration with Dtonic, a South Korean data solution company to empower businesses with scalability through Retailo's AI-powered retail technology.

Founded in July 2020, [Retailo](https://retailo.co/) offers access to a range of over 5000 Stock Keeping Units (SKUs) for retailers with next-day delivery. It also provides a plug-and-play solution for suppliers, allowing them to distribute their products by utilizing Retailo’s extensive network of retailers and restaurants, as well as its distribution infrastructure across Saudi Arabia. Today, Retailo’s network comprises thousands of retail partners and restaurants in Saudi Arabia and has more than 200 local, regional and global brand partners on its platform. (Retailo 27.11)

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* 1. Eve Air Mobility and flynas Sign MoU to Propel eVTOL Advancements in Saudi Arabia

Melbourne, Florida's Eve Air Mobility and Riyadh, Saudi Arabia's flynas, the leading low-cost airline in the world and the Middle East, signed a Memorandum of Understanding (MoU) to explore the future of electric vertical take-off and landing (eVTOL) aircraft operations in Saudi Arabia. The partners will explore the possibility of starting eVTOL operations in Riyadh and Jeddah in 2026.

The agreement will contribute to Saudi Arabia’s aviation industry by building and supporting the future local ecosystem for electric flights. The partnership will also contribute to the Vision 2030 sustainability goals and the ambitious targets in the aviation sector.

flynas operates over 1,500 weekly flights to more than 70 domestic and international destinations. This collaborative effort between Eve and flynas and the introduction of eVTOL flights to Saudi Arabia will provide travelers with another option for urban transportation while affirming the companies’ commitment to shaping the future of electric aviation and delivering efficient, safe and sustainable transportation to the region. (Eve Air Mobility 29.11)

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* 1. Egypt’s MNT-Halan Raises $130 Million to take 2023 Funding to Over $400 Million

As Egypt’s first unicorn and fastest growing fintech, MNT-Halan has now raised over $400 million in 2023, and target $550 million by the year’s end. MNT-Halan has closed five tranches of securitized bond issuances through its microfinance and consumer finance wholly-owned subsidiaries in 2023, to date. The latest, at $130 million through Cl Capital, follows four earlier this year from CIB Egypt.

All issuances have been over-subscribed. The appetite for these issuances reflects the resilience of MNT-Halan’s business model, the high quality of its loan book, and a robust pay-back ability of the underlying loan book. Having securitized over $400 million since the beginning of the year underscores the continued momentum of investor confidence. CIB and CI Capital served as financial advisors and general arrangers of the respective transactions, with CIB and Arab African International Bank served as underwriters and custodians. KPMG served as auditors.

Cairo's [MNT-Halan](http://www.mnt-halan.com) is Egypt’s largest and fastest growing lender to the unbanked. Founded in 2018, MNT-Halan was created to digitally ‎bank the unbanked and substitute cash with electronic solutions. MNT-Halan has obtained the micro, ‎consumer and nano finance licenses from the Financial Regulatory Authority enabling it to provide ‎services to both businesses and consumers across Egypt. It has also obtained the first independent ‎electronic wallet license from the Central Bank of Egypt to disburse, collect and transfer money digitally ‎through mobile applications. (MNT-Halan 06.11)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. COP 28 Held in Dubai to Take Stock of Paris Climate Goals & the Future of Fossil Fuels

The UN climate change conference COP28 was held in Dubai with a resounding call to accelerate collective climate action. More than 70,000 delegates from nearly 200 countries participated in this summit to discuss progress made in limiting global temperature rise to 1.5 degrees Celsius, helping vulnerable communities adapt to the effects of climate change, and achieving net-zero emissions by 2050. All of this, amidst reports that climate pledges are not enough to avert the worst impacts of global warming.

US President Biden did not attend the summit, albeit heads of GCC states, UK Prime Minister Sunak and Indian Prime Minister Modi attended, as did King Charles III.

Among the many decisions countries must make during the summit will be whether to agree to gradually phase out consumption of fossil fuels and replace them with renewable energy sources such as solar and wind. Decisions made by the stakeholders at the COP28 could turn out to be the most consequential outcome following the 2015 Paris conference.

The first global stocktake began at COP26 in Glasgow and it will conclude in Dubai. Global Stocktake is designed to help identify what more still needs to be done and guide countries towards more ambitious and accelerated climate action plans. (Zawya 30.11)

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* 1. UAE President Announces $30 Billion Fund to Tackle Climate Finance Gap

Sheikh Mohammed bin Zayed Al Nahyan, President of the UAE and Ruler of Abu Dhabi today announced a $30 billion fund to bridge the climate finance gap and create affordability in the fight against climate change. At the opening of the World Climate Action Summit at COP28, Sheikh Mohammed said the fund is designed to bridge climate finance gap and aims to stimulate $250 billion of investment by 2030. The fund will be backed by some of the world's biggest investors including BlackRock. (Zawya 01.12)

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* 1. UAE Leads Establishment of World Fire Emission Reduction Alliance

The UAE Ministry of Interior signed Memoranda of Understanding (MoU) and declarations of intent with national and international bodies dedicated to firefighting to establish the ‘World Fire Emission Reduction Alliance’. Aimed at forging an international coalition to reduce global carbon emissions stemming from fires, the alliance seeks to contribute to collaborative efforts worldwide to mitigate the adverse impact of climate change, under the umbrella of the International Climate Change Law Enforcement (I2LEC) initiative and in line with the objectives of the 28th UN Climate Change Conference of the Parties (COP28), which commenced in Dubai on Thursday.

The establishment of the ‘World Fire Emission Reduction Alliance’ was officially announced and signed during COP28 at an international conference titled ‘Eco Readiness’ focused on exploring strategies to strengthen international collaboration and coordination to combat fires, with a special emphasis on addressing their environmental consequences. The signatories collectively represent over 56 countries globally, establishing a wide-ranging global alliance dedicated to reinforcing security, disaster prevention, and the well-being of communities worldwide.

The signing of these MoUs reflects the Dubai Civil Defense's dedicated efforts in environmental stewardship under the umbrella of the ‘Eco Readiness’ program, an undertaking of the UAE Ministry of Interior. This program aims to assist nations globally in reducing carbon emissions resulting from fire incidents, ultimately striving for climate neutrality on a global scale. (WAM 04.12)

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* 1. Abu Dhabi Launches a Low-Carbon Hydrogen Policy

Abu Dhabi's Supreme Council for Financial and Economic Affairs (SCFEA), the authority responsible for setting the public policies and approving the governing strategies of the financial, economic, petroleum and natural resources affairs, launched a new policy framework for low-carbon hydrogen in the emirate.

The low-carbon hydrogen policy outlines key principles that define the framework for the low-carbon hydrogen industry, enabling cooperation between the hydrogen, natural gas, and electricity sectors and providing the necessary flexibility for industry players, as well as setting technical standards for safety and consumer protection.

The policy focuses on creating hydrogen oases and clean electricity parks to attract investment and increase operational efficiency. These oases are set to become a hub for hydrogen-related activities. They will be managed within a comprehensive governmental and regulatory framework supporting low-carbon hydrogen production and associated sustainable industries.

The policy was developed in coordination with the Department of Energy and other stakeholders in the Emirate in response to the identified potential and opportunities offered by the low-carbon hydrogen sector. The Department of Energy, under the supervision of the council, will establish the governance and regulatory environments to develop sustainable frameworks for low-carbon hydrogen production and stimulate innovation and economic diversification. (WAM 29.11)

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* 1. Masdar City Announces Region’s First Net-Zero Energy Mosque

Masdar City, an Abu Dhabi, UAE-based sustainability and innovation hub dedicated to making all cities a solution to climate change, has announced the region’s first net-zero energy mosque. Masdar City hopes to set a new industry standard for houses of worship in the region through an innovative design that blends environmental protection with cultural heritage and community building.

The 2,349 square-meter structure, with a capacity for 1,300 worshippers, will produce at least 100% of the energy it needs over the course of a year using 1,590 m² of on-site PV panels. The mosque’s total energy requirements were reduced by 35% compared to international baselines using passive design, an architectural approach that responds to environmental conditions. The mosque’s main structure will be made primarily of pressed earth, and a series of tiered windows on the roof will allow the space to be illuminated with cascading natural light patterns. Outdoor colonnades will offer shade from the sun as worshippers transition from the outdoors to the sacred inner space.

As with all of their new projects, Masdar City will ensure that at least 70% of construction waste is diverted from landfills and use local and recycled materials wherever possible to reduce both costs and carbon footprint. Low-flow water fixtures, drought-resistant landscaping, and the use of recycled water for irrigation will reduce water use by 55%. The mosque will break ground in 2024, with the completion date to be announced in the coming months. (WAM 04.12)

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* 1. Norway's Scatec Could Embark on Another Green Methanol Project in Egypt

Norwegian renewables developer Scatec has inked a $1.1 billion green methanol MoU with the Suez Canal Economic Zone (SCZone) on the sidelines of COP28 in Dubai. The agreement will help Scatec provide ships bunkering at the East Port Said Port with green fuel. The methanol will be produced using a 190 MW electrolyzer that will rely on 317 MW of wind energy and 140 MW of solar energy, with the aim of producing an annual 100k tons of green methanol by 2027. The company also signed an agreement with the Egyptian Electricity Holding Company (EEHC) to build a 1 GW solar and 200-MWh battery storage project in Egypt — the country’s first. The project will be funded by the African Development Bank and will help meet energy needs during periods of heightened demand.

Earlier this year, the Egyptian Oil Ministry said that Scatec had agreed with the Alexandria National Refining & Petrochemicals Company (ANRPC) to work on a $450 million green methanol plant in Damietta. The plant will initially produce 40k tons of green methanol a year, before increasing to 200k tons.

SCZone wants to roll out green methanol bunkering services before 2027 — expanding its bunkering services after receiving requests to supply ships with green methanol and gas. The SCZone has handed out a six-month renewable license to OCI subsidiary OCI Hyfuels, giving it the greenlight to roll out green methanol bunkering services at the East and West Port Said ports. The world’s first-ever green methanol-powered container ship berthed in East Port Said Port earlier this year.

The Norwegian developer Scatec is part of the consortium establishing Egypt’s first green hydrogen plant, and earlier this year signed early agreements to construct a $450 million green methanol plant, a 1 million ton-per-year green ammonia plant and a 3 GW electricity link that would transport renewably-generated power from Egypt to Europe. (Enterprise 04.12)

ARAB STATE DEVELOPMENTS

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* 1. Lebanon’s Inflation Hits High of 215.43% in October 2023

According to the Central Administration of Statistics (CAS), Lebanon’s inflation rate registered another high level of 215.43% in October 2023. This inflationary trend persists due to elevated prices across multiple sectors, primarily attributed to the widespread adoption of US dollar for daily expenditures and the significant increase of the custom dollar rate.

In details, the cost of Housing and utilities, inclusive of water, electricity, gas and other fuels (grasping 28.4% of the CPI) added a yearly 231.66% by October 2023. Also, Owner-occupied rental costs increased by 333.5% year-on-year (YOY) and the prices of water, electricity, gas, and other fuels followed a significant increase by 151.81% YOY. Looking at the prices of Food and non-alcoholic beverages (20% of CPI), it surged by 218.06% yearly. In turn, the average prices of Transportation (13.1% of the CPI) and Health (7.7% of the CPI) recorded hikes of an annual 157.71% and 204.94% respectively by October 2023. Also, Restaurant and Hotels (2.8% of CPI) increased yearly by 227.06% by October 2023.

Costs of Clothing and Footwear (5.2% of CPI) surged by 178.43% by October 2023, and the prices of Communication (4.5% of the CPI) increased by 120.58%. Prices of Furnishings and household equipment (3.8% of CPI), Alcoholic beverages and tobacco (1.4% of CPI), and Recreation, amusement, and culture (2.4% of the CPI) increased by 179.66%, 249.27%, and 136.52%, respectively, by October 2023. Finally, monthly price increases between September and October 2023 averaged 17.2%. (Blominvest Bank 23.11)

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* 1. Amman Approves 2024 Budget Without Raising Taxes

Amman approved the draft public budget law for the fiscal year 2024 ahead of referring it to the parliament. Minister of Finance Issis said the budget is the fourth consecutive budget that does not include a rise in taxes or fees and is the highest capital expenditure in Jordan's history. Issis noted that the government raised social protection allocations, adding that the 2024 draft budget would translate the government's royal directives to enhance progress in implementing the economic modernization vision.

The Jordanian economy may record "real" growth in 2024 at about 2.6 % and nominal growth of 5.1 %, noting that the economy would maintain moderate inflation rates, among the lowest in the world. When drafting the budget, the government considered the slowdown in global growth due to efforts to reduce inflation and regional developments without specifying what those developments are. Regarding developments at the level of public expenditures, the government has earmarked financial allocations to support the Jordanian armed forces and security services.

The 2024 draft budget law included public revenues amounting to about JOD10.3 billion, an 8.9 % increase as opposed to 2023. Local revenues would rise to JOD9.6 billion, 10 % above their 2023 level, due to an increase in tax revenues of about 10.2 % to JOD7.2 billion without imposing additional taxes or a spike in current taxes. Issis said the government would expand the tax base, combat tax evasion, and improve tax administration, forecasting that reforms would increase income tax revenues by about 20 %. Current expenditures were estimated at JOD10.6 billion and capital expenditures at JOD1.7 billion, bringing the total public spending to JOD12.37 billion. (Petra 22.11)

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* 1. Jordan's Receipt of Foreign Aid Reaches $3.4 Billion in 2023

The value of foreign aid committed to Jordan in grants and soft loans from January to November 2023 reached approximately $3.438 billion, the Ministry of Planning and International Cooperation reported. This aid encompasses various forms of support, including regular grants, soft loans, and additional grants dedicated to bolstering the Jordanian response plan to the Syrian crisis.

Regular grants, amounting to about $1.346 billion, were allocated for diverse development projects spanning sectors such as water and sanitation, economic development, education, health, public sector modernization, justice, good governance, human rights, employment, vocational training, livelihoods, gender, agriculture, food security, environment, capacity building, youth, sports, entrepreneurship, and partnership with the private sector.

Soft loans, totaling approximately $1.584 billion, were directed towards development projects in sectors including water, sanitation, education, economic development, energy, and sectoral support through the budget. These projects are implemented through the Ministry of Finance and other relevant ministries.

In addition to regular and soft loans, foreign aid included additional grants designed to support the response plan to the Syrian crisis, amounting to $506.8 million. This allocation is distributed across various components of the plan, with $132.4 million designated for supporting service projects in host communities, $31.4 million for the general budget, and approximately $343 million for supporting Syrian refugees. This funding represents about 23 percent of the total amount required to support the response plan in 2023, which stands at $2.2 billion.

The aid, committed through signed agreements with donors and international financing institutions, is being transferred to the budget and priority projects, overseen by relevant sectoral ministries based on work progress and cash flow plans. The reported figures highlight the substantial international support aimed at enhancing Jordan's development across various critical sectors. /Petra 04.12)

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* 1. Jordan-US Trade Balance Records Surplus of JD558 Million in 9 months

Jordan has marked a trade surplus with the United States, amounting to JD558 million from the beginning of 2023 until the end of September, according to by official statistical data. The official statistical data also indicated that the bilateral trade between Jordan and the United States reached JD2.4 billion by the end of September this year, compared to JD2.3 billion during the corresponding period last year.

However, a slight decline of 2.2% was observed in the value of Jordanian exports to the American market by the end of September this year, totaling approximately JD1.480 billion compared to JD1.513 billion during the same period last year.

Conversely, the value of Jordan's imports from the United States showed a significant increase of 16.3% by the end of September this year, reaching around JD922 million, as opposed to approximately JD793 million during the same period last year.

Statistical analysis showed that Jordan's exports to the American market are mostly clothing and accessories, jewelry, fertilizers, pharmaceuticals, IT services, as well as food and live animal products, alongside engineering industries. On the other side of the trade spectrum, Jordan's imports from the United States encompass a wide array of products, including metal goods, transportation equipment, machinery, electrical devices, grains, chemical products, medical devices, food industry items, wood pulp, animal products, furniture, iron goods, used clothing, vegetable oils, wood, and related products. (Petra 26.11)

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* 1. Jordan Signs €150 Million in Agreements for National Carrier Project

Jordan's Ministry of Planning and International Cooperation signed a €100 million loan agreement with the European Investment Bank and a €50 million investment grant agreement with the EU for a desalination and water transport project from Aqaba to Amman. Minister of Planning and International Cooperation Touqan said the "importance" of the national carrier project as a top priority for the government in Jordan in enhancing water security and achieving comprehensive economic development. Touqan lauded the European Investment Bank for providing this loan to be added to the previous loan that was signed with the bank in August 2022 at a value of €200 million, bringing the total financing provided by the bank to €300 million.

The agreements were on the sidelines of the Conference of the Parties to the Framework Convention on Climate Change (COP28) in Dubai. (Petra 04.12)

►►Arabian Gulf

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* 1. Qatar Records a Budget Surplus of $3.3 Billion in the Third Quarter

Qatar has posted a budget surplus of $3.29 billion in the third quarter, according to finance ministry data, higher than in the previous quarter. The quarterly surplus is expected to be used to boost government reserves and repay debt, according to a statement on the state news agency website, citing the ministry. Total revenues in the quarter were at 61.8 billion riyals, over 90% of which were from oil, amounting to 56.7 billion riyals. Non-oil revenues totaled 5.1 billion riyals.

Spending amounted to 49.8 billion riyals, with spending on major capital expenditures at 17.5 billion riyals, and almost 15 billion riyals for wages and salaries. Qatar recorded a surplus of 10 billion riyals in the second quarter, despite lower hydrocarbon revenue and a sharp rise in spending, but has already surpassed its 2023 surplus forecast of 29 billion riyals when combined with a much larger surplus in the first quarter. Qatar's economy grew 1% in the second quarter, according to government estimates released earlier this week. While the 2022 football World Cup boosted non-oil sectors of the economy, public finances remain largely reliant on hydrocarbon income. (Reuters 30.11)

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* 1. UAE & China Extend $4.9 Billion Currency Swap Deal

The UAE and China have extended their currency swap deal and agreed to work together in the development of digital currencies. The Central Bank of the UAE and the People’s Bank of China signed a new pact to renew for another five years the currency swap agreement between the two countries, which has a nominal value of $4.9 billion. The renewal seeks to boost financial and trade cooperation between China and the UAE.

The two parties also signed a memorandum of understanding to boost cooperation in the development of central bank digital currencies. Under the MoU, the two countries will share information on best practices and regulations relating to digital currencies and support the implementation of joint initiatives and projects. One of the joint initiatives is the “mBridge” project, a multi-central bank digital currencies platform that seeks to facilitate cross-border trade payments instantly.

The UAE is China’s top trade partner in the GCC as of 2021. The value of non-oil trade between the two countries reached AED264.2 billion in 2022, growing by 18% from the previous year. The Asian state is also the third-largest foreign investor in the UAE, with investments worth $9.3 billion as of the start of 2021, up by more than 500% from 2013, according to the Ministry of Economy. (Zawya 29.11)

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* 1. UAE Tells Midsize Firms to Hire Emiratis or Face Dhs96,000 Penalty

The UAE's Ministry of Human Resources and Emiratisation (MoHRE) has notified more than 12,000 private companies with between 20 and 49 employees to hire one UAE national in 2024 and another one in 2025 as the government widens its Emiratisation targets. Companies that fail to meet the new Emiratisation targets in 2024 face Dhs96,000 for each Emirati not hired and another Dhs108,000 will be imposed in January 2026 for the year 2025. MoHRE said the expansion of Emiratisation targets is expected to create around 12,000 jobs annually for UAE nationals in 2024 and 2025, a top priority for the UAE Government.

The new resolution comes in addition to Emiratisation targets for companies with 50 or more employees that are required to achieve a 2% Emiratisation growth in skilled jobs. MoHRE said the companies included in the new resolution operate in 14 specific economic sectors. These include ICT; finance and insurance; real estate; professional and technical activities; administrative and support services; education; healthcare and social work; arts and entertainment; mining and quarrying; transformative industries; construction; wholesale and retail; transportation and warehousing; and hospitality and residency services.

Meanwhile, MoHRE referred 113 private companies to Public Prosecution for violating Emiratisation decisions, including 98 private companies that appointed UAE nationals in fake Emiratisation posts. The latest case brings the total number of companies violating Emiratisation since the second half of 2022 to 894, while a total of 1,267 UAE nationals have been proven to be hired in fake jobs.

Emiratisation is aimed at enhancing the UAE’s human development system, establishing productive and sustainable Emirati human capital in the private sector, and empowering UAE citizens to make effective contributions to the job market. (GB 01.12)

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* 1. Saudi Arabia Wins Bid to Host World Expo in 2030

Saudi Arabia has won the bid to host the World Expo 2030 in Riyadh. The decision was announced on 28 November by the Bureau International des Expositions (BIE), which named the kingdom as the host for the global event, scheduled to take place from October 2030 until March 2031.

BIE announced that the kingdom would be hosting the exhibition after a secret ballot was cast during the 173rd General Assembly of BIE in Paris. Saudi Arabia’s bid received 119 votes from member states. The two other cities in the running included Busan, Korea, and Rome, Italy.

The Saudi Crown Prince stressed Riyadh’s readiness to welcome the world at Expo 2030, and the fact that it will fulfill the obligations stipulated in the bid with the aim of achieving the main theme of the expo “The Era of Change: Together for a Foresighted Tomorrow”, and its sub-topics: “A Different Tomorrow”, “Climate Action”, and “Prosperity for All”, according to the Saudi Press Agency. (Various 29.11)

►►North Africa

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* 1. Egypt's Budget Deficit Almost Doubles in First Quarter

Egypt’s budget deficit almost doubled y-o-y in the first quarter of the current fiscal year as rising borrowing costs squeeze public finances. Figures in the Finance Ministry’s latest monthly report (pdf) show that the deficit widened to 3.9% of GDP in Q1/ FY 2023-24 from 2.1% a year earlier, largely due to the government’s spiraling interest bill.

Egypt spent EGP 477.5 billion on debt service during the July-September quarter, more than double the EGP 216.9 billion paid out during the same period last year. The mounting interest bill significantly outpaced rising revenues: the cost of debt service alone was more than 40% higher than total revenues during the quarter.

Egypt is expected to spend at least $42.3 billion on foreign debt repayments in 2024, according to central bank projections out last week. In the FY 2023-24 state budget, the Finance Ministry forecast the budget deficit to widen to 7% of GDP this fiscal year from 6% last year. Also, the government’s interest bill to climb 45% to EGP 1.12 trillion. Egypt has already spent over 42% of this in the first quarter. (Enterprise 04.12)

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* 1. Egypt Recently Issued Its First Panda Bond

Despite current economic challenges, Egypt’s commitment to its 2030 Vision to shift to a more sustainable economy continues apace. One of the clearest proof points of this commitment is Egypt's successful issuance for its first three-year sustainability panda bond with a RMB 3.5 billion issuance. This is another market ‘first’ for Africa and the Middle East region following Egypt’s first ever sovereign green bond issuance in 2020. A panda bond is a RMB-denominated bond, sold in China, from a non-Chinese issuer. This transaction is considered the largest panda sustainable sovereign issuance, giving Egypt access to untapped sources of capital to drive sustainable economic growth.

The transaction is significant because this inaugural sustainability panda bond integrates a first-of-its-kind dual guarantee structure, making it the first ever panda bond backed by two supranational entities. The combined guarantees from the African Development Bank and the Asian Infrastructure Development Bank, with triple-A ratings, generated significant interest from investors and secured competitive terms for the transaction. This can pave the way for other issuers, especially sovereigns in emerging markets and Africa, to access a new innovative funding solution that will enable them to penetrate new markets and mobilize sustainable financing at competitive terms from international investors and accelerate their net zero transition strategies. (HSBC Egypt 03.12)

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* 1. Egypt Achieved a Primary Surplus of 1.6% During FY 2022/23

Egypt’s total budget deficit hit 6% of gross domestic product (GDP) during the elapsed fiscal year (FY) 2022/2023, Minister of Finance Maait announced. Egypt also achieved a primary surplus of 1.6% during FY 2022/2023. The country's debt plunged to 96% at the end of June 2023, down from 103% in FY 2015/2016, he added. Moreover, Maait pointed out that spending on the healthcare and education sectors increased by 8.2% and 8.9% year on year (YoY), respectively.

Public expenditures increased by 19.3%, and wages and workers’ compensation rose by 15%. Additionally, tax revenues climbed by 26.9% YoY in FY 2022/2023. Maait also announced that the government will support pensioners with EGP 202 billion during the current FY 2023/2024. The public treasury has transferred more than EGP 768 billion to the National Organization for Social Insurance (NOSI) in 52 months, he added. (Various 26.11)

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* 1. Egypt Planning to Resume LNG Exports this Coming January

Egypt is set to resume LNG exports in January after half a year with virtually no gas leaving our shores, according to the Oil Ministry. The government hopes to export as much as 1 billion cubic feet of gas per day from the beginning of next year. Egypt's LNG exports have been on hold since the first half of the year due to an unusually long summer heatwave, declining local production, and disruption caused by the Hamas assault on Israel from Gaza.

Egypt is now importing 800 million cubic feet of Israeli gas per day after Chevron restarted production at the Tamar gas field and reopened the EMG pipeline between Egypt and Israel. Egypt has exported just 3.38 million metric tons of LNG so far this year, down from 7.1 million tons during the whole of 2022. The country has capacity to export more than 12 million tons a year via its two liquefaction plants.

UAE firm Dana Gas is planning to invest $43 million in Egypt next year, as part of an “intensive” natural gas drilling program. The company plans to drill 11 development wells and three exploratory wells next year, with the aim of increasing production by some 30 million cubic feet per day. The company currently operates 14 development leases onshore in the Nile Delta, producing 125 million cf/d. (Enterprise 29.11)

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* 1. Cairo Downgrades its 2023/24 Growth Forecast

The Madbouly government has downgraded its growth forecast for the current fiscal year by 0.7%, according to statements made by Planning Minister El Said. The minister said she expected the economy to grow at a 3.5% clip in the fiscal year ending June 2024, down from her previous 4.2% forecast made last month. This is in line with what international monitors are saying. The IMF, the World Bank and S&P Global have in recent weeks forecast 3.5-3.7% growth in FY 2023-24. (Enterprise 04.12)

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* 1. Morocco’s Tourism Revenues Reach $7.9 Billion as of September

Morocco’s tourism revenues reached $7.9 billion as of September, new data from the Directorate of Studies and Financial Forecasts (DEPF) has shown. The number represents a 24.8% annual increase compared to the same period last year. DEPF explained that the revenues are strengthened by 33.1% compared to their pre-pandemic levels, adding that the number of tourist arrivals to Morocco reached a record of 12.3 million tourists by the end of October. Compared to the 8.8 million arrivals recorded last year, the latest numbers indicate a growth of 39%.

The number of arrivals has strengthened by over 10% since pre-pandemic levels (end of October 2019). This means that the number of arrivals rebounded from a 20.7 % decline at the end of 2022. Despite the devastating earthquake that struck Morocco’s Al-Haouz region in September, this significant resurgence in tourism has still persisted.

With regards to overnight stays in classified accommodation establishments, numbers increased by 46% compared to the same period last year. DEPF listed the key destinations attracting local and international tourists, which include Marrakech, followed by Agadir, Casablanca, Tangier, Fez, and Rabat. (MWN 22.11)

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* 1. Construction of Nigeria-Morocco Gas Pipeline to Start in 2024

Nigeria’s Energy Minister Ekpo announced that the construction of the mega energy project Nigeria-Morocco Gas Pipeline (NMGP) is scheduled to start in 2024. The announcement was made on the sidelines of a meeting Ekpo had with a delegation from Morocco in Abuja. First conceived in 2016, the pipeline is one of the most ambitious energy ventures globally. Once online, it would become the second-longest pipeline in the world, following the West-East Gas Pipeline in China. The NMGP would be 5,600 kilometers long and is set to cross 13 African countries, covering the energy needs of a staggering 400 million people along the West African coast.

The project gained significant traction in recent years. In December 2021, Morocco and Nigeria signed an agreement to fund a feasibility study after the project was approved by the Islamic Development Bank (IDB). In April 2022, the project received substantial funding from the Organization of Petroleum Exporting Countries (OPEC). The investment is currently used to fund the project’s feasibility study also known as Front-End Engineering Design (FEED).

In Africa, the project promises to support the continent’s socio-economic development, experts argue. The pipeline represents a reliable source of employment and attracts investments to the region. The pipeline aims to deliver gas from Nigeria to Europe and should supply countries along the way to help fulfill their energy needs. (MWN 28.11)

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* 1. New Car Sales in Morocco Rise by 22% in November 2023

According to the Association of Vehicle Importers in Morocco (AIVAM), the sales of new cars in the North African country stood at 13,772 units in November 2023, rising by 22% in comparison to the same month last year. Based on AVIAM’s monthly statistics on the Moroccan automotive market, the number of newly registered passenger cars increased by over 21% to 12,000 units, while the number of newly registered light commercial vehicles increased by 26.6% to 1,751 units.

With a market share of 23% and 2,834 units sold in November of last year, Dacia was the market leader in the passenger car segment. Renault came in second with 17.9% of the market share, while Peugeot ranked third with 9.5% of the share. In the light commercial vehicle segment, Renault had a 32% market share, ahead of Fiat with 14.4% and DFSK with 14.3%.

In the premium segment, Audi secured a 3% market share with 365 cars sold, surpassing both BMW (2.5%) and Mercedes-Benz (1.6%). Porsche, on the other hand, sold 30 units in November 2023, up by 20% year-on-year, while Jaguar sales fell by 7% to 13 cars.

In the first eleven months of 2023, new car sales in Morocco dropped by nearly 1% to 144,000 units. More specifically, sales of light commercial vehicles decreased by 11%, while the passenger car segment saw a slight 0.4% increase. (MWN 04.12)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Turkey's Annual Inflation Rises to 62%

Turkey's annual inflation rate rose slightly in November, the state statistics agency TUIK said, showing further signs of levelling off following a series of sharp interest rate hikes. The rate moved to 61.98% last month from 61.36% in October. The pace at which consumer prices are rising has started to ease, after six successive months of interest rate hikes took borrowing cost to 40% from 8.5%.

Analysts are penciling in a final rate hike of 2.5% at the central bank's next policy meeting on 21 December. The latest data show higher borrowing costs starting to slow down consumption -- a key goal of the central bank. Turkey's gross domestic product rose by just 0.3% between July and September. It had risen by 3.3% between April and June.

Analysts blame Erdogan for setting off the inflation spiral by forcing the nominally independent central bank to slash borrowing costs far below the rate at which prices were rising. The official annual inflation rate peaked at 85.51% in October 2022. Standard and Poor's revised Türkiye's long-term sovereign credit rating to positive from stable last month. Turkey's central bank expects inflation to peak in May of next year at between 70 and 75%. (TT 04.12)

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* 1. Turkey’s Exports Amount to $233 Billion in 2023's First 11 Months

Turkey’s export revenues amounted to $232.9 billion in the January-November period, rising 0.7% from a year ago, the data from the Turkish Trade Ministry have shown. The 12-month rolling exports of the country hit $252.5 billion. In the medium-term program, the government projects exports at $255 billion for 2023, but probably they will be around $256 billion, Trade Minister Bolat said. Türkiye's exports stood at a record-high November figure of $23 billion, increasing by 5.2% year-on-year.

Despite all the challenges, exports have been growing since July, and strong performance continued well into November, Bolat said. Imports were down 5.6% from a year ago to $28.9 billion. The country’s current account deficit, consequently, shrank 32.6% from November 2022 to $5.9 billion. Bolat noted that significant decline in imports, adding that Turkey posted a current account surplus in September.

The export/import coverage ratio improved from 71.3% in November 2022 to 79.5% last month. Energy excluded, the coverage ratio was higher at 90.7%, while energy and gold excluded, it was 95.2% in November, according to the numbers from the ministry.

Germany was once again the main destination for Turkish exports. Shipments to Europe’s largest economy stood at $1.75 billion. The United Arab Emirates ranked second at $1.46 billion, followed by Iraq at $1.3 billion. The European Union’s share in exports was 38.9% or $8.96 billion in November, rising 6% from a year earlier. Apparel exports plunged 12%, while shipments by the electric-electronics industry were down 2%. Turkey’s steel imports declined by 11.6% in November from a year ago.

On the imports side, China ranked first. Turkey purchased $3.6 billion worth of goods from the world’s second-largest economy. Imports from Russia exceeded $3.5 billion, while imports from Germany stood at $2.38 billion. Turkey's consumption goods imports soared nearly 40% year-on-year in November to $4.5 billion, while intermediate goods imports dropped 17.5% to $19.6 billion. Capital goods imports were up 31% to $4.9 billion. (Turkstat 04.12)

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* 1. OECD Sees Greek Economy Growing by 2.4% in 2024

The Greek economy is projected to grow by 2.4% this year and 2% in 2024, rising again to 2.4% in 2025, the OECD said in its recent economic survey report. The organization said that Greece’s strong economic rebound from the COVID-19 crisis is being put to the test by surging energy and food prices and renewed global uncertainty. The survey said that continued policy reforms over recent years have been a key factor behind the country’s robust post-pandemic recovery and have put the economy in a stronger position to face current headwinds.

GDP has returned to pre-pandemic levels, helped by effective government support, a revival in tourism and exports, and improved investor and consumer confidence. Employment growth has been strong, creating over a quarter of a million new jobs since before the start of the pandemic, reducing the unemployment rate to a 12-year low of 11.6%.

To sustain the recovery, the survey recommends the better allocation of public spending, strengthening public revenues, improving the functioning of the labor market and keeping up efforts to create a more dynamic business sector. (OECD 30.11)

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* 1. Six Challenges for the Greek Economy in 2024

The Greek economy’s six challenges in 2024 were the focus of an address by National Economy and Finance Minister Hatzidakis on 4 December, although he underlined that Greece has “turned the page.”

Addressing the 34th Greek Economic Summit (GES2023), organized by the American-Hellenic Chamber of Commerce, Hatzidakis said the challenges were as follows: maintaining resilience, with a mix of fiscal responsibility and development prospects; boosting competitiveness, as seen already in the sectors of pharmaceuticals, agrifood, and renewable energy sources, followed by accelerating the administration of justice and further upgrading public administration and the banking sector; extroversion, with a goal of exports reaching 60% of GDP by 2027 and 70% of GDP by 2030, and supporting businesses in their green transition; restricting tax evasion – its results so far have raised revenues from short-term rentals tenfold in the last 10 years; the more effective use of state-owned properties, including real estate, along the Greek coast and ski centers; and boosting citizens’ available income, especially in the context of high inflation. (eKathimerini 05.12)

GENERAL NEWS AND INTEREST

\*ISRAEL:

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* 1. Elon Musk Visits Israel and Tours Ravaged Kibbutz with Prime Minister Netanyahu

Elon Musk visited Israel on 27 November and, alongside Prime Minister Netanyahu, toured the devastation at a kibbutz ravaged by the Hamas attacks on 7 October. Musk toured the kibbutz, where dozens of people were killed and an estimated 17 were kidnapped. Afterward, Musk and Netanyahu spoke live on X, formerly known as Twitter, about Musk’s reaction to seeing Kfar Aza and a video that Israel compiled showing footage from the day of the massacre.

Musk said the experience was “jarring” and that he was struck by what appeared to be “joy” on the part of the terrorists in the video. “The rebuttal is often made that well, you know, Israel has killed civilians also in Gaza,” he said. “But there’s an important difference here, which is that Israel tries to avoid killing civilians, doing everything it can to avoid killing civilians. And, you know, there’s not sort of joy expressed.”

A video from Kfar Aza shows Musk, wearing a flak jacket, nodding somberly as he is shown a crib filled with spent bullets that has become a symbol of the kibbutz, walking through ruined homes and viewing a video showing how Hamas terrorists breached the doors of families’ safe rooms. At several points, he raises his phone to take pictures.

The kibbutz has been the site of tours for foreign leaders. Earlier this month, former British prime minister Johnson and former Australian prime minister Morrison visited and heard testimony from emergency responders. (JTA 27.11)

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* 1. Hanukkah Holiday to be Celebrated Starting on 7 December Eve

Israel and the Jewish world will celebrate the Hanukkah holiday, which begins this year on the evening of Thursday, 7 December and end on the evening of Friday, 15 December. Hanukkah, which is Hebrew for “dedication,” is the festival commemorating the rededication of the Second Temple in Jerusalem at the time of the Maccabean Revolt against the Seleucid Empire. It is also known as the Festival of Lights.

Hanukkah is observed for eight nights and days, starting on the 25th day of Kislev according to the Hebrew calendar, by lighting the candles of a candelabrum with nine branches, called a *hanukkiah*. One branch is typically placed above or below the others and its candle is used to light the other eight candles. This unique utilitarian candle is called the *shamash*. Each night, one additional candle is lit by the *shamash* until all eight candles are lit together on the final night of the festival. The miracle of Hanukkah is the military victory of the Seleucids. Some also consider that the miracle occurred when only one vial of sacred oil was found in the Temple. It held just enough oil to illuminate the Temple lamp for one day, and yet it lasted for eight full days.

Even though work is allowed on the holiday (unlike the Sabbath, Rosh HaShanah or Passover), many will leave work early to light the Hanukkah lights with family and friends at nightfall. Many special foods made with oil are consumed, such as potato pancakes and jelly donuts.

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* 1. Two New Families of Pseudoscorpions Discovered by Hebrew University

A new Hebrew University of Jerusalem study has unveiled two previously undiscovered families of pseudoscorpions in Israel, called syarinidae and cheiridiidae. Located where three continents meet, this country’s unusual biodiversity has undergone systematic revision. Before the Hebrew University study, Israeli pseudoscorpions were believed to consist of 12 families, 26 genera, and 52 species, including several subspecies. But now the bug catalog has been expanded to include 61 pseudoscorpion species belonging to 28 genera and 14 families.

This pioneering research includes the introduction of the first illustrated identification key, based on structural characters and accompanied by distribution maps. Both of the new families have a cosmopolitan distribution that includes much of the Mediterranean region. The findings significantly enhance our understanding of regional biodiversity, offering crucial resources for forthcoming ecological, taxonomical, and conservation endeavors. The authors said that the significance of their research goes beyond the academic realm by offering valuable insights into the biodiversity of the region and providing a foundation for future studies in ecology taxonomy and conservation.

Pseudoscorpions are tiny creatures that are not harmful to humans like real scorpions – and are even beneficial because they feed on caterpillars, flies, ants, beetle larvae and carpet- and book-lice larvae. They are rarely noticed due to their small size, despite being common in many environments. When they are noticed, especially inside homes, they are often mistaken for small spiders or ticks. They have a flat, pear-shaped body, and eight pincer-like claws, with five to seven sections each. Their claws look like those of scorpions and are two to eight millimeters in length.

Situated at the crossroads of three continents, Israel boasts a distinctive fauna, influenced by both Palearctic and Afrotropical zoogeographic origins. During the past six decades, systematic revisions and the discovery of new species have made the existing key to pseudoscorpions in Israel outdated. (JP 18.11)

\*REGIONAL:

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* 1. Obesity Among Jordanian Children Rises by 9% in 2023

The percentage of children under five who are overweight rose by 9% in 2023 compared to 2012, when a 4% rise was recorded, according to the Department of Statistics (DoS). The DoS's 2023 Population and Family Health Survey revealed that the percentage of children under five with stunted growth remained stable at 8% compared to the previous survey in 2012. However, this figure has improved since the first survey in 1997, when the rate was 11%.

The emaciation indicator has stabilized from 1997 until the current year at 2% for children under the age of five. According to the survey, only 34% of infants aged 0-23 months were breastfed within the first hour of birth. Only 24% of infants under 6 months are breastfed, while 42% of children aged 6-23 months receive diverse nutrition. The survey showed a decline in exclusive breastfeeding among children aged 0-5 months, reaching 24% in 2023 compared to 39% in 1990.

The results indicated that approximately one-third of children aged 6-59 months suffer from anemia, including 19% suffering from mild anemia, 13% suffering from moderate anemia, and less than 1% suffering from severe anemia. The prevalence of anemia among Jordanian children remained largely unchanged between 2002 and 2023, declining slightly from 34% to 32%. (Petra 28.11)

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* 1. UAE Public Holidays for 2024 Announced

According to a list announced by the UAE's cabinet, local residents will enjoy at least 13 public holidays in 2024. Four of the seven official occasions will translate into extended weekends, with the longest being a six-day break.

These holidays are in addition to the 30 annual leaves employees can take in a year. Multiple travel surveys conducted over the past few months have revealed that majority of expatriates in the UAE use their annual leaves to travel to their home countries. They earmark public holidays and the extended weekends that come with them for vacations around the world or staycations.

Most of the dates announced were per the Islamic calendar. Hijri calendar months last 29 or 30 days, depending on when the crescent Moon is spotted. The actual dates will be announced by the relevant authorities based on this closer to the occasion.

**New Year 3 Day Weekend:** UAE residents will begin 2024 with a long weekend. The first official holiday of the new year, 1 January is a Monday, which translates into a three-day weekend.

**Eid Al Fitr:** This Islamic festival marks the end of Ramadan, the month of fasting. The government has specified that Ramadan 29 to Shawwal 3 will be a public holiday. This is about four or five days off, depending on whether the month lasts 29 or 30 days, respectively. Based on the corresponding Gregorian calendar, dates are: Tuesday, 9 April until Friday, 12 April. Including the Saturday-Sunday weekend, this is a six-day break.

**Arafah Day, Eid Al Adha:** Considered the holiest day in Islam, Arafah Day is observed on Dhul Hijjah 9. Islamic festival Eid Al Adha is celebrated over the three days after. The corresponding Gregorian calendar dates are: Sunday, 16 June to Wednesday, 19 June. Including the weekend. This is five days off to mark the festival.

**Islamic New Year:** 1 Muharram, which is the first day of the Hijri year, is expected to fall on Sunday, 7 July. No long holiday there, but it’s a day off for those without a Sunday weekend.

**Prophet Muhammad’s Birthday:** Believed to be on Rabi Al Awwal 12, the date on the Gregorian calendar is not immediately clear.

**National Day:** The year’s last official holiday is a long one. 2 & 3 December on Monday and Tuesday, respectively. When combined with the Saturday-Sunday weekend, that’s a four-day holiday. (WAM 22.11)

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* 1. Delay Expected for Same-Sex Civil Marriage Bill in Greece

Pushback within Greece's ruling conservatives will delay a bill on same-sex civil marriage. Officials say the bill will likely come up in early 2024, at a safe distance before June’s European Parliament elections.

Same-sex civil partnerships have been legal since late 2015, when the then SYRIZA-led government passed legislation. Current Prime Minister Mitsotakis was among 19 conservative New Democracy MPs, out of 75, who voted for the bill. Proponents of the current bill point to Mitsotakis’ election as party leader in early 2016 as proof that fears of a conservative backlash are exaggerated. Adoption by same-sex couples could also be delayed. (eKathimerini 04.12)

ISRAEL LIFE SCIENCE NEWS

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* 1. CartiHeal Acquired by Smith & Nephew for Some $330 Million

CartiHeal is being sold to England's Smith & Nephew (S&N) for up to $330 million. This includes an initial cash consideration of $180 million, and up to a further $150 million contingent on financial performance. The deal is expected to close in Q1/24. The financial performance clause includes a sales milestone of reaching $100 million in annual revenue over a consecutive 12-month period, and achieving that goal within 10 years from the date of the closing of the deal.

S&N is an established company with a market value of over $9 billion and has plenty of cash that will allow it to complete the current deal. It is estimated that CartiHeal's investors will record an average return of up to 6 times, depending on the value of the final agreement.

CartiHeal's Agili-C product is an off-the-shelf one-step treatment for osteochondral (bone and cartilage) lesions with a broader indication than existing treatments. It is indicated to treat a wide patient population, including those with lesions in knees with mild to moderate osteoarthritis, a currently unaddressed condition, as well as the approximate 700,000 patients that receive cartilage repair annually in the U.S.

Kfar Saba's [CartiHeal](v) is a pioneering company in the field of cartilage regeneration. Hyaline cartilage has a very limited ability to heal once damaged. Cartilage injuries affect millions of patients around the world, and characteristically cause severe pain and disability. In addition, research indicates that injuries to joint cartilage, if left untreated, may lead to progressive joint changes and early onset of osteoarthritis. The need for a simple, well-tolerated and effective solution for cartilage repair and regeneration represents one of medicine’s most challenging unmet needs. (Cartiheal 21.11)

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* 1. BiomX Positive Trial Evaluating BX004 Treatment in Patients with Cystic Fibrosis

BiomX announced positive safety and efficacy results from Part 2 of the Phase 1b/2a trial evaluating the Company’s novel phage cocktail, BX004, for the treatment of chronic pulmonary infections caused by Pseudomonas aeruginosa (or P. aeruginosa) in patients with cystic fibrosis (CF). Considering these results, the Company plans to advance the BX004 program to a larger, pivotal Phase 2b/3 trial, subject to regulatory feedback and availability of sufficient funding.

The objectives of Part 2 of the Phase 1b/2a trial were to evaluate the safety and tolerability of BX004 in a larger number of CF patients dosed for a longer treatment duration than Part 1 of the study, with the anticipation that the longer treatment might result in greater effects than in the Part 1. In Part 2, 34 CF patients received nebulized study drug twice daily for 10 days and were randomized in a 2:1 ratio with 23 CF patients receiving BX004 and 11 patients receiving placebo. Endpoints included safety and tolerability, decrease in P. aeruginosa burden, sputum pharmacokinetics, FEV1 and CFRSD-CRISS (Cystic Fibrosis Respiratory Symptom Diary - Chronic Respiratory Infection Symptom Score).

Ness Ziona's [BiomX](http://www.biomx.com) is a clinical-stage company developing both natural and engineered phage cocktails designed to target and destroy bacteria in the treatment of chronic diseases. BiomX discovers and validates proprietary bacterial targets and customizes phage compositions against these targets. (BiomX 29.11)

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* 1. Inspira & Ennocure Proprietary Bio-Electronic Treatment to Prevent Infections

Inspira Technologies announced a partnership with Ennocure MedTech. At the core of Inspira's mission is a groundbreaking approach to oxygenate blood directly to replace life support mechanical ventilation. Inspira seeks to include bio-electronic technology as part of the INSPIRA ART and Company's IP portfolio, to prevent the growth of bacteria that often results in a bloodstream infection (sepsis) and has partnered with Ennocure for the development of such treatment.

Once developed, Inspira plans to combine the bio-electronic novel physical stimulation technology, as a preemptive measure for potentially at-risk patients, providing a cost-competitive solution to reduce complications.

Rehovot's [Ennocure](https://www.ennocure.com/) is a pioneer in the development of bio-electronic Wound Dressing. At the core of the technology is a proprietary bio-electronic wound dressing designed to prevent bacterial infections, while providing remote wound monitoring & infection alerts based on AI-driven personalized therapy.

Ra'anana's [Inspira Technologies](https://inspira-technologies.com/%E2%80%8E) is leading the way in transforming life-support care. Its innovative solutions are paving the way for direct blood oxygenation, bypassing the lungs, and potentially reducing the need for traditional mechanical ventilation. Beyond this, the Company is committed to advancing blood circulation technology and incorporating AI-driven monitoring systems. (Inspira Technologies 29.11)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. CyberArk Elevates Passwordless Experience with New Passkeys Authentication

CyberArk has expanded passwordless authentication capabilities with new passkeys support. Now, CyberArk Identity customers can accelerate passwordless adoption and reduce cybersecurity risk by enabling the use of passkeys to easily access apps and websites using strong authentication methods like biometrics.

CyberArk Identity delivers a set of SaaS solutions designed to simplify enterprise identity and access management while providing a high level of security. Part of the CyberArk Identity Security Platform, CyberArk Identity helps today’s businesses overcome user authentication, authorization and identity management challenges accompanying business transformation initiatives. With the CyberArk platform, organizations can enable Zero Trust and least privilege with complete visibility, enabling every identity to access any resource more securely, located anywhere, from everywhere – and with intelligent privilege controls.

Petah Tikva's [CyberArk](https://www.cyberark.com) is the global 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. Leading organizations trust CyberArk to help secure their critical assets. (CyberArk 21.11)

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* 1. Guardz Launches Growth Hub to Empower MSPs with Cybersecurity Sales Support

Guardz introduced its Growth Hub for Managed Service Providers (MSPs), which offers them a range of cybersecurity tools to serve their small to medium-sized enterprise (SME) customers, including ROI reporting, AI-powered risk assessment prospecting reports, and support tools to grow their client base.

Guardz has launched its MSP Growth Hub to empower its MSP partners with streamlined and effective support in prospecting and securing their SME customers. In addition to Guardz's all-in-one cybersecurity and insurance solution, which enables MSPs to continuously monitor and protect SMEs' entire range of assets, the Growth Hub provides MSPs with on-demand ROI reports, which enable MSPs to demonstrate their immediate value to SMEs by assessing attack attempts, alert remediation, and employee security posture. It also has an AI-powered cyber risk assessment prospecting tool that leverages machine learning to assess businesses' particular cybersecurity vulnerabilities, providing MSPs with in-depth security posture reports of their prospective customers.

Tel Aviv's [Guardz](https://guardz.com/) is a cybersecurity solution built to empower MSPs to secure SMEs against ever-evolving threats such as phishing, ransomware attacks, data loss, and user risks by leveraging AI and a multilayered approach. The solution streamlines cybersecurity with its automated detection and response capabilities across users, emails, devices, data and cloud apps, all from a single pane of glass. (Guardz 21.11)

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* 1. Arbe Releases the Strongest Dedicated Automotive Radar Processing Solution

Arbe Robotics has released the production version of its Radar Processor, which is used for OEM development projects and B-Sample radars with the production functionality of Arbe Tier-1s. Arbe’s Radar Processor complements the company’s production chipset portfolio which already includes production RF chips.

Arbe’s Radar Processor is the strongest solution on the market for automotive radars, with its unprecedented computational abilities it enables the real-time processing of massive amounts of raw data generated by Arbe’s 2,304 virtual radar channel array (48 receive \* 48 transmit) in 30 frames per second. Arbe’s chip demonstrates an improvement of 10X in processing power compared to the current strongest radar processor alternatives. Arbe’s Radar Processor can handle raw data input in a max rate of 28.8 Gbps, which is pre-processed in the Processor, the internal processing is equal to the rate of 3Tbps while the processor’s output reach point-cloud is provided at a rate of up to 1Gbps.

Tel Aviv's [Arbe](https://arberobotics.com/), a global leader in Perception Radar Solutions, is spearheading a radar revolution, enabling truly safe driver-assist systems today while paving the way to full autonomous-driving. Arbe’s radar technology is 100 times more detailed than any other radar on the market and is a critical sensor for L2+ and higher autonomy. The company is empowering automakers, tier-1 suppliers, autonomous ground vehicles, commercial and industrial vehicles, and a wide array of safety applications with advanced sensing and paradigm-changing perception. (Arbe Robotics 28.11)

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* 1. Skyhawk Security Introduces AI-based Autonomous Purple Team for Proactive Protection

Skyhawk Security is announcing a paradigm shift in cloud security with Continuous Proactive Protection. This latest advancement in its industry leading CDR Synthesis Security Platform introduces the first AI-based, autonomous purple team providing Adaptive Cloud Threat Detection and Response, continuously enhancing its protection of the customer’s cloud.

The new offering continuously analyzes customer cloud infrastructure, proactively runs attack simulations against it and uses the results to prepare verified detections, validated automated responses and remediation recommendations to ensure the cloud has the most up to date security defenses in place. This continuous protection process includes learning and automated adaptation of threat detection methods. This enables security teams to take a proactive and adaptive approach to their security strategy.

Tel Aviv's [Skyhawk Security](https://skyhawk.security) is helping users map and remediate threats to cloud infrastructure in minutes. Skyhawk Security evolves cloud security posture management far beyond scanning and static configuration analysis. Instead, using advanced ML sequencing of context-based behaviors, Skyhawk provides CDR within a ‘Runtime Hub’ to quickly detect and remediate malicious activities across multiple cloud platforms as they happen. (Skyhawk Security 28.11)

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* 1. CoreFlow Introduces GripJet Next-Generation Vacuum Chuck for Warped Wafer Gripping

CoreFlow announced the launch of its new GripJet Vacuum Chuck for Handling Highly Warped Wafers without the need for soft pad elastomers or mechanical flattening mechanism. Empowered by innovative vacuum enhancement technology, the GripJet Vacuum chuck delivering superior grip strength that firmly secures and flattens highly warped wafers, making it ideal for warped wafers inspection and other key manufacturing applications where wafer flatness is essential.

The GripJet vacuum chuck is particularly well-suited for advanced wafer-level packaging (AWLP), wafer-level chip scale packaging (WLCSP), fan-out wafer-level packaging (FOWLP) processes, and various semiconductor processes that require precise and reliable handling of warped wafers.

Daliat-El Carmel's [CoreFlow](http://www.coreflow.com) is a leading provider of advanced aeromechanical solutions for Semiconductor fabs, advanced packaging, and flat panel displays industries. Their team of experienced scientists, researchers, and engineers innovate and designs solutions that enable customers to achieve superior wafers and substrates handling. With over 20 years of experience, they collaborate closely with global customers to deliver advanced solutions seamlessly. (CoreFlow 28.11)

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* 1. Deepchecks' LLM Evaluation Solution for Advanced AI System Validation

Deepchecks launched its innovative LLM Evaluation solution. This significant new solution is designed to address the unique challenges posed by Large Language Models (LLMs) and is set to revolutionize the way AI systems are validated.

The LLM Evaluation solution comes as a response to the increasing demand for effective evaluation tools for LLM-based applications. Deepchecks recognized the unique challenges that LLMs present, including assessing both accuracy and model safety (addressing bias, toxicity, PII leakage) and the need for flexible testing approaches due to the possibility of multiple valid responses for a single input.

Tel Aviv's [Deepchecks](https://www.deepchecks.com) is a leading company in the MLOps space, most commonly known for Testing Machine Learning. Since its inception, the company has been dedicated to pushing the boundaries of AI system validation, catering to a diverse community of data scientists, machine learning engineers, and business professionals. Deepchecks offers a range of tools and solutions designed to ensure the quality, safety, and ethical use of AI systems. Deepchecks is building a comprehensive solution for Continuous Validation of AI Systems that includes testing, monitoring, and auditing. (Deepchecks 28.11)

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* 1. Novel Code Scanner by Piiano Helps Enterprises Prevent Data Leaks Proactively

Piiano announced Piiano Flows, the industry’s first privacy-centric static code analyzer. The company will offer free scans until the end of 2023. Flows automatically and continuously analyzes source code throughout development processes and tracks when, where and how sensitive data are being used and stored. This enables security teams to shift data security left with a more proactive approach. Piiano’s tool finds potential data leaks inside source code and ensures that sensitive information, such as Personally Identifiable Information (PII), credentials and financial information, are protected before faulty code reaches production.

Flows, available for free, is designed for quick and easy use with an intuitive interface for security teams. To eliminate third-party risk, it only requires access to code itself without ever accessing production environments or production data stores containing sensitive customer data.

Tel Aviv's [Piiano](https://www.piiano.com/) provides a data protection platform for app-sec and engineering teams to secure sensitive customer data and ensure their privacy – even in the event of a breach. Enterprises can scan their source code to find data leaks and similar data exposure issues and remediate them by securing the sensitive data by using its data protection APIs. With Piiano’s building blocks, engineers and security leaders can save significant time, effort and resources while achieving true security without slowing down. (Piiano 29.11)

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* 1. RepAir Direct Air Capture (DAC) Field Prototype for Sustainable Carbon Removal

RepAir announced the unveiling of its field prototype, demonstrating the technical performance of its carbon capture solution in an operational environment for the first time. This unveiling marks the company's achievement of Technology Readiness Level (TRL) 6, a significant step forward on the path to market viability.

RepAir's DAC design represents a momentous leap forward in emissions reduction technology. Its proprietary dual-cell mechanism leverages electrochemical processing and is exceptionally low-cost to build and run, with maximum potential for accelerated and sustainable implementation that matches the urgency of the climate crisis. Utilizing 70% less energy (0.6MWh/tCO2), RepAir's market-ready solution will perform sustainable carbon removal at the gigaton scale, with a negligible carbon footprint below 5%. Powered exclusively by renewable energy and produced without the use of precious metals, RepAir's leaner, cleaner, more affordable system holds the promise of unprecedented global scalability, with easy integration at any partner site.

Founded in 2020, Yokneam's [RepAir Carbon](https://www.repair-carbon.com/%E2%80%8E) is a pioneering Direct Air Capture (DAC) technology based on proprietary electrochemical cell technology. Requiring dramatically less energy than alternative offerings, RepAir's next-generation carbon capture solution is both affordable and scalable, making carbon removal at the gigaton scale achievable for people, businesses and the planet. (RepAir 29.11)

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* 1. CAF Selects Israeli Rail Cyber Startup Cervello to Secure Tel Aviv’s Light Rail

Cervello, in collaboration with Bynet Data Communications, will provide infrastructure cybersecurity for Israel’s upcoming Light Rail Transit (LRT) Purple Line, mobility solutions company Construcciones y Auxiliar de Ferrocarriles (CAF) announced. The line will span 27 kilometers and is a multi-year deal expected to connect six major Israeli cities. CAF was awarded in January 2022 the contract for the construction of the Tel Aviv new light rail Purple Line.

In accordance with the deal, CAF will trust Cervello to implement a fully comprehensive rail infrastructure cybersecurity solution to ensure the safety of the Purple Line’s 43 stations and its estimated 256,000 daily passengers. Cervello will provide security teams with visibility, deep asset intelligence, and risk management capabilities to detect cyber threats.

Tel Aviv's [Cervello](https://www.cervellosec.com/) seeks to reshape rail safety and control by providing proven solutions and services to protect railways against cyber attacks. Trusted by leading OEMs and delivering a nonintrusive, railway-specific technology that supports global standards and protocols, Cervello offers comprehensive, accurate, effective, and safe cyber defense solutions for railway signaling systems. The Cervello platform monitors all data throughout the rail environment and transforms it into operational insights that users then use to mitigate threats and maintain a constant and safe business operation. (Cervello 30.11)

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* 1. US Army Awards $20 Million Extension to Gilat to Sustain Satellite Connectivity

Gilat Satellite Networks announced that the United States Army awarded a nearly $20 million contract to the company’s San Dimas, California based subsidiary Wavestream for the continuation of a program to sustain anytime, anywhere satellite connectivity. Wavestream’s Solid State Amplifier (SSPA), ruggedized to withstand the harshest environments, enables the Satellite Transportable Terminals (STTs) used in this program to deliver a “Communications-on-the-Pause” solution across diverse climates and conditions around the globe.

Wavestream, a Gilat subsidiary is the industry leader in the design and manufacture of next generation satellite communications high power transceivers for In-Flight Connectivity, Ground Mobility and Gateway markets. Since 2001, they provide system integrators with field-proven, high performance Ka, Ku and X-band Solid State Power Amplifiers (SSPAs), Block Upconverters (BUCs), Block Down Converters and Transceivers.

Petah Tikva's [Gilat Satellite Networks](http://www.gilat.com) is a leading global provider of satellite-based broadband communications. With over 35 years of experience, we create and deliver deep technology solutions for satellite, ground and new space connectivity and provide comprehensive end-to-end solutions and services, powered by their innovative technology. (Gilat Satellite Networks 04.12)

ISRAEL ECONOMIC STATISTICS

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* 1. OECD Forecasts Lower Growth in Israel in 2024

The OECD has issued a report on the economic impact of the Hamas assault on Israel's economy, which it sees causing a temporary but significant slowdown in economic activity. The OECD expects Israel's GDP to grow by 2.3% in 2023, falling to 1.5% in 2024 but recovering to grow by 4.5% in 2025. This compared with the Bank of Israel, which forecasts 2% growth in 2023 and 2% growth again in 2024.

The OECD sees Israel's fiscal deficit ending 2023 at 3.1% of GDP and widening in 2024 to 5.2% of GDP. The OECD expects the debt-to-GDP ratio to expand to 65% by 2025. The Bank of Israel forecasts a fiscal deficit of 3.7% of GDP at the end of 2024, widening in 2024 to 5% of GDP.

The OECD wrote that the uncertainty about the duration of the conflict and its economic impact is large. The projection assume no further regional escalation of the conflict with the main economic impact confined to Q4/23 and to a less extent the Q1/24. (Globes 29.11)

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* 1. Despite War, Israel's Average Salary Rose in October

The Central Bureau of Statistics announced that in October 2023, following the beginning of the war, the average salary in Israel was NIS 12,488, 5.9% higher than in October 2022. At the same time the number of jobs in the Israeli economy in October 2023 fell 1% from October 2022 and 1.9% from September 2023. If foreign workers are taken into account there was a fall of 3.1% in the number jobs in October 2023 compared with the preceding month.

It is possible that the increase in salaries actually stems from the reduction in the number of jobs due to the war, because those who lost their jobs were mainly low-wage workers. A similar effect was recorded during the pandemic, in which salaries artificially increased due to a reduction in the number of low-paying jobs.

On the eve of the war in September 2023, the average salary rose 5.6% from September 2022. The average salary in fixed prices (when the Consumer Price Index is taken into account) was up 1.7% from September 2022. The number of jobs in the Israeli economy was 3,959,000 in September 2023 up 1.1% from 3,917,000 in September 2022 and down 1.2% from 4,006,000 in August 2023. Salaries have risen strongly in the high-tech sector. In September 2023 the average salary in the high-tech sector was NIS 29,678, up 7.4% from September 2022. At the same time the number of jobs in the sector remained virtually unchanged from last year at 10% of the workforce. (CBS 04.12)

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* 1. Tel Aviv Now the World’s 8th Most Expensive City to Live In

Tel Aviv has been ranked the eighth most expensive city to live in, moving down five notches from last year, according to The Worldwide Cost of Living survey by the Economist Intelligence Unit (EIU). The survey was conducted before the attack on Israel by the Hamas terror group, which has “affected the exchange rates in Israel and may have made it harder to procure some goods in Tel Aviv, thereby affecting prices. Ranked in 2021 as the most expensive city in the world to live in, Tel Aviv last year lost its nefarious title and was ranked third, according to the survey.

For Israelis, the cost of living rose sharply last year, as inflation accelerated above 5% and housing prices soared almost 20%. Since the start of the year before the outbreak of the war in October, both inflation and housing prices started to slow down. Israel’s annual inflation rate over the past 12 months has eased to 3.7% in October and has been declining from 4.1% in August, but it is still above the government target range of 1% to 3%.

Singapore held its top spot as the most expensive city to live in, for the ninth time in 11 years, according to EIU’s global survey. It shares the top spot with Zurich, which moved up from sixth place thanks to the strong Swiss franc, to replace New York now in third position, tying with Geneva. Hong Kong and Los Angeles rounded out the top five most expensive places, while Damascus remained the cheapest of the 173 cities covered in the survey. (ToI 30.11)

IN DEPTH

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* 1. IRAQ: Moody's Affirms Iraq's Caa1 Ratings, Maintains Stable Outlook

On 24 November, [Moody's Investors Service (Moody's)](https://www.moodys.com/) affirmed the Government of Iraq's long-term issuer ratings at Caa1 and maintained the stable outlook.

The rating affirmation reflects Iraq's economic, fiscal and external dependence on the hydrocarbon sector, resulting in significant exposure to oil price volatility and carbon transition risks. Very weak institutions and governance constrain policy effectiveness, the government's capacity to respond to domestic and external shocks, and the economy's competitiveness. Deep political fragmentation, Iraq's susceptibility to geopolitical tensions, and growing social pressures from high youth unemployment and inadequate access to basic services also expose Iraq to political event risk.

The outlook is stable. Higher global oil prices have driven a significant turnaround in Iraq's fiscal and external accounts, supporting public debt reduction and a marked recovery in the Central Bank of Iraq's (CBI) foreign exchange reserve position to record highs. However, an expansionary triennial budget and limited reform momentum will underpin a steady renewed deterioration in fiscal metrics and further entrench Iraq's structural vulnerabilities.

Iraq's local currency (LC) and foreign currency (FC) country ceilings remain unchanged. The LC country ceiling at B3, one notch above the sovereign issuer rating, reflects heavy reliance of the economy on a single revenue source, very high political risk and highly unpredictable institutions. The FC country ceiling at Caa1, one notch below the LC ceiling, incorporates some albeit relatively modest transfer and convertibility risks, which stem from the track record of weak fiscal policy effectiveness balanced by a relatively low level of external indebtedness and robust foreign currency reserves.

**RATINGS RATIONALE**

**Rationale for the Affirmation of the Caa1 Rating**

Iraq's exceptionally high share of oil revenue in total government revenue (around 90%) underpins the high sensitivity of the government's fiscal accounts to global oil price developments and oil production. In the absence of any stabilizers, the fiscal and liquidity situation fluctuate alongside oil prices. Across Moody's global sovereign universe, Iraq remains one of the hydrocarbon producers most exposed to carbon transition risks in view of the dominance of oil in government revenue and exports as well as limited capacity to adjust, the consequence of institutional, social and political obstacles to reform.

The low quality of Iraq's institutions is captured by its very weak performance in the Worldwide Governance Indicators (WGIs). Iraq's WGI scores are among the weakest across the sovereigns Moody's rates and well below the median scores for Caa-rated peers. Iraq also remains among the lowest-scoring countries on corruption indicators, ranking 157th out of 180 countries surveyed in Transparency International's 2022 Corruption Perceptions Index. Weak public financial management means that the government is prone to fiscal and financial strain, particularly at times of oil price shocks (such as those seen in 2015-16 and 2020), when government revenue is weakened and access to external financing is constrained.

Domestic political and social tensions weigh on policy effectiveness and fiscal outcomes, and progress is likely to remain limited on efforts to diversify the economy, strengthen non-oil revenue collection and address deficiencies in public finance management. A fragmented parliament and tensions between different political groups delayed the formation of a new government after the October 2021 election and prevented the adoption of a 2022 budget. In October 2022, a new government was approved by parliament under Prime Minister Mohammed Shia al-Sudani, bringing an end to the prolonged stalemate over government formation. The new government's agenda focuses on reducing corruption, fostering economic opportunities, and enhancing public services. Although these policy areas are key to Iraq's socioeconomic outcomes, the government's capability to pass structural reforms through a large but unwieldy parliamentary coalition is highly uncertain.

Notwithstanding Iraq's vulnerability to declines in oil demand and prices, credit mitigants are present through the favorable composition of government debt, the significant recovery in the CBI's foreign-exchange reserve position, and a contained amortization profile for external debt in the next few years. These factors limit the likelihood of a default on privately held external government debt in the near future, even in the absence of access to the international capital markets.

**Rationale for the Stable Outlook**

The stable outlook indicates that upside and downside risks to Iraq's creditworthiness are broadly balanced. Higher global oil prices in 2022 supported a significant turnaround in Iraq's fiscal and external accounts and a marked recovery in the CBI's foreign exchange reserve position. Crude oil export revenues in 2022 as reported by Iraq's Ministry of Oil reached a record $115.6 billion (close to 44% of GDP), up by 53% from the previous year. In parallel, the absence of an approved budget for 2022 constrained the use of the revenue windfall. A fiscal surplus of 7.6% of GDP was posted in 2022 according to IMF estimates, while foreign exchange reserves have reached historical highs of $101.1 billion as of June 2023, up from $58.2 billion at the end of 2021.

However, the expansionary triennial budget for 2023-25 approved by parliament in June 2023, combined with a 10.3% exchange rate revaluation implemented in February, point towards a return to Iraq's traditional pro-cyclical policy mix. Combined with gradually declining oil prices, Moody's expects fiscal metrics to record a steady renewed deterioration over the medium-term forecast horizon. Moody's projects Iraq's debt burden to increase again in the coming years, rising above 60% of GDP by the end of 2025 from 44.4% of GDP in 2022 in the rating agency's estimate. The government's financing needs are likely to increase steadily over the coming years as the budget deficit widens, and to be mainly met through a limited range of domestic sources, with central bank financing and funding from the state-owned commercial banks.

Moody's baseline assumes that the ongoing conflict between Israel and Hamas remains primarily concentrated in Gaza. An escalation of the conflict regionally that brings in Iran and the United States of America (Aaa negative), a scenario to which Moody's attributes a low probability at this stage, would have material implications for Iraq, through a number of transmission channels. Most importantly, any escalation in tensions in the Gulf would threaten to disrupt the maritime transport routes through the Strait of Hormuz, on which Iraq depends for most of its oil exports. The dominance of oil in government revenue and exports would imply immediate and significant fiscal and liquidity stress, with the overall impact dependent on how long the disruption lasts. That said, Iraq's low reliance on external financing and the buffer provided by the recovery in foreign-exchange reserves underscore a range of mitigants even in that scenario.

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

Material progress on enhancing the resilience of the public finances and government liquidity to future oil price declines would positively support Iraq's credit profile. Over the medium term, signs that Iraq's institutions are strengthening, with substantial improvements in governance, control of corruption, management of public finances and overall policy effectiveness, would support an upgrade. Such improvements would likely be reflected in stronger non-oil fiscal metrics arising from the implementation of structural reforms, and take place in the context of a lasting easing of domestic political pressures and geopolitical tensions.

Given the already low rating, a downgrade would likely reflect growing risks of a government default on private-sector debt and related losses for investors. This would most likely arise if the government was unable to prevent a significant depletion of its foreign-currency buffers in the face of lower oil prices. An increase in domestic political tensions and violence that would threaten to disrupt oil production or interfere with the government's ability (or willingness) to service its debt, or both, would also increase the likelihood of a downgrade. (Moody's 24.11)

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* 1. SAUDI ARABIA: Stormy Waters - Regional Conflict and Red Sea Security

Eleonora Ardemagni posted in [Sada](https://carnegieendowment.org/sada/91139) on 30 November that alongside the Sudanese war, Houthi and Hamas aerial attacks against Israel threaten to upend Saudi Arabia’s geostrategic goals along its western coast.

In recent years, Red Sea security has become a key pillar of Saudi Arabia’s domestic and foreign policy. Driven by geostrategic ambitions and plans to diversify its oil economy, the kingdom has strengthened security relations in the area by building alliances with Israel and coastal African countries, and by de-escalating conflicts with Iran and Yemen’s Iranian-backed Houthis. There have been efforts made to modernize the Royal Saudi Naval Forces, particularly the Western Fleet which operates in the Red Sea, and to tighten naval cooperation with Egypt. Multilateral initiatives have seen Riyadh at the forefront - including the Saudi-led Red Sea Council, and U.S.-led task forces deployed in the Red Sea to counter smuggling and train local navies.

Stability in the Red Sea region is crucial to many Vision 2030 projects. These include NEOM—the new urban area in the northwestern Tabuk province, that includes a floating port city on the Red Sea coast and luxury island destinations—as well as The Red Sea, a tourism development project. For the traditional oil economy, the Yanbu terminal is also critical for Saudi Arabia as an alternative to the Hormuz strait: in 2018, the kingdom added three million barrels per day to its export capacity from its western coast.

Against this backdrop, Israel’s defensive war in Gaza and the ongoing war in Sudan have shifted the security equilibrium in the Red Sea, posing new challenges for Saudi Arabia. Since 7 October, Houthi militias have launched several aerial attacks towards Israel, and to a lesser extent, against U.S. targets in the region. Through their control of Hodeida, the main Yemeni port on the Red Sea, the Houthis have also targeted Israeli-related shipping in the southern Red Sea. In early 2023, Saudi Arabia started bilateral talks with the Houthis to reach a ceasefire in Yemen. But the war in Gaza has re-emboldened Houthis’ military ambitions, with increased fighting in central Yemen and along the kingdom’s border, as occurred in the Saudi province of Jazan.

Houthi attacks may endanger Tiran and Sanafir, two small islands situated at the mouth of the Gulf of Aqaba that now are part of the kingdom’s territory. In 2016, Egypt ceded Tiran and Sanafir to Riyadh, a move that required Israel’s approval in 2022 since the islands were part of the 1979 Camp David peace accord between Cairo and Tel Aviv. Saudi Arabia has sought control of the islands to enhance its maritime influence - particularly in the Gulf of Aqaba, a trade gateway for Jordan and Israel - with the possibility of developing port and military facilities. But given their proximity to Eilat, the Israeli port city repeatedly targeted by Houthi and Hamas strikes, these Saudi territories may be caught in the middle of the conflict.

The war in Sudan has also threatened Saudi security aims in the Red Sea. Since fighting erupted in 2023, Riyadh has been engaged in mediation efforts together with the United States. But in September, Port Sudan witnessed unprecedented street violence between the Saudi-supported Sudanese army and a local tribal militia. Although port traffic hasn’t been disrupted so far, this could embolden rivalries for the control of the vital trade route.

While Riyadh would welcome the end of hostilities in Gaza and Sudan, Saudi-Israeli normalization remains the missing piece in the kingdom’s geostrategic mosaic in the Red Sea. Currently put on hold, normalization would not only facilitate Israeli-Saudi defense cooperation, but also upgrade Riyadh’s defense capabilities through integration with the United States. Due to a combination of economic and security reasons, Saudi-Israeli normalization remains matter of when, rather than if, as suggested by plans for the India-Middle East-Europe Economic Corridor project, signed by Riyadh and Tel Aviv in September 2023. Vision 2030 is based upon connectivity: Riyadh needs regional stability, maritime security, and a broad set of alliances to fulfil its economic targets, all of which are challenged as long as the Red Sea remains a military flashpoint.

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* 1. SAUDI ARABIA: Infinium Global Research Reveals Insights the Healthcare Markets

On 4 December, [Infinium Global Research](https://www.infiniumglobalresearch.com) announced that the healthcare industry in Saudi Arabia has gained significant importance due to its expansive population of over 36 million people, making it the largest nation in the Middle East. The government has made substantial investments in healthcare infrastructure, resulting in improved accessibility to healthcare services nationwide and driving significant advancements in the sector.

Saudi Arabia boasts a well-established healthcare system that offers complimentary healthcare services to all its citizens and residents, with the government being the primary financial supporter of these services. The Ministry of Health (MOH) in Saudi Arabia is responsible for coordinating and delivering healthcare services across the country. The healthcare system in Saudi Arabia is organized into three distinct tiers: primary, secondary, and tertiary healthcare services. Primary healthcare centers (PHCs) are responsible for providing essential healthcare services at the primary level, including preventive care, health education, and screening. Hospitals and specialized facilities provide secondary healthcare services, offering advanced services such as diagnostics, surgical procedures and emergency care. Tertiary healthcare services are provided through specialized hospitals, well-known for their expertise in areas such as organ transplants and cancer treatment.

In alignment with the Vision 2030 initiative in Saudi Arabia, the healthcare sector has placed a strong focus on its development by integrating privatization and embracing Public-Private Partnerships (PPPs). Vision 2030 aims to tackle critical issues and implement strategic measures to transform the healthcare system.

**Healthcare Budget**

Saudi Arabia leads healthcare spending among Gulf Cooperation Council (GCC) nations, contributing 60% of the total. The government prioritizes healthcare, with a reduced budget of $50.4 billion (SAR 189 billion) in fiscal year 2023, representing a 4.5% reduction. Three hospitals with a total of 900 beds and four specialized elderly care hospitals, which offer services like in-home dialysis and palliative care, are set to open. The Ministry of Health (MOH) aims to enhance primary care with a "doctor-for-every-family" approach, with the goal of serving over 20 million beneficiaries. This dynamic healthcare sector presents promising opportunities for innovative U.S. firms in digital health, medical devices, pharmaceuticals, biosciences, specialist clinics, ambulatory care, training, and education, among others.

**Market Trends:**

* **Aging Population:** The elderly population in Saudi Arabia is on the rise, expected to nearly double from 1.96 million in 2018 to 4.63 million in 2030 due to improved healthcare, awareness campaigns, and government initiatives.
* **Non-Communicable Diseases (NCDs):** The prevalence of NCDs, such as diabetes and hypertension, is increasing, driven by rising obesity rates, projected to exceed 45% by 2025, according to the WHO.
* **Road Traffic Accidents:** Despite government efforts to reduce accidents, road traffic injuries remain a significant factor, making healthcare services essential.

**Opportunities:**

* **Government Initiatives:** Aligned with the 2030 Saudi Vision, the government is investing over $65 billion in healthcare infrastructure and aims to increase private sector involvement from 40% to 65% by 2030. This includes the privatization of 290 hospitals and 2,300 primary health centers.
* **Foreign Investment:** Foreign investors have the opportunity to have full ownership in various sectors, including healthcare, supported by the Saudi Arabia General Investment Authority (SAGIA).
* **Healthcare Expansion:** The Ministry of Health (MOH) plans to establish health clusters, each serving around one million people, to enhance preventive and integrated care. Other priorities include increasing internationally accredited hospitals, doubling primary healthcare visits per capita, reducing smoking and obesity rates, and fostering digital healthcare innovation. These initiatives create promising business prospects in the Saudi healthcare sector.

**Saudi Healthcare Reform Highlights:**

* **Comprehensive Investment:** Saudi Arabia is committed to a $65 billion investment in healthcare infrastructure, professional training, service reorganization, and the expansion of e-health services as part of Vision 2030.
* **Private Sector Engagement:** The primary objective is to increase private sector participation in healthcare from 20% to 35% by 2030, achieved through the privatization of 290 hospitals and 2,300 primary health centers.
* **Sovereign Wealth Fund Involvement**: The Public Investment Fund (PIF) seeks to promote the localization of the pharmaceutical sector.
* **Public-Private Partnerships (PPPs):** PPPs are a key strategy to share the financial burden and encourage private investment in healthcare infrastructure and services, aligning with Vision 2030.
* **Strategic Objectives:** These include privatizing medical cities, increasing the private sector's role in healthcare spending, expanding various healthcare services, and preparing the King Faisal Specialist Hospital & Research Centre for privatization to enhance its leadership.

**Challenges in Saudi Healthcare:**

**Healthcare Workforce Shortage:** Saudi Arabia grapples with a shortage of healthcare professionals, notably in rural areas where most healthcare workers are concentrated in urban regions. A report by the Saudi Arabian General Investment Authority (SAGIA) reveals a shortfall of around 15,000 doctors and 20,000 nurses, resulting in extended wait times and limited rural healthcare access.

**Emphasis on Curative Care:** Historically, the Saudi healthcare system has prioritized curative care over preventive measures, contributing to a surge in non-communicable diseases (NCDs) like diabetes, cardiovascular conditions, and obesity. NCDs now lead as the primary causes of mortality, demanding enhanced efforts for reducing NCD prevalence and bolstering overall public health.

**Limited Private Health Insurance:** Private health insurance in Saudi Arabia is primarily offered through employer-based schemes, where employees and their dependents are included as part of their employment benefits. These schemes represented only 67% of all private health insurance policies in 2020, leaving gaps in private coverage.

**Restricted Healthcare Financing:** The Saudi healthcare system relies heavily on government funding, necessitating the exploration of alternative financing mechanisms to ensure its long-term sustainability.

**Business Expansion in the Healthcare Industry**

The Saudi government is actively promoting privatization within the healthcare sector. While U.S. exporters are not obligated to have a local Saudi agent or distributor, it is highly advisable for companies to explore partnerships with local entities. These collaborations facilitate improved access to business opportunities, assist in navigating import regulations, ensure compliance with testing standards, and identify potential sales and contract prospects within the public sector. Presently, over 60% of healthcare spending in Saudi Arabia is funded by the government. A critical player in this landscape is the National Unified Procurement Company (NUPCO), which centrally manages the procurement of pharmaceuticals and medical supplies and oversees the supply chain and logistics for public healthcare providers. NUPCO gathers requirements from all government healthcare entities and issues tenders to meet those needs. It's crucial to note that these tenders have tight timelines, underscoring the significance of robust local connections for exporters. Only companies that have been prequalified are invited to submit bids, and foreign companies aiming for prequalification must meet specific criteria.

**Key Healthcare Players:**

The Saudi healthcare sector is influenced by five major stakeholders that play pivotal roles in advancing the industry:

1. **Ministry of Health (MOH)**: As the overarching regulator of healthcare activities and services throughout Saudi Arabia, MOH is a primary provider of healthcare services.
2. **National Unified Company for Medical Supplies (NUPCO):** NUPCO takes on the critical responsibility of centralizing government procurement for pharmaceuticals, medical equipment, and supplies, supporting public healthcare facilities.
3. **Saudi Food and Drug Authority (SFDA):** SFDA holds the mandate for overseeing and regulating the import and distribution of medical devices, pharmaceuticals, and food products.
4. **Cooperative Council of Health Insurance (CCHI):** As an independent governmental entity, CCHI is entrusted with the oversight and regulation of the health insurance sector within Saudi Arabia.
5. **National Center for Privatization (NCP):** NCP is the driving force behind the privatization of specific government assets and services across various industry sectors.

Infinium Global Research, a provider of market research, has recently released comprehensive reports on several markets across Saudi Arabia. These reports present a detailed analysis of various segments and sub-segments within the Saudi Arabian markets. It also sheds light on the impact of drivers, restraints, and macro indicators on both short-term and long-term market dynamics. The reports provide a comprehensive outlook on trends, forecasts, and dollar values of the markets. (Infinium Global Research 04.12)

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* 1. EGYPT: There’s a Growing Russian Presence in Egypt's Education Space

[Enterprise](https://enterprise.news/) reported on 4 December that over the past several weeks, Russia has announced a number of new programs and investments in Egypt’s education sector, including the planned opening of the first Russian school in Egypt in the upcoming academic year, courtesy of Synergy institution. The increasing Russian investment in our education sector comes both as a move to tap into a growing space for foreign investment in local education, and to encourage the flow of Egyptian students looking to study in Russia.

**The goal?** The opening of such schools is designed to encourage Egyptian students towards attending Russian universities by creating local exposure to the Russian education system, Russia’s Consul General in Hurghada Viktor Vorobiev, is quoted as saying by RT.

**Russian universities are opening branches in Egypt:** On the higher education level, the Russian University of St. Petersburg is on track to set up a branch in New Cairo, while the Kazan Federal University is opening a branch in 6th of October City. The branches will be hosted by a university named the Modern Group University Foundation, which the Madbouly Cabinet approved in October. The Egyptian branches of both universities offer programs in general medicine, dentistry, and pharmacy.

**Foreign branches have become increasingly popular in Egypt over the past few years:** After ratifying the International Branch Campus Act in 2018, Egypt allowed international universities to set up local branches by building their own campus or partnering with an Egyptian company. The program has largely been successful, with several international universities moving to open branches in Egypt, including Portugal’s Nova University, the European Universities in Egypt to host the UK’s University of London and University of Central Lancashire, and the University of Texas, to name a few.

**How will these university branches be run?** The universities will have councils headed by the president of each branch. Also sitting on this council will be the directors of the programs offered, as well as representatives from our Higher Education Ministry. This council will be in charge of academic supervision, ensuring that the operations of the institutions match the standards of quality set by the parent institutions. It will also manage the university in terms of scientific research and administrative affairs, determining the number of students and the tuition fees charged for each program.

**Scholarships and financial aid:** The establishment of these branches was conditioned on the provision of full and partial scholarships, in accordance with the practice at the parent university — both for academic and athletic excellence. Based on specific parameters, the awarding of these scholarships will be down to the Higher Education Ministry, to students with outstanding academic and athletic performances. The number of annual scholarships awarded to Egyptian students studying in Russia has also been increased to 318, said Russian Cultural Centers head Murad Gatin.

**Egypt has a keen partner in Russia:** So far, 18 Russian universities have held exhibitions in Egypt to recruit students, reflecting the country’s interest in cooperating with Egypt, our sources indicate.

**The local sector is ripe for investments:** Egypt is open to foreign investments in its education sector, especially ones from countries that have a strong history in the field of education, as well as a strong tradition in scientific research, transfer of expertise, and scientific exchange, a source from the Higher Education Ministry told Enterprise. Pulling in these investments can strengthen Egyptian students’ prospects of meeting the expectations of the job market, the ministry source said.

**Moving with the greater trend of internationalizing education in Egypt:** There is a general direction to internationalize the education sector, including through inviting foreign branch campuses, as well as allowing Egyptian students to complete the foundation year of foreign universities in Egyptian universities to prepare to travel abroad for study. This is both a step towards a more international education system, as well as a way to combat brain drain. (Enterprise 04.12)

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* 1. MALTA: Malta: Staff Concluding Statement of the 2023 Article IV Mission

On 24 November, the [IMF](http://www.imf.org/) said Malta has marked an impressive recovery from the pandemic and demonstrated substantial resilience to shocks resulting from Russia’s invasion of Ukraine. With weaker external demand and waning post-pandemic pent-up demand, growth is normalizing but is still expected to be among the highest in Europe. Persistent inflationary pressures are expected, while concern has risen about capacity constraints. Against this backdrop, the key policy priorities are:

* Initiate a front-loaded fiscal tightening to rebuild fiscal buffers at a faster pace and help contain demand pressures. Prepare an exit strategy from the current generous energy subsidy policy and gradually implement it, with a view to containing fiscal costs and risks and enhancing incentives for energy conservation and transition, while protecting vulnerable populations.
* Maintain vigilance in monitoring financial sector risks, particularly in the areas of borrower creditworthiness, cyber security, and money laundering/terrorist financing.
* Boost structural reform efforts in innovation, digitalization, labor markets, education, and green transformation to achieve high, socially- and environmentally-sustainable, and inclusive growth.

**Robust growth with persistent inflationary pressure**

**1. Malta has experienced an impressive recovery from the pandemic.** Output growth has rebounded sharply since the reopening of the economy in 2021. The recovery has been aided by fiscal support, increased labor participation, large inflows of foreign workers, and more recently, limited passthrough from monetary policy interest rates to domestic retail lending rates. With weaker external demand and waning post-pandemic pent-up demand, staff expect real GDP to moderate but continue to expand by around 4% in 2023 and 3½% in 2024, among the highest growth rates in Europe. Labor markets remain tight, while the unemployment rate remains at historically low levels. Both headline and core inflation peaked a year ago and have since decelerated as global inflationary pressures have eased. Still, staff expect elevated inflation to remain persistent and above the 2% target until late 2025, in part reflecting tight labor markets and sustained demand pressure. The challenge for the medium term is to ensure a robust policy framework to foster strong, socially- and environmentally-sustainable, and inclusive growth.

**2. Risks to the outlook are tilted to the downside.** Externally, downside risks include spillover effects from a possible escalation of Russia’s war in Ukraine or of the Israel-Gaza conflict, especially with implications for global commodity prices, as well as a deeper-than-expected economic downturn in Europe. Domestically, wage and inflationary pressures could be higher and more persistent, while money laundering/terrorist financing risks could materialize. Uncertainties surrounding the effects of the EU’s Minimum Tax Directive (Pillar II) remain a risk. On the upside, lower-than-expected commodity prices would help decelerate inflation, ease fiscal pressures and boost growth.

**Building fiscal buffers faster and containing demand pressures**

**3. Fiscal deficits remain large.** The 2024 Budget expects a small decline in the overall deficit from 5% of GDP in 2023 to 4.5% of GDP in 2024, with new discretionary spending measures, including to support pensioners and low-income earners, more than offset by the phasing out of costs related to Air Malta’s restructuring and remaining COVID-19 related support measures. The energy subsidies will remain large at 1¾% of GDP, accounting for about 40% of the overall deficit. The structural balance will remain at a deficit of 4.3% of GDP in 2024, compared to a surplus before the pandemic. Beyond 2024, the authorities plan to gradually reduce the overall deficit to the target of 3% of GDP by 2027, assuming sustained strong growth and lower energy prices. With sustained large deficits, general government debt will continue to rise from 52% of GDP in 2022 to 57% in 2026, compared with 40% in 2019.

**4. Because of strong demand pressure, the authorities should consider a more sizable and front-loaded fiscal adjustment.** The economy is at its full potential, marked by a tight labor market, strong domestic demand, and elevated inflation, and thus, a tighter fiscal stance will help contain demand pressure. In addition, the public debt trajectory is exposed to important downside risks because growth could underperform, and energy prices could stay high. Malta is a small, open, island economy particularly exposed to external shocks, with growing spending pressures to address climate change and infrastructure needs. Accordingly, building larger fiscal buffers—above current levels—is essential to strengthen the economy’s resilience. Staff recommend that the authorities undertake a more sizable and front-loaded fiscal adjustment, on the order of additional 1½% of GDP over 2024-2025.

**5. The prevailing energy subsidy policy should be phased out.** The ongoing energy price shock can no longer be viewed as temporary and suppressing the price signal does not help incentivize energy conservation or green transition. In addition, the sheer size of the subsidies limits fiscal space in reallocating resources to productivity-enhancing reforms while consolidating the fiscal position. Accordingly, in line with staff’s recommendations in the 2022 Article IV Consultation, the authorities should prepare an exit from the fixed price policy, with the aim of containing fiscal costs and strengthening market price mechanisms to enhance conservation while protecting low-income and, to a lesser extent, middle-income households. The strategy should be implemented predictably and could move gradually, beginning with adjusting fuel prices to better reflect their import costs in line with past practices while also making the electricity tariff structure more progressive. A gradual move may ease pressures on consumers but would also delay the benefits of exit while leaving public finances vulnerable to further energy price increases.

**6. Furthermore, broader efforts encompassing both revenue and spending measures should continue.** On the revenue side, staff welcome a recently-launched comprehensive program to modernize the Commissioner for Revenue, aimed at improving the efficiency and effectiveness of tax collection. This should lead to higher revenue collections at lower costs of compliance for taxpayers. On the spending side, priorities include a review to identify the scope for rationalizing recurrent spending and reallocating more resources to boost productivity, improving the efficiency of public investment (including green), and strengthening public procurement by streamlining the vetting process, accelerating digitalization, and implementing a risk-based approach. Measures in these areas would contribute to the fiscal adjustment while supporting growth.

**7. Corporate income tax (CIT) reform is increasingly urgent in light of the EU’s Directive on OECD Pillar II.** Of utmost importance is developing a well-structured roadmap for a phased implementation of the CIT reform to provide both international and domestic taxpayers with certainty. Given the interaction of the personal income tax (PIT) and the CIT, the roadmap should also include PIT reform. The authorities should develop a road map in consultation with stakeholders and announce it by late 2024.

**8. The authorities should continue to pay close attention to income inequality and poverty risk.** The 2024 Budget introduced additional support for vulnerable groups, including pensioners. Given the risk of persistently high costs of living, the authorities should continue to closely monitor impacts of inflation and other economic developments on inequality and evaluate the adequacy of the current tax and benefit system.

**Safeguarding financial stability and sustaining AML/CFT reform**

**9. Malta’s financial system remains sound and resilient to shocks.** Banks maintain ample capital and liquidity buffers. Given heightened uncertainty, however, the authorities should ensure that banks continue to closely assess how developments in inflation and financial conditions affect the balance sheets of vulnerable and leveraged borrowers and update provisions for credit risks. In addition, the authorities should remain vigilant in monitoring price developments in the residential and commercial real estate sectors. Furthermore, while passthrough from monetary policy to retail lending and deposit interest rates has been limited, its differential effects on banks’ financial performance depending on their size and business model warrant close monitoring. Increased allocation of resources towards cyber security is welcome, especially given the growing threat of cyberattacks.

**10. The authorities’ recent actions to tighten macroprudential policies are welcome.** They introduced a sectoral systemic capital buffer targeting residential mortgage exposures, initially set at 1% from end-September 2023 and increasing to 1.5% from end-March 2024. This will strengthen banks’ resilience to a possible housing sector shock. As macro-financial conditions evolve, the authorities should continue to review the effectiveness and appropriateness of their borrower-based measures, including loan-to-value, debt-service-to-income, and maturity limits.

**11. The authorities are committed to further improving the AML/CFT framework.** Resources for AML/CFT supervisors and regulators have been significantly boosted, and collaboration mechanisms among them have been enhanced, which would support the long-term sustainability of the reforms. Other efforts include enhancing training programs for the private sector and for the risk-based approach. In light of a 2022 ruling of the EU Court of Justice on public accessibility of beneficial ownership (BO) information, Malta has suspended public access to the BO registry. Implications of this move for the robustness of the AML/CFT framework should be carefully assessed and if warranted, risk mitigation measures should be developed. Malta’s updated AML/CFT National Risk Assessment should be published by the end of this year as planned.

**Pursuing robust structural reforms**

**12. Boosting productivity will be imperative to achieve high, sustainable, and inclusive growth.** Malta’s Recovery and Resilience Plan under the Next Generation EU initiative is starting to deliver much-needed reforms and investments in digitalization and green transition. The authorities have launched other initiatives, including the Smart Specializations Strategy for 2021-27 and the National Employment Policy for 2021-30. Beyond these, efforts should aim at promoting research and innovation, addressing skill gaps and tackling the low take-up rate of adult learning for the low-skilled. In addition, education outcomes for students with non-EU backgrounds should be closely monitored. Progress has been made in strengthening Malta’s anti-corruption framework, but further efforts are needed to ensure investor confidence.

**13. Accelerating decarbonization and boosting investments in renewables will help strengthen Malta’s resilience to energy shocks and its competitiveness.** It is imperative to make steady progress in implementing the 2021 Low Carbon Development Strategy, to allow greater passthrough of market energy prices to consumers to enhance incentives for energy saving and efficiency, to complete the climate vulnerability risk assessment, and to update the climate change adaption plan.

**14. In light of flagging productivity and looming structural capacity constraints, there is a need to refocus Malta’s economic development strategy.** Key themes should include analyzing: (i) gaps in the needed labor force and skills to achieve sustainable long-term growth; (ii) immigration policies to ensure there is the right supply of skills needed to meet demand; and (iii) needs in physical and social infrastructure, including roads, housing, education, and health services. The existing national planning strategy, Strategic Plan for Environment and Development 2015, should be updated expeditiously to reflect the latest demographic projections, and sectoral policies (e.g., tourism) should be aligned. (IMF 23.11)

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