

**The FORTNIGHTLY**

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

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**TABLE OF CONTENTS**

[1. ISRAEL GOVERNMENT ACTIONS & STATEMENTS](#_Toc156322906)

[1.1. BIRD Energy Invests $9.75 Million in Israel-U.S Clean Energy Projects](#_Toc156322907)

[1.2. Government of Israel Approves a Revised 2024 Budget](#_Toc156322908)

[2. ISRAEL MARKET & BUSINESS NEWS](#_Toc156322909)

[2.1. Aqua Security Closes $60 Million Additional Funding at a Valuation Above $1 Billion](#_Toc156322910)

[2.2. Pomvom to Enter NASDAQ at $125 Million Valuation](#_Toc156322911)

[2.3. Brenmiller Signs MOU with RSP Systems to Boost bGen ZERO Sales in the U.S.](#_Toc156322912)

[2.4. Vintage Investment Partners Raises $200 Million for its 4th Growth-Stage Venture Fund](#_Toc156322913)

[2.5. Delinea Acquires Authomize to Strengthen PAM by Detecting Threats in the Cloud](#_Toc156322914)

[3. REGIONAL PRIVATE SECTOR NEWS](#_Toc156322915)

[3.1. Atid, EDI Returns to Arab Health 2024 in Dubai, UAE](#_Toc156322916)

[3.2. MENA Start-Ups Raised More Than $3.9 Billion in 2023](#_Toc156322917)

[3.3. Micropolis Robotics to File for IPO & Plans to Raise $37 Million](#_Toc156322918)

[3.4. B2B Travel Content Platform Lokalee Raises $5.6 Million in a Pre-Series A Round](#_Toc156322919)

[3.5. London Chain Patty & Bun to Enter Dubai’s F&B Scene](#_Toc156322920)

[3.6. UAE Fintech Funding Surges 92% in 2023 - Defying Global Slowdown](#_Toc156322921)

[3.7. Tameed Closes $15 Million Series A Round from Alromaih Investments](#_Toc156322922)

[3.8. Emerson Develops New Manufacturing Hub in Saudi Arabia with Saudi Amana](#_Toc156322923)

[3.9. Resecurity Official Registration as Cybersecurity Provider with Saudi Arabia's NCA](#_Toc156322924)

[3.10. Saudi Arabia’s Nawel Closes a $1 Million Seed Round](#_Toc156322925)

[3.11. GV Investments & Russia’s Concordia Partner in an EV Components Factory in Egypt](#_Toc156322926)

[3.12. DoseMe Signs Turkey Distribution & Reseller Agreement with Primum Pharma](#_Toc156322927)

[4. CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS](#_Toc156322928)

[4.1. Abu Dhabi to Enable Recycled Water Supply to 1,600 Farms](#_Toc156322929)

[5. ARAB STATE DEVELOPMENTS](#_Toc156322930)

[5.1. Lebanon’s Inflation Hits High of 211.86% in November 2023](#_Toc156322931)

[5.2. Lebanese Car Market Deteriorated by 21.38% YOY in November 2023](#_Toc156322932)

[5.3. Jordan Advances on the Government AI Readiness Index](#_Toc156322933)

[►►Arabian Gulf](#_Toc156322934)

[5.4. GCC Outlook Sees Non-Oil Growth Remain Robust With Tourism s Key Driver](#_Toc156322935)

[5.5. UAE & US Sign Landmark Deal on Lunar Exploration](#_Toc156322936)

[5.6. UAE & India Explore Ways to Boost Ties and Sign 4 Deals](#_Toc156322937)

[5.7. Dubai Unveils $56 Billion Strategy to Double Emirati Families in 10 Years](#_Toc156322938)

[5.8. Saudi Inflation Eases to 1.5% in December](#_Toc156322939)

[5.9. Saudi Arabia Approves $23 Billion Borrowing Plan for 2024](#_Toc156322940)

[5.10. Saudi Fund Outpaces Singapore’s GIC With a $31.6 Billion Splurge](#_Toc156322941)

[5.11. Commercial Registrations in Saudi Arabia Jump 23% in Fourth Quarter of 2023](#_Toc156322942)

[5.12. Saudi Cloud Computing Registrations Increase by 40%](#_Toc156322943)

[5.13. Saudi Arabia Budgets $182 Million for Minerals Exploration in Mining Push](#_Toc156322944)

[►►North Africa](#_Toc156322945)

[5.14. Huthi Attacks Idle Suez Canal & Deepen Egypt's Economic Woes](#_Toc156322946)

[5.15. Egypt's Annual Headline Inflation Slows to 33.7% in December](#_Toc156322947)

[5.16. Egypt's Current Account Deficit Narrows in First Quarter 2023/24](#_Toc156322948)

[5.17. Egypt's Current Account Balance Helped by Various Sources](#_Toc156322949)

[5.18. Cairo has a New and Ambitious FX Inflow Target for 2030](#_Toc156322950)

[5.19. Egypt’s Central Bank Issues $830 Million US Dollar-Denominated T-bills](#_Toc156322951)

[6. TURKISH, CYPRIOT & GREEK DEVELOPMENTS](#_Toc156322952)

[6.1. Turkey’s Exports to Saudi Arabia, UAE and Russia Blossomed in 2023](#_Toc156322953)

[7. GENERAL NEWS AND INTEREST](#_Toc156322954)

[\*ISRAEL:](#_Toc156322955)

[7.1. Israeli Research Uses Earth's Magnetic Field to Verify Event in Bible's Book of Kings](#_Toc156322956)

[\*REGIONAL:](#_Toc156322957)

[7.2. Sheikh Mohammed Sabah al-Salem al-Sabah is Kuwait's Prime Minister](#_Toc156322958)

[7.3. Saudi Arabia Designates 2024 as the Year of the Camel to Celebrate its National Symbol](#_Toc156322959)

[8. ISRAEL LIFE SCIENCE NEWS](#_Toc156322960)

[8.1. Imagindairy Gets FDA Approval for its Animal-Free Dairy Proteins](#_Toc156322961)

[8.2. BiomX Receives Orphan Drug Designation from FDA for BX004](#_Toc156322962)

[8.3. Annabella Announces U.S. Expansion and Seed Funding to Revolutionize Femtech](#_Toc156322963)

[8.4. GrayMatters Health New FDA-Cleared Self-Neuromodulation PTSD Therapy in the US](#_Toc156322964)

[8.5. FDA Accepts MediWound Supplement to the NexoBrid BLA to Include Pediatric Patients](#_Toc156322965)

[8.6. BrainsWay Initiates Clinical Evaluation of Rotational Field “Deep TMS 360°”](#_Toc156322966)

[8.7. Nitrousink Files US Patent Application for Reducing Emissions of Nitrous Oxide in Wheat](#_Toc156322967)

[8.8. Sequentify Grant by Israel Innovation Authority for Infectious Disease Sequencing Panel](#_Toc156322968)

[8.9. Pulsenmore Gets Brazilian Approval for Its Prenatal Home Ultrasound Solution](#_Toc156322969)

[8.10. PathKeeper's Unique Camera and AI Software in Spinal Surgery](#_Toc156322970)

[9. ISRAEL PRODUCT & TECHNOLOGY NEWS](#_Toc156322971)

[9.1. Gilat Wins $3 Million Satellite Connectivity Project for a National Police Force](#_Toc156322972)

[9.2. Syte Pioneers Generative AI-Powered Styling and Merchandising Solutions for Retailers](#_Toc156322973)

[10. ISRAEL ECONOMIC STATISTICS](#_Toc156322974)

[10.1. Israel's Inflation Falls to Target Range](#_Toc156322975)

[10.2. Israel's Broad Unemployment Rate Drops to 6.1%](#_Toc156322976)

[10.3. Israel's Average Wage Rises by 10% in November 2023](#_Toc156322977)

[10.4. Bank of Israel Sells No Forex in December as Reserves Rose Above $200 Billion](#_Toc156322978)

[10.5. Israel's Fiscal Deficit More Than Doubles Since Start of War](#_Toc156322979)

[11. IN DEPTH](#_Toc156322980)

[11.1. JODAN: IMF Executive Board Approves $1.2 Billion Extended Arrangement Under EFF](#_Toc156322981)

[11.2. ARABIAN GULF: BRICS+ and the Arab Gulf - The Perks of Membership](#_Toc156322982)

[11.3. KUWAIT: Kuwait's New Emir - A Frank Speech Signals a Sharp Change in Direction](#_Toc156322983)

[11.4. UAE: Bank Audi’s UAE Economic Report – 2024](#_Toc156322984)

[11.5. UAE: The UAE Leads the Way on Gulf-South America Ties](#_Toc156322985)

[11.6. SAUDI ARABIA: Stronger Growth Expected in 2024 Amid High Uncertainty](#_Toc156322986)

[11.7. SAUDI ARABIA: Revolutionizing Health Care & Digital Health Transformation](#_Toc156322987)

ISRAEL GOVERNMENT ACTIONS & STATEMENTS

[Back to Table of Contents](#TOC)

* 1. BIRD Energy Invests $9.75 Million in Israel-U.S Clean Energy Projects

The U.S. Department of Energy (DOE), Israel’s Ministry of Energy and Infrastructure (MoE), and the Israel Innovation Authority have selected nine clean energy projects that were approved to receive $9.75 million under the [Binational Industrial Research and Development (BIRD)](http://www.birdf.com) Energy program. The projects address a variety of topics such as agrivoltaics, battery technology, CO2 reduction, energy efficiency, solar energy, and energy storage.

Projects that could qualify for BIRD Energy funding must include one American and one Israeli company, or a company from one country paired with a university or research institution from the other. Qualified projects must contribute at least 50% to project costs and commit to repayments if they find commercial success. The total value of the approved projects reached $27 million, including $9.75 million in cost-share funding. The approved projects are:

1. Bar Ilan R&D Company (Ramat Gan, Israel), the technology transfer office of Bar Ilan University, and Forge Nano (Thornton, CO) to develop advanced flexible thin film coatings by molecular layer deposition for improved high-capacity anodes.
2. SolarPaint (Yokneam Illit, Israel) and Lippert Components (Elkhart, IN) to develop a unique solar awning – a flexible and rollable solar panel suitable for RVs, residential balconies, and more.
3. Groundwork BioAg (Mazor, Israel) and Verdesian Life Sciences U.S. (Cary, NC) to collaborate on developing solutions to enhance soil carbon sequestration and provide agricultural benefits by integrating mycorrhiza species, strains, and nitrogen-fixing bacteria targeting corn and soybean crops.
4. CarbonBlue (Haifa, Israel) and Energy & Environmental Research Center (Grand Forks, ND) to scale up and commercialize ocean-based carbon dioxide removal technology for the desalination industry.
5. Boson Energy (Modi'in, Israel) and Drexel University’s (Philadelphia, PA) C. & J. Nyheim Plasma Institute to develop a next-generation tar cracking system for gasification projects.
6. PowerPlug (Tel Aviv, Israel) and Cirrus Nexus (New York, NY) to develop an AI-driven SaaS-based platform for monitoring, analyzing, and reducing the IT carbon footprint across on-premise IT devices, on-premise data centers, and cloud resources.
7. AIR EV (Pardes Hanna, Israel) and Nidec Motor Corporation (St. Louis, MO) to develop an electric motor tailored for mid-size eVTOL aircraft.
8. Trigo Solar (Sde Hemed, Israel) and Texas A&M AgriLife Extension Sponsored Research Services (College Station, TX) to demonstrate a water-energy agrivoltaic mounting system able to collect, divert, and store rainwater and irrigate cultivated rows of rain fed row crops.
9. Windstore (Tel Mond, Israel) and NPS Solutions (Darien, CT) to develop a compressed air energy storage solution incorporating wind turbine towers.

BIRD Energy was launched in 2009 under the Energy Independence and Security Act of 2007 to foster collaborative research and development projects between the United States and Israel. At its last board meeting, the BIRD Foundation approved investments in binational projects for $9.6 million. The deadline for submitting executive summaries for the BIRD Foundation's next round of approvals is March 7 and a final decision will be made by June. (BIRD Foundation 01.01)

[Back to Table of Contents](#TOC)

* 1. Government of Israel Approves a Revised 2024 Budget

On 15 January, the new state budget for 2024 was approved by the cabinet. The revised budget stresses security with an extra tens of billions of shekels for defense spending due to the war. The revised 2024 budget will total NIS 582 billion, an increase of NIS 70 billion on the original budget, with the budget deficit expected to widen to 6.6% of GDP.

The Ministry of Finance was forced to make concessions prior to approval, with ministers opposing cuts and threatening not to support the budget at the meeting, The main struggles were over cuts in the budgets of various ministries after the Ministry of Finance announced an across-the-board 3% cut, which at the last minute was raised to 5%. No notable battles were seen on explosive issues such as cuts in coalition funds or closure of unnecessary government offices, because they were not on the agenda. The Prime Minister and Minister of Finance had sought not to undermine the coalition's stability and made do with minor adjustments in these areas.

The Ministry of Health still managed to cancel a planned cut of over NIS 300 million and even get a budget increase of about NIS 1 billion. The Minister of Agriculture achieved a reduction of hundreds of millions of shekels in budget cuts and easing the number of jobs he will have to cut. The Minister of Education was reconciled after the Ministry of Finance waived NIS 500 million of the cuts and another NIS 200 million of planned cuts from the higher education budget.

Also cut was NIS 237 million from the budgets of the chief scientists in nine government ministries, including the Ministry of Science, Transport, Environmental Protection, and Education. The decision was supported by the Innovation Authority and the Budget Division. The most significant taxation measure in the revised budget is increasing the tax on bank profits for 2024 and 2025 from 17% to 26%. (Globes 15.01)

ISRAEL MARKET & BUSINESS NEWS

[Back to Table of Contents](#TOC)

* 1. Aqua Security Closes $60 Million Additional Funding at a Valuation Above $1 Billion

Aqua Security has secured $60 million in funding, led by new investor Evolution Equity Partners, with participation from existing investors Insight Partners, Lightspeed Venture Partners and StepStone Group. The funding, an extension of the company’s Series E round, places Aqua’s valuation above $1 billion.

Aqua has now raised $325 million since its founding in 2015. During that time, more than 500 enterprise companies worldwide, including 40% of the Fortune 100 companies, have adopted Aqua’s innovative cloud security approach. Aqua serves six of the top 10 banks in North America, and six of the top seven banks in Canada, making it the leading cloud native security provider for the financial services industry.

Founded in 2015, Ramat Gan's [Aqua Security](https://www.aquasec.com) sees and stops attacks across the entire cloud native application lifecycle in a single, integrated platform. From software supply chain security for developers to cloud security and runtime protection for security teams, Aqua helps customers reduce risk while building the future of their businesses. The Aqua Platform is the industry’s most comprehensive Cloud Native Application Protection Platform (CNAPP). (Aqua Security 03.01)

[Back to Table of Contents](#TOC)

* 1. Pomvom to Enter NASDAQ at $125 Million Valuation

Israeli company Pomvom, which develops experiential content to amusement parks and attractions globally, replacing operative physical solutions, and special purpose acquisition company (SPAC) Israel Acquisitions Corp, announced that they have agreed to merge at a total equity value for Pomvom of $125 million. The combined company will trade on the NASDAQ.

Pomvom serves many of the largest theme park and attraction operators globally, including parent companies Six Flags, Warner Bros. and Merlin Entertainment. Strategic long-term agreements signed in 2023 with Warner Bros. and Six Flags are expected to increase the number of partner sites for Pomvom to 47 sites by the end of 2024 — a 23% increase from its current 38 sites, and to accelerate growth in 2024 and onwards. Pomvom's launch of digital content across its partner sites is expected to leverage its new online platform and accelerate long-term growth.

Tel Aviv's [Pomvom](https://www.pomvom.com/) provides an innovative end to end solution for automated photography through image recognition software. The company develops a pioneering image recognition AI platform, easy to integrate and use. The solution is capable of recognizing individuals in real-time in a crowd and in various conditions, capturing their experience and automatically conducting personalized content distribution across vast groups of users. (Pomvom 03.01)

[Back to Table of Contents](#TOC)

* 1. Brenmiller Signs MOU with RSP Systems to Boost bGen ZERO Sales in the U.S.

Brenmiller Energy signed a non-binding MOU with RSP Systems outlining the terms of a distribution agreement. Subject to negotiating and execution of definitive agreements, RSP Systems would be the exclusive distributor of bGen in the U.S. Northeast Region. RSP Systems has prior experience working with Brenmiller on its first project in the U.S., combining Brenmiller’s TES with a Capstone turbine to reduce GHG emissions and create monetary savings.

RSP Systems has been a leader in choosing and implementing award-winning energy generation systems since 2004 and recently began offering the bGen to augment customer solutions with essential thermal energy storage. bGen, Brenmiller’s thermal battery, converts electricity into heat to power sustainable industrial processes at a price that is competitive with natural gas. The bGen charges by capturing low-cost electricity from renewables or the grid and stores it in crushed rocks. It then discharges steam, hot water or hot air on demand according to customer requirements. The bGen also supports the development of utility-scale renewables by providing critical flexibility and grid-balancing capabilities.

Rosh HaAyin's [Brenmiller Energy](https://bren-energy.com) delivers scalable thermal energy storage solutions and services that allow customers to cost-effectively decarbonize their operations. Its patented bGen thermal storage technology enables the use of renewable energy resources, as well as waste heat, to heat crushed rocks to very high temperatures. They can then store this heat for minutes, hours, or even days before using it for industrial and power generation processes. (Brenmiller Energy 11.01)

[Back to Table of Contents](#TOC)

* 1. Vintage Investment Partners Raises $200 Million for its 4th Growth-Stage Venture Fund

Vintage Investment Partners, a global venture capital platform, announced the close of its 4th Growth-Stage Venture Fund (Growth IV) at $200 million, above its target. Similar to Vintage's prior Growth funds, Growth IV will invest in 15-20 leading Israeli, European and U.S. growth-stage technology startups, together with its trusted network of tier-one venture capital funds. The Fund, which is Vintage's 16th fund overall, will operate in parallel to Vintage's Fund of Funds and Secondary Funds, all driven by Vintage's deep database and network, bringing Vintage's total assets under management to roughly $4 billion.

Vintage will continue to support its portfolio companies and funds through its free Value+ services. The Value+ team cultivates relationships with over 500 leading corporations with the goal of generating meaningful business engagements for startups, funds, and corporate partners. Vintage's Value+ has generated over 3,300 meetings and introductions between startups and corporations, resulting in nearly 300 known purchase orders or paid proof of concepts for startups from global corporations and over $200 million in business.

Herzliya's [Vintage Investment Partners](https://www.vintage-ip.com/) is a global integrated venture platform combining Secondary Funds, Growth-Stage Funds and Fund-of-Funds. With roughly $4 billion in assets under management across 15 active funds, the firm is invested in many leading venture funds and mid/late-stage startups. Vintage also leverages its position in the ecosystem, broad network, and database of over 3,800 venture funds and over 23,100 startups to provide value-added services to funds and startups. (Vintage 11.01)

[Back to Table of Contents](#TOC)

* 1. Delinea Acquires Authomize to Strengthen PAM by Detecting Threats in the Cloud

San Francisco based Delinea, a leading provider of solutions that seamlessly extend Privileged Access Management (PAM), acquired Tel Aviv, Israel's [Authomize](https://www.authomize.com/), an innovator in the detection and elimination of identity-based threats across the cloud. The continuous discovery and visibility capabilities of Authomize, married with Delinea's industry-leading SaaS solutions for PAM, will extend the Delinea Platform's reach for comprehensive privileged controls in the cloud while expanding its role to provide a strong defense against identity-based attacks such as account takeovers, insider threats, and lateral movement. CIEM and ITDR capabilities will be delivered through the cloud-native Delinea Platform, adding depth to its execution of the company's vision to extend PAM across the modern enterprise. The acquisition of Authomize also establishes a Delinea research and development (R&D) center in Israel.

Authomize CIEM empowers enterprises to extend least privilege controls into their cloud environments by continuously monitoring access privileges, usage changes, and connections between cloud services, SaaS applications, and IAM solutions. Adding Authomize ITDR will increase protection against threats across all identities by detecting abuse and responding to attacks. On the Delinea Platform, the enhanced capabilities will identify and address issues such as stale accounts, over-privileged identities, and privilege escalation paths, significantly bolstering cloud security by proactively detecting and mitigating threats while maintaining operational continuity. This approach will most effectively safeguard assets and data while reducing risk, all without introducing complexity. (Delinea 09.01)

REGIONAL PRIVATE SECTOR NEWS

[Back to Table of Contents](#TOC)

* 1. Atid, EDI Returns to Arab Health 2024 in Dubai, UAE

The world's second largest medical equipment event, [Arab Health](https://www.arabhealthonline.com/en/Home.html) will be held in Dubai, UAE from 29 January – 1 February 2024. The trade show's international appeal draws attendees and exhibitors from around the world, allowing participants to connect with a global network of healthcare professionals. This global reach facilitates cross-border collaboration, information exchange, and the introduction of innovative ideas from various healthcare systems and cultures. The largest gathering of healthcare and trade professionals in the MENA region, this event marks the thirteenth appearance of [Atid, EDI](https://atid-edi.com/) in its capacity as the Middle East Regional Office for the US state of Illinois. Atid, EDI also brought Pennsylvania to the event in 2007 and subsequently represented the Commonwealth and other US states at the event. Atid was responsible for the arrangement of literally hundreds of one-on-one business meetings for its US clients.

[Back to Table of Contents](#TOC)

* 1. MENA Start-Ups Raised More Than $3.9 Billion in 2023

Start-ups across the Middle East and North Africa (MENA) region raised a total of $3.98 billion in 2023, up by 1% from the previous year. The funds, which include debt financing, were raised in 498 deals, according to a report by Wamda and Digital Digest. Excluding the debt rounds, the total funds raised by start-ups in the region reached $2.2 billion across 488 deals, down by 36% from the $3.45 billion raised in 2022 across 786 deals. The number of deals also posted a 38% decline. The value of debt financing for start-ups in 2023, however, went up by 256% to $1.77 billion.

In December 2023 alone, 60 start-ups raised a record $1.15 billion, a staggering 825% increase over a year earlier. However, a huge chunk of the funds was raised by UAE-founded and Saudi Arabia-headquartered FinTech Tabby, which secured $700 million from J.P. Morgan, ahead of its planned initial public offering (IPO). Excluding Tabby’s $700 million debt financing, the total amount raised by start-ups in MENA in December 2023 stood at $456 million, still an 18% increase from November 2023 and a 253% jump from a year ago. Deals made last month were mostly concentrated in the UAE, Saudi Arabia and Lebanon. (Zawya 04.01)

[Back to Table of Contents](#TOC)

* 1. Micropolis Robotics to File for IPO & Plans to Raise $37 Million

Dubai's Micropolis Robotics plans to raise $37 million by offering 8.2 million shares at a price range of $4 to $5. Micropolis is currently pre-revenue, since most of its existing projects are collaborative, and it does not anticipate earning substantial revenues until it enters into commercial production, expected by the end of 2024. Micropolis Holding was founded in 2014 and plans to list on the NYSE though it has not selected a symbol yet. The company filed confidentially in October 2023. Network 1 Financial Securities is the sole bookrunner on the deal.

[Micropolis](https://www.micropolis.ai/) is a robotics manufacturer that specializes in developing autonomous mobile robots (AMRs) that utilize wheeled electric vehicle platforms and are equipped with autonomous driving capabilities. The company's product offerings are organized into three main categories: AMRs; operating software, which includes autonomous driving software, fleet mission planner, and user bespoke software development services; and electronic control units and power storage units. (Micropolis Holding 27.12)

[Back to Table of Contents](#TOC)

* 1. B2B Travel Content Platform Lokalee Raises $5.6 Million in a Pre-Series A Round

Dubai-based [Lokalee](https://www.lokalee.app/), an AI-powered content platform for hotels and holiday homes, a successful round of investment, resulting in $5.6 million received in pre-series A funding. The injection of capital combined with Lokalee’s growth will further fuel the company’s accelerated product development efforts as well as its expansion into European markets.

Led by Crown Private Fund, the $5.6 million investment also featured contributions from three other strategic investors with hotel and technology background. The increased access to capital is further strengthened by Lokalee’s growth in customer portfolio with 250 hotels currently using the Lokalee solution as well as their expansion into Austria, Germany and Saudi Arabia in 2023. Immediate development plans include the launch of a trip planner combining AI technology with curated data provided by humans, offering the best synthesis of both worlds.

Lokalee is a B2B content platform specifically developed for hotels and holiday homes, designed to enhance guest interactions, simplify operations, and increase potential revenue. The customizable white-label platform allows guests to browse and book everything a property and the destination has to offer, sourced by Lokal Curators and supported by global partners. (Lokalee 08.01)

[Back to Table of Contents](#TOC)

* 1. London Chain Patty & Bun to Enter Dubai’s F&B Scene

London’s famous burger chain Patty & Bun is set to open its doors in Dubai later this year, with the company targeting the emirate for its first international outpost. Details about the opening and location are still under wraps, with the company taking to its social media to announce the development.

News of the expansion comes months after Patty & Bun had proposals approved for a Company Voluntary Arrangement (CVA), which allows an insolvent company to pay its creditors over a fixed period. According to the official filing, the burger chain owes its creditors more than £1.7 million. The Joe Grossman-founded chain closed its Old Crompton Street outlet soon after the CVA, leaving it with eight restaurants and two concessions.

Patty & Bun’s Dubai expansion is one in a long line-up of popular international F&B brands putting their stamp down in the Middle East, with popular Mexican food chain Chipotle to open branches in Dubai and Kuwait later this year, along with the French Japanese coffee shop Café Kitsuné heading to the emirate, as well as Mexico’s homegrown high-end brand, Gitano. (Zawya 05.01)

[Back to Table of Contents](#TOC)

* 1. UAE Fintech Funding Surges 92% in 2023 - Defying Global Slowdown

Total fintech investment in the UAE in 2023 surged by 92% from the previous year, while the amount of capital invested globally from Seed through Series I plunged by 48%, according to Innovate Finance, the UK’s industry body for fintech. The UAE pulled in $1.3 billion in funding across 54 deals, marking an “exponential” increase for the country compared to last year, the industry body said in its “Fintech Investment Landscape 2023” report. With the significant increase, the UAE landed in the top ten list of most funded fintech markets last year, climbing from the 24th to the sixth position.

The growth in the UAE is due to the country’s fintech friendly environment. In comparison, other countries like India recorded a 63% fall in investment, UK a decrease of 65%, France a decline of 56% and Germany a drop of 66%. The total capital raised by fintech firms globally in 2023 reached $51.2 billion spread across 3,973 deals, compared to the $99 billion raised in 6,397 deals in the previous year. The United States landed the top spot in terms of total investment, with more than $24 billion raised in 2023, followed by the UK ($5.1 billion), India ($2.5 billion), Singapore ($2.2 billion) and China ($1.8 billion). (Zawya 11.01)

[Back to Table of Contents](#TOC)

* 1. Tameed Closes $15 Million Series A Round from Alromaih Investments

[Tameed Digital Lending Platform](https://www.ta3meed.com/en), which offers shariah-compliant government purchase order financing for SMEs in Saudi Arabia, successfully closed a funding round (Series A) amounting to $15 million led by Alromaih Investments. Tameed plans to use the proceeds from the Series A funding round to accelerate its growth and meet the increasing demand for its innovative digital lending products stemming from the overall growth in Saudi Arabia’s economy, which is supported by the continued accomplishments of various Vision 2030 programs and giga-projects.

Tameed, which obtained its operating license from the Saudi Central Bank (SAMA) in January 2023 and prior to that was operating within SAMA’s FinTech SandBox, was able to offer SMEs funding exceeding SAR 400 million, serve investors and borrowers through a mobile app that had 50K downloads, and achieve a growth rate exceeding 400%. Tameed was able to gain the trust of its clients by providing clear pricing and fast loan processing time (within 3 business days), all of which are completed through a fully digitalized process that enables efficiency in processing and customization of its services, which translates into tailored-made products that aim to support SMEs in completing their purchase order commitments.

Alromaih Group seeks in their strategy to diversify and various investment tools and risk mitigation through acquisitions, transactions, and investment rounds into the FinTech Division, which is highly considered one of the most promising and targeted sectors in the Kingdom’s Vision 2030. (Tameed 31.12)

[Back to Table of Contents](#TOC)

* 1. Emerson Develops New Manufacturing Hub in Saudi Arabia with Saudi Amana

St. Louis' Emerson is expanding its presence in Saudi Arabia with the development of a new manufacturing hub at the King Salman Energy Park (SPARK), which is being built by Saudi AMANA. The new facility is one of the largest investments for Emerson in the Middle East and Africa, and will strengthen its presence in the region. It also demonstrates Emerson's continued commitment to its customers and stakeholders in Saudi Arabia as the company prepares for rapid local manufacturing expansion, aligning with the Kingdom’s Vision 2030 strategy.

Emerson selected Saudi AMANA for its customized design-build and turnkey services and its commitment to sustainability, innovation and digitalization. The Emerson manufacturing hub will be developed in accordance with the environmental sustainability principles that support the company’s net zero emission goals, while also adhering to SPARK's environmental sustainability standards. It will house the company’s manufacturing capabilities in Saudi Arabia under one roof, producing and assembling a wide range of automation products, including measurement instrumentation, control valves, pressure relief valves, solenoid valves and control and safety systems. The project broke ground in early January and is expected to be completed in late 2024. (Emerson 02.01)

[Back to Table of Contents](#TOC)

* 1. Resecurity Official Registration as Cybersecurity Provider with Saudi Arabia's NCA

Los Angeles's Resecurity (USA), a global cybersecurity solutions provider protecting Fortune 500 and government agencies worldwide, successfully completed its official registration process with the National Cybersecurity Authority (NCA) in Saudi Arabia. This achievement solidifies Resecurity's status as a registered and authorized cybersecurity service provider within the Kingdom. Resecurity has been added to the list of accredited cybersecurity service providers on the official WEB-site of the NCA. Resecurity's comprehensive portfolio of services is tailored to government and law enforcement organizations, making them a trusted partner in the field of cybersecurity fully compliant with existing regulations and legislation.

In April 2022, the NCA issued a public call to entities providing cybersecurity services, solutions, or products in Saudi Arabia to register their data through the NCA's website. The initiative, which became a mandatory requirement for relevant entities starting in August 2022, aims to enhance the overall cybersecurity landscape in the Kingdom and foster a secure and reliable cyberspace conducive to growth. Separately, the NCA indicated that this requirement enhances the efforts made in developing and regulating the cybersecurity market and industry in the Kingdom of Saudi Arabia, and outlined the same precedes the issuance of necessary regulatory licenses to practice some activities related to the sector during the coming period.

By completing the official registration with the NCA, Resecurity reinforces its commitment to delivering cutting-edge cybersecurity solutions. As a registered service provider, Resecurity is now better equipped to contribute to the advancement of Saudi Arabia's cybersecurity infrastructure and assist businesses in navigating the constantly evolving threat landscape. (Resecurity 08.01)

[Back to Table of Contents](#TOC)

* 1. Saudi Arabia’s Nawel Closes a $1 Million Seed Round

Saudi logistics solutions company [Nawel](https://nawel.sa/) has announced the successful closure of SAR 3.75 million ($1 million) in a seed funding round led by Nomad Holdings, a firm with a focus on investing in tech startups, along with participation from angel investors. Founded in 2022, Nawel is dedicated to enhancing supply chain operations for companies. It achieves this by utilizing unused spaces within warehouses and retail facilities, transforming them into storage points and centers to facilitate companies, especially in the e-commerce sector, to store and swiftly ship their products, thereby improving the overall customer experience.

Nawel specializes in establishing delivery centers that operate as parcel sorting hubs, enabling faster and more cost-effective deliveries. The company aims to empower the fast-growing e-commerce sector by providing rapid delivery for fast-moving and promotional items. It plans to use the recent investment to accelerate its growth, expand its network, enhance its infrastructure, and develop its unified warehouse management system, streamlining operations for businesses and improving the overall customer experience. (Nawel 08.01)

[Back to Table of Contents](#TOC)

* 1. GV Investments & Russia’s Concordia Partner in an EV Components Factory in Egypt

Egyptian industrial developer GV Investments has partnered with Russian EV manufacturer Concordia to establish an EV components manufacturing plant in Egypt. It is unclear which components will be manufactured. Operations are expected to start in Q2/24 and the products will be exported across the Gulf and North Africa

GV Investments will be responsible for providing the land as well as constructing the factory, which is set to have a production capacity of 5k units of the EV components. The company will implement a 60% local component quota in the manufacturing process of the units.

Concordia is a Russian electric car manufacturer specializing in producing EVs for off-road use, passenger transportation and various cargo needs. Concordia serves as the exclusive distributor of the LvTong New Energy plant in the Eurasian Economic Union. (Enterprise 08.01)

[Back to Table of Contents](#TOC)

* 1. DoseMe Signs Turkey Distribution & Reseller Agreement with Primum Pharma

Jupiter, Florida's DoseMe, a leading provider of precision dosing software for therapeutic drug monitoring (TDM) and creators of DoseMeRx and DoseMe Analytics, announced its expansion into the Turkish market by naming Primum Pharma as its exclusive reseller and distribution partner. This strategic alliance translates into significant growth opportunities for DoseMe and Primum, with solutions to inform rational dosing of antibiotics in individual patients with infections. This partnership also sets the stage to expand model-informed precision dosing (MIPD) in new regional territories.

Primum Pharma was founded in 2018 with the mission to provide strategic partnership solutions to multinational pharmaceutical companies in Turkey, CEE and EMEA markets. Through its regional market access and management consultancy, Primum Pharma is the official distributor of companies including Catalysis Spain, Bluecap, Glizigen and Retorna brands in the Turkish market.

DoseMe combines smart technology with science, leveraging clinically-validated PK/PD models, patient characteristics, drug concentrations, and genotype to accurately individualize a dose in seconds. The platform is HIPAA, ISO & FDA compliant and the only Bayesian dosing platform to be HITRUST CSF certified. (DoseMe 03.01)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

[Back to Table of Contents](#TOC)

* 1. Abu Dhabi to Enable Recycled Water Supply to 1,600 Farms

Abu Dhabi’s plan to expand the use of recycled water in agriculture aligns with its overall sustainability goals to reduce pressure on groundwater resources and use this resource across various development sectors. The project is also aligned with the UAE Water Security Strategy 2036, which aims to reduce water consumption by 21%, reduce the water scarcity index by three degrees, and increase the reuse of treated water to 95%, to ensure the sustainability and continuity of securing water supplies for all residential, commercial, government, industrial and agricultural uses.

TAQA and its subsidiaries have constructed the pipelines that will distribute approximately 150,000 cubic meters per day to farms in Al Khatam, Khazna and Nahda areas in Abu Dhabi to meet their recycled water needs at a rate of 73 cubic meters per day for each farm, equivalent to 16,500 gallons of water. The plan to use recycled water in agriculture will save large amounts of groundwater by eliminating the pumping of groundwater from approximately 4,850 wells in the Khatam and Khazna areas, helping to conserve non-renewable water resources and achieve optimal use of water resources and sustainability of the agricultural sector in Abu Dhabi.

ADAFSA is seeking to expand its use on farms to achieve its strategic objective of enabling and promoting the adoption of sustainable agricultural practices and systems. The project will also ensure the stop of groundwater use and stop wells in 1,600 farms and forests in the Al Khatam and Al Khazna areas at a rate of up to 250,000 cubic meters per day, contributing to the rational use of groundwater in agriculture and achieving integrated management and sustainable development of available water resources. (GB 08.01)

ARAB STATE DEVELOPMENTS

[Back to Table of Contents](#TOC)

* 1. Lebanon’s Inflation Hits High of 211.86% in November 2023

According to the Central Administration of Statistics (CAS), Lebanon’s inflation rate registered another high level of 211.86% in November 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 226.54% by November 2023. Also, Owner-occupied rental costs increased by 330.28% year-on-year (YOY) and the prices of water, electricity, gas, and other fuels followed a significant increase by 144.99% YOY.

Looking at the prices of Food and non-alcoholic beverages (20% of CPI), it surged by 219.98% 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 142.68% and 186.74% respectively by November 2023. Also, Restaurant and Hotels (2.8% of CPI) increased yearly by 214.94% by November 2023.

In the same token, costs of Clothing and Footwear (5.2% of CPI) surged by 177.35% by November 2023, and the prices of Communication (4.5% of the CPI) increased by 183.65%. 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 156.70%, 221.28%, and 134.23%, respectively, by November 2023. (CAS 03.01)

[Back to Table of Contents](#TOC)

* 1. Lebanese Car Market Deteriorated by 21.38% YOY in November 2023

According to the data revealed by Rasamny Younis Motor, the Lebanese car market deteriorated by 21.38% YOY by November 2023. In more details, for the period ending November 2023, the cumulative number of sold cars recorded a total of 4,898 compared to 6,230 cars by November 2022.

On a monthly basis, 1,007 cars were sold in the month of November 2023. No cars were registered in the previous months of August, September and October since the Association of imported automobiles in Lebanon (AIA) was closed. The distribution of cars was as follows: Japanese cars took the highest share of 40%, European cars accounted for 26%, and Korean Cars grasped 18% of the total. Furthermore, the leading sellers of vehicles in Lebanon are Toyota, Kia and Hyundai with number of vehicles sold in the month of November alone totaled 243, 104, and 81 respectively, out of 1,007 sold cars. (Blom 27.12)

[Back to Table of Contents](#TOC)

* 1. Jordan Advances on the Government AI Readiness Index

Jordan has progressed by eight positions in the Government Artificial Intelligence (AI) Readiness Index compared to 2022. Jordan now ranks 55th out of 193 countries, compared to the 63rd position out of 181 countries for 2022. Jordan secured the fifth position among Arab countries, surpassing Bahrain, Egypt, Kuwait and Tunisia. The Government AI Readiness Index is based on measuring three key pillars: Government, Technology Sector, and Infrastructure. It relies on 39 sub-indicators and 10 dimensions, including innovation capability, size, adaptability, digital capacity, governance, vision, data availability, infrastructure, human capital, and data representation.

With this achievement, Jordan has reached the first target of its strategic plan for Artificial Intelligence and its executive plan (2023 and 2027), approved by the Cabinet in October 2022. Jordan has succeeded in achieving an improvement of over 20% in the global index of government readiness for artificial intelligence. This aligns with Jordan's vision to become a leading and competitive country in the field of artificial intelligence by creating a stimulating environment to attract AI companies and promote investment in this field. (Roya 09.01)

►►Arabian Gulf

[Back to Table of Contents](#TOC)

* 1. GCC Outlook Sees Non-Oil Growth Remain Robust With Tourism s Key Driver

The regional outlook by the Dubai-based lender EmiratesNBD highlighted that while government expenditure will likely remain modest in 2024, compared to the last few years, cuts in spending or a tightening in fiscal policy through higher taxes was not expected, other than those already announced such as the UAE’s corporate income tax, which came into effect in 2023. Additionally, economic and social reforms were likely to support continued private sector investments, while furthering growth in the expatriate population, particularly in Saudi Arabia and the UAE. Rate cuts from the US Federal Reserve, expected in H2/24, should also boost demand for credit and support investment and consumption.

Tourism is expected to remain a key driver of economic growth in the region in 2024, with the return of visitors from China following the lifting of COVID-19 travel restrictions, and the growth of the tourism sectors in the UAE and Saudi Arabia. In 2022, the contribution of the travel and tourism sector to the UAE’s GDP was nearly AED 167 billion, equivalent to 9% of the total GDP, according to the Ministry of Economy. The total spending of international tourists amounted to AED 117.6 billion ($45.5 billion) in the same year. Figures for 2023 have yet to be released.

Similarly, Saudi Arabia has been heavily investing in its tourism sector, as part of its Vision 2030 drive. The kingdom is investing more than $800 billion in the sector through giga-projects such as the Red Sea tourism, Diriyah and Qiddiyah developments, among others. Meanwhile, oil GDP in the GCC will remain a drag on headline GDP growth in 2024 with oil prices expected to average $82.5/b this year, similar to 2023.

The research highlighted that the disinflation trend is expected to continue in 2024, with average Consumer Price Index (CPI) inflation for the GCC forecast at 2.6% this year, down from 2.8% in 2023 and 3.5% in 2022. Meanwhile, the budget surpluses of 2022 narrowed sharply last year on oil production cuts and lower oil prices, while spending increased. With little rebound in oil revenues expected in 2024, governments will need to rein in spending growth to prevent budget balances shrinking further.

EmiratesNBD expects Saudi Arabia to run a deficit of -4.3% of GDP this year, up from -1.9% in 2023, as development plans will require continued investment spending. Bahrain and Kuwait are also likely to run small deficits this year, but Oman, the UAE and Qatar are expected to record surpluses. (Zawya 09.01)

[Back to Table of Contents](#TOC)

* 1. UAE & US Sign Landmark Deal on Lunar Exploration

The UAE has signed a deal with the US to contribute an airlock to a lunar-orbiting station being developed by NASA, an agreement that will also help Emirati astronauts feature in future Moon missions. The Mohammed bin Rashid Space Centre is to supply the airlock to the planned Lunar Gateway station by the end of the decade. The agreement includes access to the station for UAE astronauts, boosting efforts to send the first Emirati to the Moon's orbit.

NASA is developing the station on Earth, before beginning assembly in the Moon's orbit this decade. It is a crucial part of the US space agency's Artemis program, which aims to build a sustainable presence of humans on the Moon. The UAE-US agreement currently involves only access to the station and a separate agreement would need to be signed for missions on the lunar surface.

MBRSC is to work with international companies to develop the airlock. The price of constructing it was not revealed, although it could cost an estimated $100 million. The UAE currently has four Emiratis in its astronaut corps, any of whom – as well as future members – could be selected for Moon missions. The European Space Agency is set to contribute habitation and refueling modules and lunar communications to the Gateway. Canada signed an agreement with NASA to provide advanced external robotics. Japan is scheduled to provide life-support capabilities and additional space where the crew will live, work and conduct research during Artemis missions. (The National 07.01)

[Back to Table of Contents](#TOC)

* 1. UAE & India Explore Ways to Boost Ties and Sign 4 Deals

The UAE President Sheikh Mohamed bin Zayed Al Nahyan and India’s Prime Minister Narendra Modi held talks to explore areas of cooperation that will boost economic growth in the two countries. The two officials met on 9 January in Ahmedabad to “further cement” the strong ties between the two countries. During the meeting, the fourth in less than seven months, the officials also hailed the “rapidly transforming” partnership between the two countries and “reaffirmed their commitment to a shared and prosperous future, said India’s spokesperson of the Ministry of External Affairs.

Four memoranda of understanding (MoUs) were also signed, covering several areas, including healthcare, logistics, renewable energy and food parks. UAE’s port operator DP World and the Government of Gujarat also signed an MoU on creating sustainable, green and efficient ports. (Zawya 10.01)

[Back to Table of Contents](#TOC)

* 1. Dubai Unveils $56 Billion Strategy to Double Emirati Families in 10 Years

Dubai has launched a multibillion-dollar social welfare strategy that seeks to double the number of Emirati families in ten years. With a budget of $56.6 billion, the Dubai Social Agenda 33 also seeks to uplift living standards, promote social cohesion and values, enhance the quality of healthcare and education, as well as support skills development of citizens. The goal is to double the number of [Emirati] families within a decade and provide residential neighborhoods with the best living conditions. The strategy also intends to protect UAE citizens against any practices that could threaten family stability and cohesion. (Zawya 05.01)

[Back to Table of Contents](#TOC)

* 1. Saudi Inflation Eases to 1.5% in December

Saudi Arabia's annual inflation rate eased to 1.5% in December, from 1.7% the previous month, the General Authority for Statistics announced, driven by housing rent increases. Rents for housing increased by 9% in December, pushing an overall rise in pricing of housing, water, electricity, gas, and other fuels by 7.5%. Prices for food and beverages rose by 1.2% in December, and by 2.5% for restaurants and hotels, while prices for clothing, furnishings and household products, and transport decreased.

The annual inflation rate averaged 2.3% in 2023, the statistics authority also reported, lower than government estimates of 2.6%, mainly on the back of increased prices for housing and utilities by 7.9%, and food and beverages by 1.4%. Inflation remained relatively low in Saudi Arabia last year compared to global levels, with government policies limiting the impact of international price increases. (GAS 15.01)

[Back to Table of Contents](#TOC)

* 1. Saudi Arabia Approves $23 Billion Borrowing Plan for 2024

Saudi Arabia’s Minister of Finance Mohammed bin Abdullah Al-Jadaan has approved the kingdom’s borrowing plan to cover this year’s financing needs of SAR 86 billion ($23 billion), the National Debt Management Centre (NDMC) said. The country requires SAR86 billion in financing this year to settle debt maturities and fund the projected deficit of the 2024 budget, the NDMC said in a statement. By the end of 2024, the country’s debt portfolio is projected to reach SAR1.115 trillion.

Saudi’s borrowing plan includes public debt developments, as well as a calendar of domestic sukuk issuances. The borrowing plan is also “committed to leveraging market opportunities to execute alternative government financing activities that promote economic growth, such as financing development and infrastructure projects,” it added.

Saudi Arabia has rolled out various projects as part of its ambitious Vision 2030 plan to transform its economy and reduce dependence on oil revenues. The kingdom intends to continue funding this year the implementation of initiatives and projects in line with the Vision 2030 plan. It has anticipated a budget deficit of SAR79 billion this year, representing about 1.9% of its gross domestic product (GDP). Total expenditures are expected to reach SAR1.25 trillion, with revenues forecast to hit SAR1.172 trillion. (Zawya 05.01)

[Back to Table of Contents](#TOC)

* 1. Saudi Fund Outpaces Singapore’s GIC With a $31.6 Billion Splurge

Saudi Arabia’s Public Investment Fund emerged as the world’s most active sovereign investor last year, boosting its deal activity even as most global peers including GIC and Temasek Holdings slashed spending. PIF, as the Saudi fund is known, deployed $31.6 billion in 2023, according to research consultancy Global SWF. That was higher than the $20.7 billion it invested the previous year, an increase that contrasts with a wider trend — globally state-owned investors deployed $124.7 billion, about a fifth less than the prior year.

The declines were led by GIC, which cut the amount of capital deployed by 46% to $19.9 billion and lost its spot as the world’s most active sovereign wealth fund for the first time in six years. Temasek also reduced new investments by 53% to $6.3 billion against a backdrop of volatile markets, which led the two Singapore-based investors to report worsening returns.

Global SWF said much of GIC’s decline related to investments across developed markets. Singapore’s state investors continued to be active in emerging markets like India, with deals including GIC’s $1.4 billion joint venture with Brookfield India REIT and Temasek’s increased stake in Manipal Health Enterprises.

Overall, sovereign wealth funds controlled by the hydrocarbon-rich governments of Abu Dhabi, Saudi Arabia and Qatar took five spots on a list of the top 10 most active funds last year. The governments of the United Arab Emirates, Saudi Arabia, Qatar, Kuwait, Oman and Bahrain are set to control about $4.4 trillion in gross foreign assets by the end of 2024, two-thirds of which will likely be managed by sovereign wealth funds, according a report issued by the Institute of International Finance in December.

The PIF was behind the largest sovereign-backed deals of the year, either directly or through its subsidiaries. These include its nearly $5 billion acquisition of U.S. gaming company Scopley through Savvy Games Group and a $3.6 billion acquisition of Standard Chartered’s aviation leasing business through Avilease. The Saudi fund was also behind significant domestic deals to help support the diversification of the economy under a plan by Crown Prince Mohammed Bin Salman, who is also PIF chairman. In September, the fund acquired the steel business of Sabic Basic Industries Corp. in a $3.3 billion deal that helped push PIF’s domestic investment to around 42% of total deployment in 2023. (M&A 02.01)

[Back to Table of Contents](#TOC)

* 1. Commercial Registrations in Saudi Arabia Jump 23% in Fourth Quarter of 2023

Saudi Arabia has seen a significant increase in the number of businesses setting up in the kingdom, according to official data. In its latest bulletin, the Ministry of Commerce said Saudi Arabia recorded 95,000 commercial registrations during the last three months of 2023, up by 23% over the same period last year. The registrations logged in the last quarter brought the total number of existing commercial records in the kingdom to more than 1.3 million by the end of 2023.

The youth category accounted for more than a third (38.6%) of the commercial registrations by the end of the quarter last year. The report also highlighted the expansion of Saudi’s e-commerce sector, with the number registrations reaching more than 37,000 by the end of the fourth quarter of 2023, up by 24%. At least five regions in the kingdom have shown significant e-commerce activity, led by Riyadh, which accounted for 15,074 e-commerce registers, followed by Makkah (9,529), Eastern Province (6,011), Madinah (1,839) and Al Qassim (1,259). (Zawya 05.01)

[Back to Table of Contents](#TOC)

* 1. Saudi Cloud Computing Registrations Increase by 40%

Saudi Arabia’s cloud computing registrations saw a 40% year-on-year increase in Q4/23, official data showed. Issued by the Ministry of Commerce, the commercial registration certificate serves as a legal confirmation of a business’s official status in Saudi Arabia. The government bulletin reported the issuance of as many as 1,759 cloud computing permits between October and December 2023. This surge underscores the Kingdom’s aim to make the region a hub for the technology by 2030. It also aligns well with the Saudi government’s proactive approach to the implementation of digital technologies, driving economic diversification, and boosting innovation. As per the ministry report, Riyadh took the lead in registrations with 1,062, followed by Makkah at 346 and the Eastern Province at 216. Meanwhile, Madinah allocated 46 permits and Asir issued 24. (AN 08.01)

[Back to Table of Contents](#TOC)

* 1. Saudi Arabia Budgets $182 Million for Minerals Exploration in Mining Push

Saudi Arabia has established a $182 million mineral exploration incentive program, a senior government official said, part of efforts to build an economy that does not rely mostly on oil. The kingdom is pushing to expand its mining sector and tap vast reserves of phosphate, gold, copper and bauxite.

Saudi Arabia, the world's top oil exporter, is midway through an economic transformation plan known as Vision 2030 to diversify income sources away from hydrocarbons and develop sectors such as tourism, industry, and mining among others, to bolster non-oil GDP. The Gulf state has revised upwards estimates for its untapped mineral resources to $2.5 trillion, from a 2016 forecast of $1.3 trillion. This was based on 30% of the Arabian shields exploration, suggesting there is more to be discovered.

Ma'aden, the flagship Saudi mining company, is 67% owned by the Public Investment Fund (PIF), the kingdom's sovereign wealth fund, and is at the forefront of developing the sector domestically as well as investing in assets abroad.

Separately, the Ministry of Industry and Mineral Resources announced its list of preferred bidders in the fourth series of mining licensing rounds, part of the Accelerated Exploration Program initiative, according to state news agency, SPA. Saudi Arabia plans to award over 30 mining exploration licenses to international investors this year, and could offer larger exploration areas of more than 2,000 kilometers for each license. (Various 11.01)

►►North Africa

[Back to Table of Contents](#TOC)

* 1. Huthi Attacks Idle Suez Canal & Deepen Egypt's Economic Woes

Attacks by Yemen's Huthi rebels in the Red Sea have caused shipping companies to avoid the Suez Canal -- a key source of revenue for Egypt as it battles a deep economic crisis. International Monetary Fund figures show 35% less cargo was transported through the Suez Canal in the first week of 2024 compared with the same period last year. Analysts say the financial impact, though limited for now, will become painful if Huthi attacks keep throttling traffic through the main maritime artery connecting Europe and Asia.

The Suez Canal is crucial for Egypt, earning it $9.4 billion in transit fees in the fiscal year 2022/23. Since the Iran-backed Huthis began attacking ships, companies have opted for the far longer route around Africa's Cape of Good Hope. The route circumnavigating Africa saw a 67.5% jump in cargo compared with the same period last year, said the IMF's PortWatch. Citing the highly volatile situation, which has driven up insurance costs, Danish shipping giant Maersk said recently it would divert all vessels away from the Red Sea for the "foreseeable future".

The narrow strip of sea -- stretching from the Bab al-Mandeb Strait in the south to Egypt's Suez Canal in the north -- provides passage for 12% of world trade, according to the International Chamber of Shipping. Apprehensive even after the US launched a naval coalition that now patrols the Red Sea, shipping companies are willing to shoulder the cost of the longer route. The additional fuel cost is offset by saving on hefty fees for using the Egyptian waterway so that going around Africa, though more time-consuming, "ends up being about the same price".

Suez Canal revenues are especially vital for Egypt amid the economic crisis during which the local currency has lost half its value since March 2022 while inflation tops 35%. Egypt's economy also relies heavily on tourism and on remittances from Egyptian workers abroad, which fell almost 30% in July-September 2023 on year. Amid the downturn, the Arab world's most populous country has relied heavily on Suez Canal income both for its military and for social welfare spending. (Various 11.01)

[Back to Table of Contents](#TOC)

* 1. Egypt's Annual Headline Inflation Slows to 33.7% in December

Egypt's annual urban consumer price inflation rate eased to 33.7% in December from 34.6% in November, data from statistics agency CAPMAS showed. The figure was slightly higher than the median 33.4% forecast by 14 analysts. Month-on-month, prices rose by 1.4% in December, up from 1.3% in November. Food prices jumped by 2.1% in December compared to 0.2% in November, but year-on-year rose by 60.5%. The inflation rate has eased from a historic high of 38.0% in September, but analysts have flagged the risk of it accelerating again, especially if the government allows Egypt's currency depreciate, as widely expected. (CAPMAS 10.01)

[Back to Table of Contents](#TOC)

* 1. Egypt's Current Account Deficit Narrows in First Quarter 2023/24

Egypt’s current account deficit narrowed in Q1/FY 2023/24 thanks to an increase in Suez Canal and tourism revenues, according to central bank figures. The current account deficit narrowed almost 12% y-o-y to $2.8 billion, down from $3.2 billion during the same period last year. The balance of payments recorded a surplus of almost $229 million in 1Q 2023-2024, less than half of the $523.5 million recorded during the same period last year. This is Egypt's second quarterly BoP surplus in a row and the third quarterly surplus since 2014, after it broke the deficit streak in Q2/23. The breakdown:

1- A dip in exports: Exports weakened nearly 20% y-o-y to $8.3 billion, triggered by oil exports more than halving during the quarter to $1.6 billion “on the back of the decrease in the exports of natural gas … and oil products … due to the decline of the exported quantities and the global prices.” Meanwhile, non-oil exports inched higher to $6.7 billion from $6.3 billion the year before.

2- Remittances declined yet again: Remittances continued to fall, hitting their lowest level since FY 2016-17 amid the continued currency uncertainty. Remittances to Egypt recorded $4.5 billion for the quarter — a near 30% drop from last year’s $6.4 billion.

3- FDI also saw a sizable drop: Foreign direct investments came in at $2.3 billion, down from last year’s $3.3 billion. The figure was marginally higher from the $2.1 billion figure recorded in 4Q FY 2022-2023. (Enterprise 08.01)

[Back to Table of Contents](#TOC)

* 1. Egypt's Current Account Balance Helped by Various Sources

Egyptian imports continued to decline, falling for the sixth consecutive quarter to hit $16.3 billion from $19.1 billion in Q1/22-23, as both oil (24% y-o-y) — thanks to dip in crude oil imports triggered by rising global prices — and non-oil (13% y-o-y) — thanks to a dip in the imports of corn, organic and inorganic compounds — imports fell. This resulted in the trade deficit narrowing to $7.9 billion from $9.1 billion a year ago.

Egyptian tourism revenues rose 9% y-o-y to $4.5 billion, driven by an increase in both tourist nights and arrivals. Transport receipts also grew over 13% y-o-y to $3.5 billion, driven by an increase in Suez Canal transit receipts — which were up 19% y-o-y during the period — thanks to a jump in both the net tonnage of vessels passing and the number of vessels passing by.

Investors continued to pull capital from financial assets, but at a much slower pace. Egypt recorded some $523 million of net portfolio outflows during the quarter compared to $2.2 billion in the same quarter last year. (Enterprise 08.01)

[Back to Table of Contents](#TOC)

* 1. Cairo has a New and Ambitious FX Inflow Target for 2030

Egypt's Madbouly government aims to ramp up its foreign exchange inflows to around $300 billion a year by 2030 — nearly triple the country’s current annual FX revenues — to boost the economy’s resilience. The new target came in a report from the Cabinet Information and Decision Support Center (IDSC) that outlines the government’s economic strategy for President Abdel Fattah El Sisi’s third term beginning, which starts in April. The game plan for 2030:

• Growing exports by at least 20% each year to reach $145 billion.

• Raising tourism revenues by 20% annually to $45 billion.

• Increasing remittances from Egyptians abroad by 10% annually to $53 billion.

• Increasing foreign direct investments (FDI) — including investment in real estate — by 10% annually to $19 billion.

• Boosting Suez Canal revenues — including revenues from maritime services — by 10% annually to $26 billion.

• Ramping up outsourcing revenues by 10% annually to $13 billion.

The government wants to raise between $1.4-10.1 billion $annually starting this year and until 2030 by securitizing 20-25% of its dollar revenues. Three potential scenarios have been drawn up that will see the government offer securitized bonds to investment banks and international investors, according to the report, without disclosing what these scenarios are. The securitization plan is one of several “urgent priorities” for the short term aimed at shoring up FX revenues.

The government plans to form a ministerial committee to negotiate with a number of creditor countries and banks to swap public debt for stakes in some state-owned companies, as part of the state ownership policy, with the aim of converting 38% of Egypt's external debt to investments. (Enterprise 08.01)

[Back to Table of Contents](#TOC)

* 1. Egypt’s Central Bank Issues $830 Million US Dollar-Denominated T-bills

On 2 January, the Central Bank of Egypt (CBE) issued $830 million in USD-denominated treasury bills (T-bills) with a one-year maturity. The issuance received high demand from investors, covering 120% of the issuance value, which sent a positive message of trust in the CBE’s securities. The CBE sold $850 million in T-bills in the issuance at an average yield of 5.29%.

The CBE has been taking various steps to increase its international reserve, amid a shortage in foreign currency that caused a discrepancy between official and parallel exchange rates of local currency. The bank auctioned $990 million and $1.61 billion USD-denominated T-bills in November and December 2023. The bank issued 645 million euros in T-bills in November 2023, after a 600 million euros issuance in August 2023. The CBE usually issues T-bills on behalf of the Ministry of Finance to cover the budget deficit.

Egypt’s budget deficit rose to 3.85% of GDP during the first quarter (July-September) of FY2023/2024, up from 2.05% in the corresponding quarter in FY2022/2023. Despite the acute shortage in the US dollar, the country should pay $29.23 billion in external debt service in 2024, $19.43 billion in 2025, and $22.94 billion in 2026. Egypt is under review for a $3 billion loan agreement with the International Monetary Fund (IMF). The review has been delayed multiple times, with no final date set yet. (Al Ahram 03.01)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

[Back to Table of Contents](#TOC)

* 1. Turkey’s Exports to Saudi Arabia, UAE and Russia Blossomed in 2023

Turkey’s exports with Saudi Arabia, the UAE and Russia saw the largest increase in 2023, Turkish President Erdogan said, adding that the country’s total export revenues broke a record by reaching $255.8 billion. The top three countries that stood out in terms of increase in exports on a value basis were the UAE with 63.4%, the Russian Federation with 16.9% and Saudi Arabia with an increase of 150.4%.

The growth in the country’s export revenues over the past years came partly at the expense of the country's breakneck annual inflation, which stood at around 60% in November. Before a major U-turn in the country’s economic policy after the 2023 elections, Turkey’s central bank had kept interest rates as low as 8.5% under Erdogan's influence — he defended high-interest rates causing high inflation — prompting a dramatic devaluation in the Turkish lira.

The country’s new economy management team — led by Finance Minister Simsek and Central Bank Governor Erkan, who were tapped after last year's general elections — has since returned to conventional economic policies. The central bank last month lifted its interest rates to 42.5%.

Following his reelection, Erdogan traveled to Gulf countries Saudi Arabia, the UAE and Qatar on his first regional tour, which was largely aimed at bringing foreign funds to his country amid an acute foreign currency crunch and cementing the thaw in Ankara’s ties with Riyadh and Abu Dhabi. The trip also enforced the shift in bilateral relations between Ankara and the Gulf countries, ending years of tension over the 2016 failed coup in Turkey and the Jamal Khashoggi killing. For Russia, Turkey’s exports with its Black Sea neighbor have been growing despite tight scrutiny and sanctions by Western capitals that have been pressing Ankara to tighten its grip on Turkey. (Al-Monitor 02.01)

GENERAL NEWS AND INTEREST

\*ISRAEL:

[Back to Table of Contents](#TOC)

* 1. Israeli Research Uses Earth's Magnetic Field to Verify Event in Bible's Book of Kings

The discovery was achieved by scientists from Tel Aviv University (TAU), the Hebrew University of Jerusalem (HU), Bar-Ilan University (BIU) in Ramat Gan, and Ariel University in Samaria. Using a “breakthrough” technology based on measuring the magnetic field recorded in burnt bricks, researchers at four Israeli universities have corroborated the occurrence of an event described in the Bible’s Second Book of Kings – the conquest of the Philistine city of Gath by Hazael, King of Aram. The discovery will make it possible for archaeologists to identify burnt materials discovered in excavations and estimate their firing temperatures.

Applying their method to findings from ancient Gath, the researchers validated the biblical account: “About this time. Hazael King of Aram went up and attacked Gath and captured it. Then he turned to attack Jerusalem” (2 Kings 12, 18). They explain that, unlike previous methods, the new technique can determine whether an item such as a mud brick underwent firing even at relatively low temperatures, from 200°C and up. This information can be crucial for correctly interpreting the findings.

Clays are rich in magnetic-iron minerals, depending on the local geology. Yet, it is common to all iron-bearing clay minerals that, when they are heated to temperatures starting from about 150°C and up to 700°C, they are transformed into stable ferrimagnetic minerals such as magnetite, maghemite and hematite. (JP 04.01)

\*REGIONAL:

[Back to Table of Contents](#TOC)

* 1. Sheikh Mohammed Sabah al-Salem al-Sabah is Kuwait's Prime Minister

On 4 January, Kuwait's new emir Sheikh Meshal al-Ahmad al-Sabah appointed Sheikh Mohammed Sabah al-Salem al-Sabah as the country's prime minister. The OPEC member with the world's seventh-largest oil reserves is expected to preserve key Kuwaiti foreign policies, including support for Gulf Arab unity, Western alliances and good ties to Riyadh - a priority relationship. Kuwait may also look to expand ties to China as it seeks a bigger role in the region, especially after Beijing sponsored a deal that normalized ties between Iran and Saudi Arabia in March.

Kuwait will have to grapple with long-running strains between the ruling family and its critics in the perpetually deadlocked and fractious parliament that critics say have hindered fiscal and economic reform. Kuwait's legislature wields more influence than similar bodies in other Gulf monarchies. The resulting political deadlock has for decades led to cabinet reshuffles and dissolutions of parliament. (Various 05.01)

[Back to Table of Contents](#TOC)

* 1. Saudi Arabia Designates 2024 as the Year of the Camel to Celebrate its National Symbol

For time immemorial, the camel has held a deep-rooted presence and unique role in the lives of Saudis and in shaping the Kingdom's cultural heritage. As the national animal of Saudi Arabia and a traditional source of livelihood, the camel underpins a vast cultural heritage that has been expressed through art, crafts, literature and the Kingdom's way of life.

Throughout 2024, a series of events, exhibitions, educational programs and activities organized by the Saudi Ministry of Culture will highlight camel-inspired activities in a multitude of sectors, such as arts, fashion, quality of life, food production, culinary traditions, and sustainability practices.

The Kingdom's designation of the Year of the Camel coincides with the United Nations' designation of 2024 as the International Year of Camelids. The combined recognitions underline the significant heritage and strength of the bond between humans and camelids. Across cultures, the camel has been part and parcel of people's daily lives worldwide. The global focus on celebrating camelids' place in society across geographies also represents an opportunity to highlight their importance for sustainability. As the planet tackles the challenges of climate change, food security and fragile biodiversity, the camel, capable of traveling up to 150 km in the desert without water, is an enduring emblem of resilience. (KSA Ministry of Culture 10.01)

ISRAEL LIFE SCIENCE NEWS

[Back to Table of Contents](#TOC)

* 1. Imagindairy Gets FDA Approval for its Animal-Free Dairy Proteins

Imagindairy has achieved a significant milestone by securing regulatory approval from the FDA for its animal-free proteins. The startup's innovative technology allows for the production of dairy duplicates, including cheeses, yogurt, and ice cream, without relying on traditional livestock. Imagindairy joins the ranks of pioneers Remilk from Israel and Perfect Day from California, becoming the third company to receive a coveted "no questions letter" from the FDA for its animal-free whey protein. This clearance is essential for selling the product to food manufacturers in the US.

The precision fermentation technology developed by Imagindairy, founded in 2020, utilizes microorganisms such as yeast or fungi to create milk proteins that mirror those found in cow's milk. These proteins boast the same taste, texture, functionality, and nutritional value while remaining free of hormones.

Following FDA approval, Imagindairy is poised to collaborate with food companies to introduce dairy staples like milk, cream cheese, ice cream and yogurt to the market without compromising on taste, price or consumer experience. In a strategic move, French dairy giant Danone invested in Imagindairy in May, potentially paving the way for joint collaboration on the development of animal-free dairy products. Afergan also hinted at plans to launch products in Israel in partnership with the Strauss Group once regulatory approvals are obtained from local health authorities.

Headquartered in Tirat Carmel, [Imagindairy](https://imagindairy.com/%E2%80%8E) boasts a multidisciplinary team of 30 experts in microbiology, computational systems, and biotechnology, with support from The Kitchen FoodTech hub based in Israel. (Imagindairy 09.01)

[Back to Table of Contents](#TOC)

* 1. BiomX Receives Orphan Drug Designation from FDA for BX004

BiomX announced that its phage cocktail, BX004, has been granted Orphan Drug Designation (ODD) by the FDA for the treatment of chronic pulmonary infection caused by Pseudomonas aeruginosa (or P. aeruginosa) in patients with cystic fibrosis (CF). As a reminder, in August 2023, the FDA granted BX004 Fast Track designation for the treatment of chronic pulmonary infections caused by P. aeruginosa bacterial strains in patients with CF. An orphan drug is defined in the 1984 amendments of the U.S. Orphan Drug Act (ODA) as a drug intended to treat a condition affecting fewer than 200,000 persons in the United States.

BiomX is developing BX004, utilizing its proprietary BOLT platform, for the treatment of CF patients with chronic pulmonary infections caused by P. aeruginosa, a main contributor to morbidity and mortality in patients with CF. In September 2021, BX004 was cleared by the FDA to initiate a Phase 1b/2a study in CF patients with chronic pulmonary infections caused by P. aeruginosa. The Phase 1b/2a trial was composed of two parts. Part 1 of the study evaluated the safety, pharmacokinetics, and microbiologic/clinical activity of BX004 in nine CF patients in a single ascending dose and multiple dose design. Part 2 of the study evaluated the safety and efficacy of BX004 in 34 CF patients randomized to treatment or placebo in a 2:1 ratio. Positive topline results from Part 2 of the study were announced on November 29, 2023. In August 2023, the FDA granted BX004 Fast Track designation for the treatment of chronic pulmonary infections caused by P. aeruginosa bacterial strains in patients with CF.

Ness Ziona's [BiomX](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 04.01)

[Back to Table of Contents](#TOC)

* 1. Annabella Announces U.S. Expansion and Seed Funding to Revolutionize Femtech

Annabella, a first of its kind breast pump, announced its seed funding of $8.5 million and its entrance into the U.S. market. Notable investors include Israel Shark Tank’s Yasmin Lukatz (Founder Israel Collaboration Network), serial entrepreneur and investor Oren Dobronsky, as well as Zohar Gilon (Tamar Technology Ventures) and Menachem Weinfeld (Starry Group). This seed funding also includes Israel’s fastest crowdfunding raise at over $3 million, which enabled an audience passionate about maternal health the opportunity to invest in a company that is revolutionizing the industry.

Since February of 2023, Annabella has sold over 4,000 breast pumps through Shilav’s retail stores in Israel. This growth points to Annabella’s product excellence, represented in its patented, FDA-cleared breast pump that offers mothers a product that is comparable to breastfeeding, prioritizing efficiency and comfort. The seed funding will be used to fuel next generation product development, expand into the United States market and onboard insurance providers to make breast pumping more accessible for all. The announcement highlights the continued momentum of the brand, which has rapidly expanded in Israel through retail and direct-to-consumer channels.

Kfar Saba's [Annabella](https://annabella-pump.com) is on a mission to empower the lives of mothers throughout all stages of their life with state-of-the-art femtech products. Annabella initially went to market with a FDA-cleared, patented breast pump that simulates a baby’s suckling and includes an adjustable breast shield, which prioritizes efficiency and comfort. The breast pump has been featured on Israel Shark Tank. (Annabella 04.01)

[Back to Table of Contents](#TOC)

* 1. GrayMatters Health New FDA-Cleared Self-Neuromodulation PTSD Therapy in the US

GrayMatters Health (GMH) announced the official launch of Prism for PTSD in the United States. Prism for PTSD is currently being used to treat patients at two centers, with additional clinics in various phases of readiness. Prism for PTSD is the first self-neuromodulation device to receive FDA clearance as a prescribed adjunct to standard-of-care (SOC) for PTSD and is now available at the Center for Neuropsychiatry and Brain Stimulation, an ARC Health practice in North Carolina and Bespoke Treatment in California. Several more clinics are in line for Prism for PTSD installation and training this month.

GMH's core technology is the world's first digital EEG-fMRI-Pattern (EFP) biomarker of brain-area-specific activity, developed by applying advanced statistical models to register fMRI amygdala data with EEG. Prism for PTSD utilizes an amygdala-based biomarker since research has shown that PTSD is associated with hyper-activity of the amygdala. During Prism therapy, a computer simulation and EEG headset create an immersive environment for training individuals to gain control over amygdala-based biomarker activity associated with PTSD. For clinics, Prism for PTSD is covered by existing business models, thereby providing clinics with opportunities to add revenue-generating services while augmenting existing treatment outcomes.

Haifa's [GrayMatters Health (GMH)](https://graymatters-health.com‎) develops self-neuromodulation therapies to enhance mental health care outcomes. GMH is the first company to develop a treatment based on digital biomarkers of brain-mechanism-specific activity associated with mental disorders. GMH's FDA-cleared Prism for PTSD is an award-winning digital therapy offering providers a neuroscience-based technology that augments standard-of-care therapies while improving patient outcomes. (GrayMatters Health 04.01)

[Back to Table of Contents](#TOC)

* 1. FDA Accepts MediWound Supplement to the NexoBrid BLA to Include Pediatric Patients

MediWound announced that the U.S. FDA has completed their filing review and accepted a supplement to the NexoBrid biologics license application (sBLA) for the removal of eschar in pediatric patients with deep partial- and/or full-thickness thermal burns. NexoBrid, a topically administered biological drug that enzymatically removes nonviable burn tissue, received FDA approval in the U.S. in December 2022 for eschar removal in adult patients with deep partial-thickness and/or full-thickness thermal burns.

The sBLA seeks to expand the label for NexoBrid to include both adult and pediatric burn patients of all ages. It is based on the results of a global Phase 3 clinical trial, Children Innovation Debridement Study (CIDS), which evaluated the safety and efficacy of NexoBrid in hospitalized pediatric patients, as well as additional pediatric data available from Phase 3 and Phase 2 studies conducted during the clinical development of NexoBrid. Of note, the CIDS trial was funded by the Biomedical Advanced Research and Development Authority (BARDA), part of the Administration for Strategic Preparedness and Response (ASPR) within the U.S. Department of Health and Human Services.

NexoBrid is a topically administered biological product that enzymatically removes nonviable burn tissue, or eschar, in patients with deep partial- and/or full-thickness thermal burns without harming viable tissue. NexoBrid development has been supported in whole or in part with federal funds from the U.S. Department of Health and Human Services; Administration for Strategic Preparedness and Response; Biomedical Advanced Research and Development Authority (BARDA) under contract HHSO100201500035C. This contract provided funding and technical support for the pivotal U.S. Phase 3 clinical study (DETECT), the randomized, controlled pivotal clinical trial for use in the pediatric population (CIDS), the marketing approval registration process for NexoBrid as well as its procurement and availability under the expanded access treatment protocol (NEXT) in the U.S.

Yavne's [MediWound](http://www.mediwound.com) is the global leader in next-generation enzymatic therapeutics focused on non-surgical tissue repair. Specializing in the development, production and commercialization of solutions that seek to replace existing standards of care, the Company is committed to providing rapid and effective biologics that improve patient experiences and outcomes, while reducing costs and unnecessary surgeries. (MediWound 09.01)

[Back to Table of Contents](#TOC)

* 1. BrainsWay Initiates Clinical Evaluation of Rotational Field “Deep TMS 360°”

BrainsWay will be clinically evaluating an innovative stimulation technology in two new feasibility trials. The studies both involve BrainsWay’s exclusive, patented “Rotational Field” TMS (or Deep TMS 360°), which employs a method of stimulation that enables activation of a greater number of neurons in the brain. In all currently available forms of TMS, those neurons which are aligned parallel to the coil’s electric field are much more likely to be stimulated than other neurons. Thus, only a fraction of the neurons in the targeted brain region are actually impacted. With the new Rotational Field system now being evaluated, two orthogonal TMS coils are placed perpendicular to each other and are operated with a time lag in order to induce a circularly rotating electric field. This results in uniform stimulation of neurons oriented along a wide variety of directions in the targeted brain region – all within less than a millisecond.

The Company now aims to assess the potential clinical impact of this technology on patients in two newly launched feasibility studies. One study will test the safety and efficacy of this technology in the field of rehabilitation following stroke, a devastating neurological condition. Another study will test the technology in the field of obsessive-compulsive disorder (OCD) utilizing an accelerated protocol. BrainsWay’s existing Deep Transcranial Magnetic Stimulation (Deep TMS) system is already FDA-cleared to treat OCD using the standard daily protocol via its H7 Coil, and this new study will test the ability to further improve outcomes using Rotational Field stimulation while also reducing the length of the standard treatment.

Jerusalem's [BrainsWay](http://www.brainsway.com) is a global leader in advanced noninvasive neurostimulation treatments for mental health disorders. The Company is boldly advancing neuroscience with its proprietary Deep Transcranial Magnetic Stimulation (Deep TMS) platform technology to improve health and transform lives. BrainsWay is the first and only TMS company to obtain three FDA-cleared indications backed by pivotal clinical studies demonstrating clinically proven efficacy. (BrainsWay 10.01)

[Back to Table of Contents](#TOC)

* 1. Nitrousink Files US Patent Application for Reducing Emissions of Nitrous Oxide in Wheat

Save Foods announced that its majority-owned subsidiary, Nitrousink, filed a patent application with the United States Patent and Trademark Office for its solution in reducing greenhouse gas emissions in wheat. The patent application aims to assist Nitrousink with its mission to target nitrous oxide (N2O), which is a potent greenhouse gas and contributor to ozone depletion.

Nitrousink has identified and isolated two naturally occurring bacteria species that can reduce N2O emissions under various environmental conditions from wheat roots. Nitrousink’s R&D team is currently testing its technology under greenhouse conditions with the aim of finding the optimal formula for reducing N2O emission in wheat crops. Nitrousink intends to continue its testing in micro field plots using different soils, dosages, and formulations for a variety of crops. Nitrousink’s mission is to create a solution that can mitigate agriculture’s environmental impact through its innovative technology.

Neve Yarak's [Save Foods](https://savefoods.co/%E2%80%8E) is an innovative agri-food tech company that through its three operational arms delivers integrated solutions for improved safety, quality, and sustainability every step of the way from field to fork. Save Foods Ltd., Save Foods' majority-owned Israeli subsidiary, focuses on post-harvest treatments in fruit and vegetables to control and prevent pathogen contamination, significantly reduce the use of hazardous chemicals, and prolong fresh produce’s shelf life. Nitrousink, Ltd., Save Foods' majority-owned Israeli subsidiary, contributes to tackling greenhouse gas emissions, offering a pioneering solution to mitigate N2O (nitrous oxide) emissions, a potent greenhouse gas with 265 times the global warming impact of carbon dioxide. (Save Foods 11.01)

[Back to Table of Contents](#TOC)

* 1. Sequentify Grant by Israel Innovation Authority for Infectious Disease Sequencing Panel

Sequentify has been granted funding by the Israel Innovation Authority (IIA). This grant, contributing to a project totaling $1.3 million, supports the development of Sequentify's targeted sequencing panel for infectious disease research. The panel aims to provide a culture-free, next-day solution for sequencing pathogens, focusing on pathogen diagnosis and antibiotic resistance surveillance.

Sequentify's development of this sequencing panel reflects its ongoing commitment to contributing valuable tools for infectious disease research and management. This initiative is a part of Sequentify's efforts to enhance the utility of its ultra-fast InfiniSeq technology in the realm of infectious diseases, aligning with the company's broader commercial goals.

Founded in 2021 as a Weizmann Institute of Science spinoff, Rehovot's [Sequentify](https://www.sequentify.com/%E2%80%8E) provides a technology that is based on tools from the synthetic biology and AI software worlds for targeted DNA sequencing applications such as cancer diagnostics, carrier screening, COVID-19 surveillance and other applications. (Sequentify 11.01)

[Back to Table of Contents](#TOC)

* 1. Pulsenmore Gets Brazilian Approval for Its Prenatal Home Ultrasound Solution

Ramat Gan's [Pulsenmore](http://www.pulsenmore.com), the global leader in self-scan ultrasound technology for home use, announced the approval of its pioneering prenatal care solution by the Brazilian Health Regulatory Agency (ANVISA), marking a significant milestone in the company's international expansion. This endorsement positions Pulsenmore at the forefront of innovative healthcare, unlocking possibilities for remote prenatal care across Brazil and paving the way for expansion into multiple Latin American countries. The approval underscores Pulsenmore's commitment to transforming the landscape of prenatal care, offering a groundbreaking solution for expectant mothers and healthcare organizations alike.

The approval from ANVISA now enables Pulsenmore to provide Brazilian health organizations and consumers with unparalleled access to this transformative solution, reducing the necessity for in-clinic visits and offering a continuous, personalized healthcare experience. Clinicians can engage with patients in real-time or asynchronously, promoting increased patient satisfaction and efficient resource management. Pulsenmore's solution aligns seamlessly with the evolving healthcare needs of the country, especially in addressing high-risk pregnancies, premature births and access in remote regions. (Pulsenmore 10.01)

[Back to Table of Contents](#TOC)

* 1. PathKeeper's Unique Camera and AI Software in Spinal Surgery

Kfar Saba's [PathKeeper Surgical](http://www.path-keeper.com) is reshaping the field of spinal surgery. The company is making significant strides to facilitate worldwide access to navigation-guided procedures for individuals grappling with spinal issues that require surgical intervention. The PathKeeper system replaces traditional navigation technology with a 3D optical, active camera. It is implant-agnostic and provides pinpoint tracking of patient anatomy and surgical instruments with reported registration and tool tracking accuracy of less than a millimeter.

PathKeeper Surgical obtained FDA 510k clearance for the PathKeeper navigation system in 2023. The name "PathKeeper" encapsulates the essence of the system — a 3D optical navigation solution that 'keeps' the surgical 'path' on course throughout the surgery.

Founded in 2018, PathKeeper Surgical is committed to addressing failure rates in spine surgeries. The company's proprietary camera and Artificial Intelligent software promises to surpass existing solutions in the field. (PathKeeper 16.01)

ISRAEL PRODUCT & TECHNOLOGY NEWS

[Back to Table of Contents](#TOC)

* 1. Gilat Wins $3 Million Satellite Connectivity Project for a National Police Force

Gilat Satellite Networks announced that a national police force awarded the company approximately $3 million for a multi-year project. The national police force selected Gilat’s solution, which is based on the highly regarded SkyEdge platform and a suite of services with an emphasis on reliable and secure connectivity. Gilat was chosen because of its ability to meet very stringent security requirements and solve issues that had been hampering communication for years.

Gilat’s field-proven and feature-rich SkyEdge platform consists of a high-performance hub system, a family of mission-specific VSATs, and an advanced network management system. Gilat will deploy a comprehensive solution based on its SkyEdge platform and a suite of services to deliver reliable and secure connectivity to the operators.

Petah Tikva's [Gilat Satellite Networks](https://www.gilat.com/) is a leading global provider of satellite-based broadband communications. Gilat creates and delivers deep technology solutions for satellite, ground and new space connectivity and provide comprehensive, secure end-to-end solutions and services for mission-critical operations, powered by our innovative technology. They believe in the right of all people to be connected and are united in our resolution to provide communication solutions to all reaches of the world. (Gilat 09.01)

[Back to Table of Contents](#TOC)

* 1. Syte Pioneers Generative AI-Powered Styling and Merchandising Solutions for Retailers

Syte announced the launch of its AI Styling and Product Description Generator solutions, leveraging its existing proprietary visual AI engine with new generative AI capabilities to improve on-site product discovery while streamlining backend merchandising operations. The launch follows the recent inauguration of Syte Labs, a new division within the company dedicated to innovations that complement Syte's core visual AI technology and benefit its customers and partners as well as the broader retail industry.

The Product Description Generator combines visual and generative AI, scanning catalogue product images to generate AI product tags based on visual attributes, and using those tags to auto-generate product titles and descriptions instantly. The titles and descriptions can be regenerated to align with a variety of brand voice options, or manually edited for complete control. Auto-generating descriptions saves merchandising teams significant labor, while improving product discoverability and SEO with the help of the detailed descriptions included in the text. It also standardizes product catalogues, which is particularly critical for marketplaces that include multiple brands or sellers. This solution is already live for Syte customers, saving them countless merchandising hours and resources.

Tel Aviv's [Syte](https://www.syte.ai/%E2%80%8E) empowers shoppers to instantly find items they'll love with inspiring, visual product discovery journeys that drive conversion. As the world's first Visual AI Platform for retail, Syte creates intuitive search and discovery experiences for all types of shoppers while streamlining retail operations. Syte's solutions include visual search, out-of-stock, shop similar, and shop the look recommendations, as well as smart merchandising tools, like automated product tagging, thematic curation, and more. (Syte 11.01)

ISRAEL ECONOMIC STATISTICS

[Back to Table of Contents](#TOC)

* 1. Israel's Inflation Falls to Target Range

Israel’s Consumer Price Index (CPI) fell by 0.1% in December, in line with forecasts, the Central Bureau of Statistics announced. In the twelve months to the end of December 2023, the index rose by 3%, down from 3.3% from the 12 months to the end of November. Inflation in 2023 has thus returned to the upper limit of the Bank of Israel's 1%-3% target range,

There were notable price falls in December in fresh fruit, and culture and entertainment, which both fell 2.2%, fashion and footwear prices fell (1.8%), and furniture and household equipment prices fell (0.7%). There were notable price rises in fresh vegetables, which rose 3.2% and housing costs, which rose 0.3%.

In 2023, fruit and vegetable prices rose 13.6%, and there were price rises in food (4.2%), transport and communications (3.8%), housing costs (3.5%), healthcare (3.2%), housing maintenance (2.6%), and education, entertainment and culture (1.8%). In 2023 clothing and footwear prices fell 10.4% and there were price falls in furniture and household equipment (4.3%).

The Central Bureau of Statistics also released figures for home prices, which are not part of the CPI. A comparison of deal prices in September-October 2023 with deals in October-November 2023 shows prices falling 0.2%. A comparison of deal prices in September-October 2023 with deals in October-November 2023 shows prices rose 1.6% in Jerusalem, but fell 0.1% in the north, fell 0.3% in Haifa, rose 0.2% in the Central Region, fell 1.2% in Tel Aviv, and fell 0.1% in the south.

In the 12 months ending October-November 2023, housing prices in Israel fell 1.8%. In the 12 months ending October-November 2023 housing prices in Tel Aviv fell 4.5%, in the Central Region prices fell 2.3%, housing prices in the south fell 0.5%. On the other hand, prices in Jerusalem rose 2.2%, in the north prices rose 0.8% and in Haifa prices rose 0.1%. Prices of new apartments over this 12 month period fell 3.9%. (CBS 15.01)

[Back to Table of Contents](#TOC)

* 1. Israel's Broad Unemployment Rate Drops to 6.1%

The broad measure of unemployment, which includes those on unpaid leave, fell in December to 6.1%, the Central Bureau of Statistics announced. The broad unemployment rate in November last year was 8.5%. In the narrow measure of unemployment, counting only those without jobs, the rate rose slightly, from 2.8% in November to 3.1% in December.

The Central Bureau of Statistics figures show that the number of people on reserve duty in the IDF and the number on unpaid leave fell in December by some 100,000 to 270,000. The decline was mainly in the number of people on unpaid leave. Their proportion of the number of unemployed in the broad measure of unemployment fell from 48% in November to 31.5% in December. The proportion accounted for by reserve soldiers fell from 35.5% in November to 30.7% in December.

Reserve duty accounted for 55% of the men temporarily absent from work in December. Among women, the proportion was 9%. Unpaid leave was the reason for temporary absence from work for 34% of the women and 30% of the men.

The general picture from the Central Bureau of Statistics manpower survey for December is of a rapidly declining number of people on unpaid leave after a severe blow at the beginning of the war, while the number of people without work did not rise substantially. A similar picture emerges from figures for December released by the Employment Service. These showed a 10.2% fall in the number of people looking for work. The Employment Service expects this trend to continue. (CBS 15.01)

[Back to Table of Contents](#TOC)

* 1. Israel's Average Wage Rises by 10% in November 2023

According a Central Bureau of Statistics estimate, the average wage in Israel was 10% higher in November 2023 than a year earlier. The average wage in Israel in November 2023 was NIS 12,651 gross monthly, 10% higher than in November 2022. In October 2023, the average wage was NIS 12,492, 6% higher than in October 2022. Excluding inflation, the real rise in the average wage was 2.2%.

The number of jobs in the Israeli economy fell by 1.2% in October. The Hamas assault on 7 October led to a decline in the supply of jobs, but the average wage continued to rise despite this. The number of salaried jobs fell further in November, and was 6.6% lower than in November 2022.

In the high-tech sector, the average wage was NIS 29,626 in October 2023, 9.2% higher than in October 2022. The number of jobs in the sector declined b0.5% in comparison with the previous month. The rise in the average wage can partly be explained by the high number of people placed on leave without pay because of the war, mainly people on lower wages, leading to a rise in the average. (CBS 07.01)

[Back to Table of Contents](#TOC)

* 1. Bank of Israel Sells No Forex in December as Reserves Rose Above $200 Billion

Israel's foreign exchange reserves rose by $6.468 billion in December to end the year on $204.367 billion, the Bank of Israel reports. After two months in which the Bank of Israel intervened in the domestic foreign exchange market, it did not sell any foreign currency in December. Mainly due to a large revaluation that increased the reserves by $5.70 billion, Israel's foreign exchange reserves rose by $6.468 billion in December to end the year on $204.367 billion, up from $194.218 billion at the end of December 2022.

At the start of the war in October, the Bank of Israel launched a plan to sell up to $30 billion of its foreign exchange reserves on the forex market amid concerns that the war would lead to a sharp depreciation of the shekel. The Bank of Israel's decision itself provided stability to the market and the shekel quickly recovered to its level on the eve of the war and in recent weeks has strengthened further. In total the Bank of Israel sold foreign currency worth $8.5 billion in October and November - $8.2 billion in October and $300 million in November.

In addition, another program offered by the bank at the beginning of November for small businesses resulted in loans totaling NIS 2 billion during December. The program offered monetary loans to banks of up to NIS 10 billion at a particularly attractive interest rate, against a loan for small businesses. The measures presented by the Bank of Israel were seen as important steps that contributed to the stability of Israel's economy. The Bank of Israel saw loans to small businesses as mitigating measures, as it was unable to lower the interest rate in 2023. (Globes 07.01)

[Back to Table of Contents](#TOC)

* 1. Israel's Fiscal Deficit More Than Doubles Since Start of War

Israel's fiscal deficit widened to 4.2% of GDP at the end of December 2023, the Ministry of Finance Accountant General reported - a gap of NIS 77.5 billion between government revenues and spending. On the eve of the start of the war, the deficit was 2% at the end of September, meaning that it has more than doubled due to war expenditure.

The deficit has widened from 3.4% and NIS 62.3 billion at the end of November 2023 as the cost of the war escalates. At the end of 2022, a few days after the current government was sworn in, Israel had a small fiscal surplus of NIS 10 billion, so within a year the deficit has ballooned by NIS 10 billion. The sharp increase comes from both a fall in revenue and a rise in government spending. Over the past year, state revenues fell by NIS 30 billion with NIS 24 billion less revenue from taxes NIS 6 billion less revenue from National Insurance.

Tax revenues fell 8% to NIS 404.4 billion from NIS 428.9 billion in 2022. Tax collection began falling in mid-2022 after interest rates began rising and the Accountant General notes that the fall in tax collection accelerated after the start of the war. Real estate taxes - purchase tax and betterment tax - fell 45% in 2023 to an overall NIS 14.4 billion from NIS 25.4 billion in 2022. Government current expenditure in December was NIS 33 billion with an additional NIS 17 billion in war expenditure and NIS 5.7 billion in property tax for war compensation damage. (Globes 11.01)

IN DEPTH

[Back to Table of Contents](#TOC)

* 1. JODAN: IMF Executive Board Approves $1.2 Billion Extended Arrangement Under EFF

On 10 January, the Executive Board of the [International Monetary Fund (IMF)](http://www.imf.org/) approved a four-year arrangement under the Extended Fund Facility (EFF) with Jordan, for an amount equivalent to SDR 926.37 million (about $1.2 billion and equivalent to 270 % of Jordan’s quota), to support the country’s economic and financial reform program. The new arrangement replaces and succeeds the previous EFF arrangement that was approved in March 2020 and that was set to expire in March 2024.

Sound policy making and support from international partners have helped Jordan to withstand well a series of shocks over the past few years and to maintain macro-stability, broad-based economic growth, and market access, and strengthen social safety nets. The new EFF arrangement will continue to support the authorities’ efforts toward maintaining macro-stability and further building resilience, including by continuing with a gradual fiscal consolidation to place public debt on a steady downward path, while protecting social and capital spending and improving the financial viability and efficiency of the electricity sector; and by safeguarding the exchange rate peg with appropriate monetary policies. Moreover, the authorities’ efforts will also continue to be focused on accelerating structural reforms to achieve stronger growth and job creation, notably by further improving the business environment, access to finance, labor market flexibility, and public administration. The new arrangement builds on Jordan’s strong performance under the previous arrangement; six reviews were completed on time under the previous arrangement and all commitments that had been set for the seventh review were met.

This approval of the new IMF-supported program by the Board provides Jordan with immediate access to SDR 144.102 million (about $190 million); the remaining amount will be phased over the duration of the program, subject to eight program reviews.

Following the Executive Board’s discussion on Jordan, Mr. Kenji Okamura, Deputy Managing Director and Acting Chair, issued the following statement:

“Jordan has weathered well a series of shocks over the past few years, maintaining macro-stability and moderate economic growth thanks to adept policy making and sizable international support. Prudent fiscal and monetary policies have reduced deficits, strengthened reserve buffers, preserved financial stability, and maintained market confidence in a challenging global and regional environment. Significant progress has also been made in implementing structural reforms.

“Going forward, supported by the new EFF arrangement, policies are focused on maintaining macro-stability and further building resilience, and accelerating structural reforms to achieve stronger, more inclusive growth and job creation, to tackle high unemployment.

“Building on progress made in recent years, the authorities will continue with a gradual fiscal consolidation—supported by measures to broaden the tax base and improve tax compliance and spending efficiency—to place public debt on a steady downward path, while creating space for priority social and capital spending. The planned expansion of social assistance, with further improvements in targeting, will be key to ensuring adequate protection of vulnerable households. Improving the efficiency and viability of public utilities also remains crucial for preserving the sustainability of public finances, while ensuring the delivery of essential services.

“The Central Bank of Jordan maintained its prudent policies, which have safeguarded the peg to the U.S. dollar and provided financial stability. The peg has served Jordan well and helped keeping inflation low. Monetary policy should continue to focus on preserving monetary and financial stability, by adjusting policy rates as needed to support the peg. The banking sector remains healthy, while solid progress in strengthening financial integrity allowed Jordan to be removed from FATF’s grey list. Implementation of the recommendations of the 2023 IMF-World Bank Financial System Stability Assessment will be important to further strengthen financial sector oversight.

“Further progress in implementing structural reforms to improve the business environment and attract private investment is crucial to create a dynamic private sector, foster job-rich growth, and achieve the objectives of Jordan’s Economic Modernization Vision. In this regard, strengthening competition, further reducing red tape, and pressing ahead with labor market reforms to increase flexibility, lower youth unemployment, and enhance female labor participation are critical. Donor support remains essential to help Jordan navigate the challenging external environment, host the large number of refugees, and maintain the reform momentum.” (IMF 10.01)

[Back to Table of Contents](#TOC)

* 1. ARABIAN GULF: BRICS+ and the Arab Gulf - The Perks of Membership

Alexandre Kateb posted in [Sada](https://carnegieendowment.org/sada/91325) on 4 January that as a matter of economic policy, Saudi Arabia and the UAE have much to gain by joining the bloc.

Following its summit in Johannesburg this past August, the BRICS group extended invitations to five nations in the Middle East and North Africa—Saudi Arabia, the United Arab Emirates (UAE), Iran, Egypt, Ethiopia— as well as to Argentina. As of 1 January, these five countries have been officially welcomed into the bloc. This move towards an expanded BRICS+ came during discussions about new initiatives to de-dollarize trade and financial transactions, notably through the use of the Chinese Renminbi and other local currencies.

There are several incentives underlying Saudi Arabia and the UAE's decision to join BRICS+. First and foremost is the perceived need to rebalance and hedge their economic and geopolitical alignments in a rapidly shifting global environment. Following the demise of the Bretton Woods system in the 1970s, Saudi Arabia and other Middle Eastern oil exporters were nudged to bolster the US dollar's continued dominance as the global reserve currency and preferred medium for international trade. This involved linking their currencies to the dollar, channeling their dollar surpluses from oil sales back into the US economy, and lending these surpluses to other nations—leading to the creation of the petrodollar system.

As the new millennium dawned, the United States became a net exporter of oil and gas and Asia emerged as the predominant purchaser of Middle Eastern oil, with China at the forefront. BRICS+ membership for Saudi Arabia and the UAE may thus recalibrate the dynamics of this buyer-seller relationship with China within a single multilateral framework, and lead a better understanding of mutual interests, especially in terms of price setting and supply chains. Alongside membership in the New Development Bank—established in 2014 by BRICS members, and which the UAE has already joined—BRICS+ may also help these two capital-rich countries to benefit from investment opportunities related to China’s Belt and Road Initiative (BRI).

Saudi Arabia and the UAE may also expand economic partnerships with India, which has been critical of China's Belt and Road Initiative and the use of the Renminbi in international trade. Through BRICS+, the UAE and Saudi Arabia can facilitate and coordinate their investments both in India, which seeks capital for developing its infrastructure and manufacturing sector, and in India-sponsored cross-border schemes, such as the recently proposed India-Middle East-Europe economic corridor. More broadly, the inclusion of Saudi Arabia and the UAE in BRICS+, which India lobbied for, may rebalance China’s dominance within the bloc and help pacify relations between New Delhi and Beijing.

An expanded BRICS+ could enhance the power of other non-Western alliances in global economic fora, ultimately reshaping them to better align with an emerging multipolar world. The Gulf Cooperation Council (GCC), for instance, stands to benefit from their two most prominent members joining BRICS+, given the latter’s growing role within the G20 as a counterbalance to the G7 bloc. Integrating nations like Indonesia or Malaysia into BRICS+ could further elevate this cooperative endeavor, linking the Association of Southeast Asian Nations (ASEAN), the GCC, and the African Union within a single non-Western controlled multilateral framework.

Beyond these shared incentives, both Saudi Arabia and the UAE possess unique rationales for BRICS+ membership. While the UAE doesn’t boast a trillion-dollar economy, it plays a disproportionately significant role in international energy, trade, and finance—and its inclusion in BRICS+ serves as a testament to its stature as a global hub. For Saudi Arabia, joining BRICS+ signifies a pivotal transition: from a nation primarily aligned with the United States to an independent regional force with international influence, mirroring the trajectory observed in neighboring Turkey over the past twenty years.

As it expands beyond its “minilateral” origins, the alliance may help member states to circumvent some of the barriers that curtail their influence within a predominantly Western-led multilateral system. In the long term, the aim is to rewrite the rules of this system and introduce innovative mechanisms for global cooperation, capitalizing on new digital technologies and enhanced physical connectivity. For countries like Saudi Arabia and the United Arab Emirates, BRICS+ membership offers a chance to take an active role in shaping this emerging landscape.

*Alexandre Kateb is an Economist and a Chartered Financial Analyst (CFA). He is the founder and chairman of The Multipolarity Report, which he founded after twenty years of experience as an economist, policy advisor, and investment strategist*. (Sada 04.01)

[Back to Table of Contents](#TOC)

* 1. KUWAIT: Kuwait's New Emir - A Frank Speech Signals a Sharp Change in Direction

Kristin Smith wrote in AGSIW's [Diwan](https://agsiw.org/) on 3 January that Kuwait's new emir, Meshal al-Ahmed al-Jaber al-Sabah, announces an end to the current populist terms of engagement with the Parliament, which seems to suggest a forceful corrective – and perhaps more domestic strife – to come.

On December 20, 2023, after a formal swearing in ceremony before the National Assembly, Kuwaitis were given a candid introduction to the new emir, Meshal al-Ahmed al-Jaber al-Sabah.

As crown prince, Meshal had been something of a cipher. Boxed in between an ailing emir and his proactive son appointed to head the government, Meshal served as loyal servant, diligently reading the speeches of his half-brother who had delegated to him the responsibilities of rule without all its powers. Kuwaitis were left reading tea leaves as to the beliefs of the reclusive heir apparent, known for his previous roles in security and intelligence. On his first opportunity to speak in his own voice, the new emir has made his views quite clear: He wants a sharp change in direction and a new government.

His speech contained a frank repudiation of both the current government, headed by Prime Minister Ahmed Nawaf al-Ahmed al-Sabah, and its cooperative dealings with the Parliament. His first act as emir was to accept the resignation of the prime minister, the son of the late emir, who many Kuwaitis had championed to be crown prince.

**The End of the “New Era”?**

The late emir, Nawaf al-Ahmed al-Sabah, had favored before all else national unity, championing a national dialogue and reconciliation with the many critics from the previous era of political activism. This approach, dubbed the “New Era,” had produced several waves of political amnesty pardoning former lawmakers living in self-imposed exile, citizens who had criticized the emir or other Gulf rulers, and, more recently, freeing prisoners, returning exiles, and restoring citizenship to many nationals who had seen their naturalization withdrawn under political sanction. Among those were members from the Al Shammar and Al Mutair tribes sentenced for election violations, dissidents living abroad, including prominent members of the ruling family, and imprisoned members of Kuwaiti Hezbollah.

This political reconciliation paved the way to near unprecedented cooperation with a Parliament known primarily for its unrelenting questioning of ministers and challenging of government agendas. Under the partnership of the venerable opposition leader, Speaker of Parliament Ahmed al-Saadoun, and the prime minister, the Parliament and government had been working through a full agenda. For the first time the legislative agenda had been agreed upon by a joint committee that merged 15 parliamentary priorities with 14 from the government to be considered this term.

Many important political reforms were initiated in this period, including the rehabilitation of activists and politicians sentenced for political crimes to allow them to hold jobs and run for political office. The Parliament’s legislative committee also proposed long-sought amendments to Kuwait’s electoral system to allow for political lists that would promote coalition building. These amendments were to be considered by the full Parliament on December 19 but discussion was delayed due to the death of the emir.

Many of the priorities announced during the term had a clear populist appeal, noteworthy given the emphasis of previous governments on reducing expenses. Legislation already passed or on the docket has included the raising of minimum salaries for retirees, increasing state employee salaries, abolishing real estate agencies, and reforming the public tenders law to remove the requirement for local commercial agents: a path that formed the basis of wealth for many powerful merchant families.

Indeed, this populist direction points to one very important constituency left out of this newly formed governing coalition: the merchant elite. Their absence, and growing resentment, was personified by the abandonment of the powerful former speaker, Marzouq al-Ghanem, himself the scion of a merchant family.

The willingness to take on these entrenched interests and founding elite of Kuwait was demonstrated in late November 2023 with the passage of legislation extending government oversight over a key merchant stronghold, the Kuwait Chamber of Commerce and Industry. The legislation is expected to open opportunities for young people within its administration and to empower small enterprises, which was underlined by the removal of the chamber from the Industry Authority Council and its replacement by the Small Enterprise Fund.

**The New Emir’s Rebuke**

The death of the emir throws this unprecedented government-parliamentary cooperation and populist direction into doubt. The new emir wasted no time in voicing his dissent. He did not mince his words in his speech before a silenced National Assembly, accusing the legislative and executive authorities of “cooperating and agreeing to harm the interests of the country and the people.” He specifically took aim at the race to rehabilitate those convicted of political crimes as “best evidence” of this harm, accusing the two authorities of conspiring to give this a sheen of legitimacy, despite its “programmed absurdity.” He noted his decision to issue a decree freezing all government appointments, promotions, and transfers, presumably to stop their abuse in this political bargaining.

The speech also provided some hints of the future policy direction of the emir. His repeated invocation of the importance of preserving “Kuwaiti identity” and “true citizenship” of those who are loyal to the country reveals the dim view he takes of many in the opposition and of any effort to expand naturalizations. His emphasis on the need for development through “responsible monitoring, objective and serious accountability within the framework of the constitution and the law” reinforces the impression of him as unyielding in pursuing order and his vision of national unity. This might entail revamping the government bureaucracy, a project he had already initiated, perhaps in partnership with the business elite, and showing little tolerance for political infighting from Parliament.

**The Next Heir Apparent**

The new emir’s measures and preferences will influence not only Kuwait’s policy direction but also the question of future rule. One interpretation of the accelerated populism of the recent era is that it represented an outside bid for leadership by the son of the late emir, the prime minister, Ahmed Nawaf. The cultivation of popular and parliamentary good will makes sense in the context of Kuwait, where the Parliament has a constitutional role in succession: A majority vote is needed to approve the emir’s chosen appointment for crown prince. The populist strategy of the outgoing prime minister extended beyond the Parliament to coalition building within the ruling house, with the return to government of Ahmed al-Fahd al-Sabah as minister of defense. The former deputy prime minister and minister of oil has long been a favorite of Kuwait’s populist opposition. Ahmed al-Fahd has cultivated strong ties to tribes, drawing upon the revered status of his father who died defending Dasman Palace during the Iraqi occupation, and his deep – and controversial – involvement in both domestic and international sports governance to garner popularity. His orchestrated return to Kuwaiti politics sought to strengthen the popular credentials of the prime minister – and perhaps his own bid as a future ruler.

Ahmed al-Fahd has long been enmeshed in a generational rivalry with former Prime Minister Nasser al-Mohammed al-Ahmed al-Sabah; though Ahmed al-Fahd is 20 years younger, both are nephews of the Al Jaber rulers. Nasser al-Mohammed holds the benefit of a long career in government service within the Foreign Ministry serving as ambassador to Iran and Afghanistan and within the royal court before serving as prime minister from 2006-11. He also has seniority by age, an important norm in succession. However, his leadership of government was cut short in controversial fashion, effectively forced from office by popular mobilization over his alleged payouts to members of parliament. Ahmed al-Fahd had a hand in bringing Nasser al-Mohammed down, with his own actions earning him prosecution in Kuwait and exile from the country. The ruling ambitions of both seemed damaged by the rivalry: Ahmed al-Fahd by his prosecutions both at home and on corruption charges in his sporting career abroad, Nasser al-Mohammed by his own association with government corruption and his deep unpopularity with a Parliament still weighted with populists.

The new emir may look to bypass both and turn from the troublesome decade of rivalry within the ruling house. If a generational transition is to be made in the Al Sabah ruling family, ultimately the emir may prefer to bring in his own son: Ahmed al-Meshal. He currently holds the position of head of government performance monitoring with a rank of minister. This position may be elevated to a prominent role if the new emir does indeed pursue a strategy of cleaning up government. Yet building support for the younger and less experienced Ahmed al-Meshal will take time. Constitutionally the emir has a year to appoint his crown prince. However, judging by recent history and considering the emir’s advanced age, this may not be acceptable. This suggests that an interim or perhaps consensus building candidate may be needed to build internal support for such a transition. Among those who he might turn to apart from Nasser al-Mohammed, is former Deputy Prime Minister and Foreign Minister Mohammed Sabah al-Salem, or Ahmed al-Abdullah, who served as head of the court of Meshal al-Ahmed while crown prince and was recently appointed the emir’s legal representative.

**More Trouble With Parliament Ahead**

The early praise of the new emir celebrates an “era of renewal” stressing his firmness and the need for obedience. Whether a reflection of his temperament or policy agenda, this emphasis on order suggests the short-lived peace with the Parliament – enabled through its political empowerment and populist agenda – is at an end. What is less clear is how this will be managed. The release of statements by members of parliament and signed petitions by civil society organizations, such as the Kuwait University Faculty Association, calling for adherence to the constitution highlight anxieties from some that the constitutional order may be under threat. Ultimately, governing Kuwait requires ruling coalitions, within the ruling family and society at large. There are many Kuwaitis who would celebrate a stronger hand to force through nation building and a development agenda. Yet the new emir has more experience and reputation in the security sector than managing the economy or brokering political interests, which may suggest difficult days ahead.

*Kristin Smith Diwan is a senior resident scholar at the Arab Gulf States Institute in Washington*. (AGSIW 03.01)

[Back to Table of Contents](#TOC)

* 1. UAE: Bank Audi’s UAE Economic Report – 2024

[Bank Audi](http://www.bankaudigroup.com/%E2%80%8E)'s UAE Economic Report for 2024 noted that the UAE’s economy continues to grow, benefitting from strong domestic activity. Non-hydrocarbon GDP growth is expected to exceed 4% in 2023 and to remain at a similar pace in 2024. Social and business friendly reforms and the UAE’s safe haven status continue to attract foreign inflows of capital and labor, underpinning growth and contributing to elevated real estate prices, particularly in high-end segments.

Following the OPEC+ production cuts, hydrocarbon GDP growth is set to slow in 2023, but to accelerate in 2024 with the UAE’s 2024 OPEC+ production quota increase. Overall, real GDP is expected to grow around 3.5% in 2023.

**UAE’s non-oil foreign trade at all-time high in first half of 2023**

The UAE’s non-oil foreign trade hit an unprecedented high level over the first half of 2023, registering double-digit growth across all areas of trade, including exports, imports and re-exports. This came within the context of new partnership agreements aimed to enhance the role of international trade to double the size of the national economy by 2030, and as trade was placed “front and center” of the UAE’s national growth agenda. In details, the UAE’s non-oil foreign trade volume hit an all-time-high of AED 1.239 trillion ($337 billion) over the first half of 2023, which marks a 14.4% growth compared to the same period of 2022, as per government’s officials.

**Fiscal surplus narrowing in first half of 2023 amid oil sector developments**

The UAE’s public finance was at the mirror image of relatively decelerated real GDP growth, and easing oil prices and production levels. In fact, the fiscal surplus contracted significantly in the first half of 2023, while the country pursued steps to diversify public revenues including the introduction of the Corporate Income Tax in June 2023. On the backdrop of falling government revenues and rising total government expenditures, the overall UAE government net lending/borrowing surplus contracted by 61% year-on-year, moving from AED 121.3 billion (or $33 billion) in the first half of 2022 to AED 47.4 billion (or $12.9 billion) in the first half of 2023. That being said, the IMF expects the UAE to record fiscal surplus of around 5% of GDP in 2023, down from 9.9% in 2022, while reiterating that the phased introduction of a corporate income tax that began in June 2023 would support higher non-oil revenue over the medium term.

**Eased inflationary pressures on monetary policy tightening**

The year 2023 in the UAE saw eased inflationary pressures amid tight monetary policy, cooling economic activity and falling global oil and food prices, while gross international reserves registered double-digit growth rates amid a return to international debt markets. Latest quarterly CPI figures released by the UAE Federal Competitiveness and Statistics Authority showed that consumer prices rose by 1.0% year-on-year during the second quarter of 2023, down from 3.6% y-o-y in the first quarter of the year.

**A good year for the UAE banking sector**

The year 2023 has been a good year for the UAE banking sector. Measured by the aggregation of total assets of banks operating in the Emirates, banking activity grew by 7.8% over the first nine months of 2023 to reach $1,076 billion at end-September (211% of GDP). Total deposits expanded by 8.9% over the period to reach $659 billion (130% of GDP). Likewise, loans to the private sector rose by 5.4% to $ 337 billion at end-September 2023 (66% of GDP).

**Mixed price movements in UAE equity markets, bond prices mostly down amid global monetary tightening**

Activity on the UAE equity markets was mixed over the first eleven months of 2023 as market players weighed booming realty sector and a continuous growth in the non-oil economy against falling oil prices. Concurrently, activity in the UAE fixed income markets was mostly tilted to the downside, mainly tracking US Treasuries move on prospects of higher for longer US interest rates.

**Reform Efforts Posing Upside Risks to the Outlook**

Looking forward, the country’s outlook remains subject to heightened global uncertainty. A decline in oil demand and reduced global trade and tourism from slower global growth, higher-for-longer interest rates, tighter financial conditions, or geopolitical developments would weigh on growth and pressure fiscal and external balances. However, higher oil prices and healthy fiscal buffers help mitigate risks, while reform efforts pose upside risks to growth. (Bank Audi 04.01)

[Back to Table of Contents](#TOC)

* 1. UAE: The UAE Leads the Way on Gulf-South America Ties

Robert Mason posted on 19 December in the [Arab Gulf States Institute in Washington](https://agsiw.org/) that since the creation of the Summit of South American-Arab Countries in 2005, an initiative driven by Brazilian President Luiz Inácio Lula da Silva to boost trade, the United Arab Emirates’ engagement in Latin America, particularly South America, has developed and expanded. This has been particularly apparent as economic diversification efforts in the Gulf have accelerated in recent years, motivating the UAE to seek increased international trade, investment, and strategic opportunities.

Trade between South America and the Arab states rose from $11 billion in 2008 to $30 billion in 2012. A decade later, trade between the Gulf Cooperation Council states and Latin America, standing at around $20 billion in 2020, was growing largely on the back of Gulf imports, which amounted to $9.6 billion in 2016 but rose to $17.2 billion in 2019 before falling back slightly to $15.4 billion in 2020. Brazil accounted for almost half of those exports, and UAE-Brazil non-oil trade alone reached $4.3 billion in 2022, and total trade volume between the UAE and Latin America reached $9 billion. Meanwhile, GCC states invested $4 billion in Latin America between 2016 and 2021, 77% of which came from the UAE. The UAE has ambitions to build trade hubs in the region, such as DP World’s port facilities in Callao, Peru, and to become a major import hub for iron ore, oil, and gold from South America. It also hopes to support and expand Emirati investments in local South American companies.

At the security level, some South and Central American states have provided direct military support to the UAE. For example, in 2015, the UAE reportedly deployed 450 mercenaries from Columbia to fight in Yemen. The UAE has also imported Colombian arms for use against the Islamic State in Iraq and the Levant. More important to the UAE military-industrial complex have been deals with Brazilian arms companies, which represent higher value propositions in terms of technology transfers and joint ventures. There is an additional Emirati interest in enhancing food security. For example, the UAE government and over a dozen Emirati companies coordinate under a “food security alliance” established in 2015. They have invested in 19 countries, including some in South America. The UAE’s minister of state for international cooperation, Reem Al Hashimy, visited Venezuela and Guyana in June to discuss energy, investment, science and technology, and food security.

Shared leadership outlooks directly affect the touchstones of Gulf-South America cooperation. For example, former Brazilian President Jair Bolsonaro’s alignment with the Middle East policies of the administration of President Donald J. Trump – especially isolating Iran, containing violent Islamist groups, such as Hezbollah, and promoting ties among Israel and the Gulf states, meshed well with the UAE’s security priorities but were a departure from the policies of many of his predecessors. Bolsonaro’s term coincided with Interpol building a presence in 2019 in the tri-border area (between Brazil, Argentina, and Paraguay) – a hub for various illicit activities by Iranian-backed Hezbollah. Indeed, Interpol has been led by Emirati Major General Ahmed Naser Al-Raisi since 2021.

By working with Brazil, a regional power, the UAE is set to benefit from being the first mover among the Gulf states and gaining possible leverage in efforts to reach a Comprehensive Economic Partnership Agreement with the Mercosur countries – the political and economic bloc comprised of Brazil, Argentina, Paraguay and Uruguay. Such agreements are important contributors to the UAE’s economic growth, and reaching one with the Mercosur countries would significantly deepen Emirati economic and political relations in South America. However, the talks have been overshadowed by Brazil’s focus on concluding a trade deal with the European Union. Such delays do not appear to have dented the UAE’s intent on building relations in the region, illustrated by the UAE’s continued pursuit of bilateral economic agreements with other regional states, such as Colombia. A Comprehensive Economic Partnership Agreement with Mercosur countries would be a logical follow on to the UAE’s closer political and economic alignment with Brazil and other members of the Global South, which it solidified by joining the BRICS grouping in August (Saudi Arabia, Iran, and Egypt were also invited) and by becoming a dialogue partner of the Shanghai Cooperation Organization in May (along with Kuwait and Bahrain).

Increasing engagement through multilateral forums builds on close bilateral ties that have developed since Lula’s first official visit to the country in 2003. The relationship continues to be characterized by continued growth and potential, especially with Lula back in office. So far, the Russia-Ukraine war has only reinforced Brazil’s misgivings about the global order, which are matched by pushback from some Gulf states against U.S. pressure to strongly side with Ukraine. Further, Brazil and the Gulf states appear to have a similar perspective on the Israel-Hamas conflict. For instance, Lula called for an end to the “insanity of war” and said Israel’s response in Gaza has been “as grave” as the Hamas attack. However, there are risks that could undermine commercial relations built on a generally compatible global and regional outlook. South America continues to experience low economic growth, and further leadership changes in the region could reorient relations to a more ideological rather than pragmatic approach. Following its recent mediation in the Israel-Hamas conflict, Qatar is being touted to mediate Venezuela and Guyana’s escalating border dispute having already served as a neutral space for U.S.-Venezuelan talks, perhaps giving Doha greater appeal and influence in both South American countries and reinvigorating an element of competition in Gulf engagement in the region.

As the UAE and Brazil end their 2023 terms as nonpermanent members of the U.N. Security Council, the two countries will likely continue to cooperate on substantive issues. For instance, the Brazilian Air Force’s Department of Aerospace Science and Technology is planning to cooperate with the UAE’s EDGE Group on developing defense systems and space technology. In the lead up to the UAE’s hosting of the U.N. Climate Change Conference, COP 28, the UAE and Brazil led a high-level ministerial dialogue on building water resilient food systems and signed an agreement on climate change. However, as the leadership of Mercosur will pass from Brazil to Paraguay in the first half of 2024, the window of opportunity to negotiate a Comprehensive Economic Partnership Agreement may close due to the UAE’s less-developed ties with Paraguay. In response, the UAE will likely continue to emphasize a broadening of diplomatic and economic ties in South America to reach a free trade deal, further enhancing the potential for trade and investment to draw these states, and the two regions more broadly, even closer in the years to come.

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[Back to Table of Contents](#TOC)

* 1. SAUDI ARABIA: Stronger Growth Expected in 2024 Amid High Uncertainty

Tim Callen posted on 8 January in [AGSIW](https://agsiw.org/) that the Saudi economy is likely to grow by around 1.5% in 2024 with the non-oil sector expanding by 3% to 4%. However, uncertainties are high, centering on the oil market, conflict in Gaza, path of U.S. monetary policy, and effects of domestic reforms.

When the first official estimate of 2023 real gross domestic product is published by the Saudi statistical authority at the end of January, it is likely to show that the economy contracted by around 0.5% relative to 2022. This is due to real oil gross domestic product, which is likely to have fallen by around 7% due to the large cuts in crude oil production in May and July 2023. The non-oil economy is likely to have grown by a healthy 4%, driven by private consumption as households continued to take advantage of new spending opportunities in sectors such as entertainment and tourism. Together with ongoing labor market reforms, this non-oil growth led to significant new job creation, and the Saudi unemployment rate fell to 8.6% in the third quarter of 2023 from 9.9% a year earlier. Nevertheless, two concerns are apparent in the recent data. First, the non-oil economy lost steam as the year progressed, with year-on-year growth in the third quarter of 2023 at its weakest since the coronavirus pandemic. Second, investment spending, which is key to boosting productivity and supporting diversification, slowed sharply during 2023.

*Source: General Authority for Statistics*

*Source: General Authority for Statistics*

**Stronger Growth Expected in 2024**

As forecasters make their projections for the Saudi economy in 2024, they will have to assess whether the slowdown in non-oil growth and investment spending is temporary or longer lasting. They will also have to weigh the potential impact of several global, regional, and domestic uncertainties that could significantly affect the economy; the biggest relate to the global oil market, the ongoing conflict in Gaza, U.S. monetary policy and the impact of domestic reforms.

**The Outlook in the Global Oil Market:** Oil production outside the OPEC+ group is surging, with U.S. crude oil output reaching record levels in recent months. This increase in production has pressured oil prices and led OPEC+, particularly Saudi Arabia, to cut production to support prices. Saudi Arabia has already announced that it will extend its oil production cuts through the end of the first quarter of 2024. The path of oil production thereafter is difficult to call. OPEC is projecting only a modest increase in demand for its crude in 2024 as increasing non-OPEC supply meets most of the projected increase in demand. This means that the most likely scenario is that Saudi Arabia can only gradually restore a modest amount of the production it cut during 2023 without undermining oil prices.

However, the balance of demand and supply in the global oil market can change quickly. For example, in its May 2023 Middle East and Central Asia Regional Economic Outlook, the IMF projected 2023 Saudi oil production to average 10.5 mb/d. The actual outcome is likely to be 9.6 mb/d, showing how quickly the market can shift. In 2024, a stronger-than-expected global economy or non-OPEC+ supply falling short of expectations could result in increased demand for Saudi crude and consequently stronger growth in real oil GDP. Higher oil revenue would also likely lead to an increase in government spending, which would provide a short-term boost to non-oil growth. On the other hand, continued strong growth in non-OPEC+ supply or the failure of some OPEC+ countries to stick to their announced production cuts could pressure Saudi Arabia to further restrain production or face lower oil prices, with negative implications for oil and non-oil growth.

**The Conflict in Gaza:** The conflict in Gaza, particularly if it escalates or expands, may dent confidence of Saudi businesses and households, affecting investment and consumption spending, and hold back tourist arrivals and foreign direct investment given broader regional uncertainties. Impediments to oil shipments would lead to oil price increases, at least temporarily, with oil exports being negatively affected.

**U.S. Monetary Policy:** The U.S. Federal Reserve is expected to begin cutting policy interest rates in 2024 as inflation continues to decline toward its 2% target. Lower U.S. policy rates would transmit to lower rates in Saudi Arabia given the riyal is pegged to the U.S. dollar. While empirical studies have struggled to find a relationship between interest rates and growth in Saudi Arabia, particularly when oil prices are relatively high, it is likely that this relationship will strengthen over time as the financial sector continues to develop. If the Federal Reserve moves to cut interest rates before other major central banks, this may also weaken the U.S. dollar (and riyal) and provide a modest boost to the competitiveness of non-oil exports.

While expectations are firmly set that the Federal Reserve will cut interest rates, the timing and pace of such cuts are a matter of conjecture and will ultimately be determined by the path of inflation. The timing and extent of monetary easing will not only be important directly for the domestic economy but perhaps even more important for global growth and the demand for oil.

**Saudi Fiscal Policy:** The Saudi budget indicates that fiscal policy will provide less support to the economy in 2024 than during the previous two years during which government spending increased by over 20%. Even allowing for a further increase in spending by the Public Investment Fund in 2024, some overrun on the central government spending levels announced in the budget, and the lags with which government spending can affect growth, the boost to the non-oil economy from fiscal policy in 2024 is likely to be less than half that in 2023.

**Impact of Reforms:** Saudi Arabia has undertaken significant reforms to strengthen legal and regulatory frameworks, ‎develop new sectors of the economy, deepen financial markets, encourage foreign investment, ‎and increase the participation of Saudi women in the labor market. Analysis by the IMF indicates ‎that these types of reforms should boost growth in the non-oil sector. It seems reasonable to ‎assume there will be some positive effect from these reforms in 2024, but it is difficult to predict ‎the size. New reforms, such as the Regional Headquarters Program, are also being ‎implemented in 2024, although it is uncertain what their impact will be.‎

A reasonable central scenario is for real GDP to grow by 1.5% in 2024. If oil production increases to 9.5 million barrels per day by the end of the year, this would be consistent with a decline in real oil GDP of around 2%. If monetary policy eases and structural reform efforts bear fruit, including through increased foreign direct investment and tourist arrivals, then the non-oil sector could expand by 3% to 4% despite less support from fiscal policy and the possibility of lower oil prices (the average price for Brent was $83 per barrel in 2023; the December 2024 Brent futures contract is currently pricing around $74/bbl).

**Meeting Growth Ambitions**

While 2024 is unlikely to see the high growth in the non-oil sector that is being sought under Vision 2030, a 3% to 4% expansion would still represent a favorable outcome, particularly if accompanied by a further decline in unemployment, given the difficult global backdrop and the need to rein in government spending.

Indeed, it is important to be realistic about what is a sustainable rate of non-oil growth. The IMF ‎recently suggested that medium-term “potential” non-oil growth, i.e., the rate of growth ‎consistent with stable inflation, is 4%. Attempting to systematically boost growth above this rate ‎would likely result in higher inflation or a deterioration in the current account position. Achieving ‎stronger non-oil growth will ultimately depend on increasing the productivity of the Saudi ‎economy, through efficient investments in human capital, traditional and digital infrastructure, ‎and higher-tech industry, and continuing ongoing efforts to increase the participation of Saudi ‎nationals, particularly women, in the labor market.‎

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[Back to Table of Contents](#TOC)

* 1. SAUDI ARABIA: Revolutionizing Health Care & Digital Health Transformation

Lubna Yousef posted on December in [Arab Gulf States Institute in Washington](https://agsiw.org/) that Saudi Arabia’s innovative strides in health care aim to ensure that the kingdom has the tools and infrastructure to meet rising health-care challenges.

In August 2022, the Saudi Ministry of Health launched the Middle East’s first virtual hospital. Seha stands as the world’s largest facility of its kind, symbolizing Saudi Arabia’s ambitious health-care sector transformation, a vital component of its Vision 2030 reform agenda. Under the leadership of Crown Prince Mohammed bin Salman, Saudi Arabia is making significant strides in securing the substantial funds, advanced technology, and focused expertise needed to meet the kingdom’s rising health-care challenges.

**Pioneering Digital Health Initiatives**

Seha offers medical services to more than 400,000 patients annually, including in remote areas, providing telehealth consultations and using artificial intelligence tools. With a rapidly growing population, demand for health-care services is on the rise in Saudi Arabia. To meet this demand and reduce dependence on in-person hospital care, Saudi Arabia aims to digitize 70% of patient activities by 2030. Should Seha’s newly acquired AI imaging and analysis tools prove successful, they are expected to be rolled out to over 150 medical sites under the Seha Virtual Hospital.

The widespread adoption of smartphones and mobile apps is a major driver for Saudi Arabia’s health-care digitization. In a February interview, Dr. Ahmed Al-Musaed, the deputy CEO of Eastern Health Cluster, which includes all Ministry of Health facilities in Saudi Arabia’s eastern region, said, “We have changed the concept of digital from being just an enabler, and a tool, to … really disrupting the health care.” He also stated that digitization is the way forward, as people are already tech savvy and have moved to digital management of their education and finances. Health apps empower individuals to monitor their health, track their conditions, and access medical advice. In some cases, citizens are using step tracking apps and joining online walking groups as they become more health conscious. At the same time, telemedicine has also emerged as a vital solution to address health-care challenges, especially in the wake of the coronavirus pandemic. Virtual consultations and remote monitoring are optimizing doctors’ time, reducing patient waiting times, and increasing productivity.

Saudi Arabia’s health-care transformation extends beyond technology – it involves a fundamental restructuring of the sector. The kingdom is shifting from a system of sole national oversight to a hybrid model, integrating the private sector and nonprofit organizations. Health clusters – integrated, centrally administrated networks of health-care providers and medical cities, which contain primary and specialty hospitals as well as services such as medical housing – are an example of the corporatization of the medical sector. This approach aims to attract investment and generate revenue, moving away from the kingdom’s previous reliance on oil revenue to subsidize health services and instead putting health-care provision into the hands of state-owned enterprises. As part of this shift, both public and private employers are mandated to provide medical insurance to their employees.

**Health Tourism and Global Initiatives**

Saudi Arabia’s health-care strategy extends beyond domestic improvements, seeking to position itself as a regional hub for medical tourism. The coronavirus pandemic led to an 82% decrease in Saudis seeking medical treatment abroad from 2019-21, and with technological investments in medical care, more and more Saudis are opting for domestic treatment. In addition to meeting the needs of its citizens, Saudi Arabia’s health-care commitment is designed to attract patients from throughout the region. The hajj pilgrimage, which brings nearly 2 million pilgrims to Saudi Arabia annually, provides an opportunity to showcase and test Saudi Arabia’s health-care services. The Saudi Ministry of Health already offers free health care during the season. While the United Arab Emirates and Jordan are already popular medical tourism destinations in the region, Saudi Arabia boasts a unique spiritual component that may make it a competitive alternative. Currently, the Ministry of Health covers the majority of medical costs, amounting to $36.8 billion in spending on health care and social development in 2022 alone. Attracting medical tourism can diversify the kingdom’s revenue sources, generating income to support and improve the health-care system, including both public and private health facilities, and reducing dependence on government funding. Given that tourism is Saudi Arabia’s second-largest source of revenue, the move toward medical tourism aligns with the kingdom’s economic agenda.

With Saudi Arabia accounting for 60% of the Gulf Cooperation Council countries’ health-care spending, health care is at the top of its priorities. Saudi health-care initiatives have attracted considerable international investment and partnerships. Notably, the U.S. Department of Commerce’s International Trade Administration held a major Healthcare Trade Mission in September with the aim of boosting U.S.-Saudi medical trade. The Saudi medical sector has also received investment from France, Germany and the United Kingdom. This strategic alignment works within the broader context of the kingdom’s comprehensive medical cluster system, which seeks to expand the accessibility of primary and secondary care facilities, alongside specialized hospitals, through digital bridges. This approach involves promoting foreign investment and establishing a framework for public-private partnerships to mitigate some of the financial burden of providing medical services. In June, the first of these public-private partnerships was formalized with Altakassusi Alliance Medical, a collaboration among European provider Alliance Medical, Nexus Gulf Healthcare, and King Faisal Specialist Hospital International Holding Company.

**Navigating the Challenges of Advancing Digital Health Care**

Saudi Arabia’s push toward a digitally driven health-care future will not be without its share of challenges. The establishment of a robust digital infrastructure requires substantial investment in technology and capacity building. It involves a multitude of authorities and responsibilities, from regulating internet speeds under the Communications and Information Technology Commission and overseeing digital services with the Digital Government Authority to managing data through the Authority for Data and Artificial Intelligence and addressing security concerns with the National Cybersecurity Authority. Data privacy remains a pressing concern, especially in light of the Saudi government’s history of surveillance and the growing prevalence of apps that track individuals’ activities. Balancing the considerable benefits of digitalization with the preservation of individual rights is an ongoing and formidable challenge.

Moreover, a proficient workforce is necessary to effectively manage the monumental infrastructure that melds medical technology with AI tools and telecommunications demands. Saudi Arabia finds itself in a delicate balancing act – attempting to nurture national capacities through training while simultaneously attracting expatriate professionals. The government’s commitment to growing local talent is evident in its substantial investments, from establishing multiple training facilities in the kingdom to sending students abroad to study computer science and AI at top institutions. Collaborations with industry giants such as General Electric to train technicians and partnerships with European governments to educate medical professionals underscore Riyadh’s dedication to cultivating expertise. However, retaining this talent, particularly when many Saudi medical professionals often prefer working and living abroad, remains a pressing challenge.

In the interim, to offset the shortage of national talent, Saudi Arabia is appealing to expatriates, especially from the region, offering a citizenship track to accomplished individuals, including doctors and virologists. As states such as Lebanon, Iraq, Libya, and Egypt grapple with conflict or economic downturn, the allure of employment-based immigration to the Gulf countries continues to rise, with migrant health-care workers making up 50% of doctors in Saudi Arabia’s health-care system. For now, this serves as an interim solution for the kingdom’s needs.

Beneath the advanced technology and substantial investments lies Saudi Arabia’s relentless pursuit of a health-care system that can cope with an impending surge in demand. The Saudi health-care system currently spends at an unsustainable pace and cannot bear the growing pressure posed by the rising prevalence of non-communicable diseases. The innovative technological strides in the Saudi health-care system are not just for show; they are a strategic response to ensure that the health-care infrastructure can withstand impending health-care challenges.

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