

**The FORTNIGHTLY**

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

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*If you see any items in the Fortnightly that would like to learn more about, please contact me at* *seth@atid-edi.com* *and we will do what we can to assist you.*

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ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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* 1. Knesset Passes First Reading of the Revised 2024 Budget

On 11 February, the Knesset passed the first reading of the main part of the revised 2024 budget bill. The budget was approved by 57 votes to 50. The Knesset plenum was also due approve the revised fiscal deficit and capping spending in the budget, after which the budget will be discussed by the Finance Committee in preparation for its second and third readings.

The revised 2024 state budget totals NIS 584 billion - NIS 72 billion higher than the budget originally approved last year before the war. The fiscal deficit will be a relatively high 6.6%. The revised budget includes an extra NIS 55 billion in defense spending and NIS 31 billion that is expected to arrive as part of the US aid package. Sources in the Ministry of Finance believe that the final budget might not pass three Knesset readings by 19 February, in which case a huge across-the-board NIS 67 billion budget cut will be imposed until the budget is eventually passed.

The revised budget has been delayed and was not tabled in the Knesset until 16 days after the deadline, violating the Basic Law for the State Economy. The delay was caused by the Haredi parties demanding the exclusion of the yeshiva budgets from the across-the-board 5% cut, which applies to all ministry budgets. In addition, Haredi MKs sought to embed the coalition funds within the main basic budget. Ultimately a compromise was agreed on, in which these political funds will not enter the basic budget, but the regular supervision mechanisms for coalition funds will be removed. The implementation of the compromise required a long time, which resulted in delays in the budget approval process. (Globes 08.02)

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* 1. Israel Calls Moody to Task for Their Decision to Downgrade the Country's Ratings

Accountant General Rothenberg of the Ministry of Finance's Accountant General Division spoke about the decision of international ratings agency Moody's to cut Israel's credit rating from A1 to A2 and lower the credit outlook from stable to negative. The Ministry of Finance received the report on 7 February and appealed against the decision but it was dismissed and the report was published as scheduled.

Accountant General Rothenberg spoke to journalists about the efforts of the division to change the decision. He said that the main argument in the appeal was that sufficient weight was not given to Israel's resilience from the effects of the war and this can be seen in the key data. He stressed that although Israel was hurt and shaken following the 7 October massacre, it is expected to strengthen economically and return to pre-war levels. Israel is repaying its debts and is not at risk of defaulting on what it owes.

The Accountant General mentioned that during previous geopolitical events like the COVID crisis and past military operations, Israeli economic growth fell but then subsequently rose and returned to strong growth. Accordingly, the fiscal deficit, which is expected to be 6.6% in the coming year is expected to fall next year and changes have been made in the state budget to adjust government spending because of the war.

The Accountant General told journalists that he appreciates Moody's but they disagree on the decision to cut the rating with a negative outlook. He said that his office did everything they could to convey to Moody's representatives that this is not the time to cut this type of rating. It is not in line with the economy's data and the appeal filed on the decision was dismissed. The basis of the appeal was the fact that the State of Israel has demonstrated strong resilience over the years after crisis events. Since the massacre, Israel has been at war on various fronts and the economy is coping with this while supporting the war.

The Accountant General reminds Moody's that Israel's economic data remains strong. The country's current account remains strong, the amount of foreign exchange reserves held by the Bank of Israel is high, the markets are liquid and the country has high accessibility to international markets. In addition, the debt-GDP ratio is still low in historical and international terms. Israel has proven in the past that it repays its debts. (Globes 12.02)

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* 1. Argentina Plans to Move its Embassy to Jerusalem

On 7 February, his first day of his visit to Israel, Argentina’s new president, Javier Milei, told Israeli authorities that his country would move its embassy to Jerusalem. Milei had vowed during his campaign to move the embassy from its current home in Herzliya, in a sign that Argentina recognizes Jerusalem as Israel’s capital. If carried out, the embassy move would make Argentina the sixth country, and only the second major country, to relocate its embassy to Jerusalem. Since US President Trump moved the U.S. embassy in 2017, fulfilling a campaign pledge, four countries have followed: Papua Guinea, Kosovo, Honduras and Guatemala.

Prime Minister Netanyahu applauded the announcement during a meeting with Milei. Netanyahu also spoke with Milei about their countries’ shared enemy in Iran, which is widely understood to have been responsible for bombings at the Israeli embassy and AMIA Jewish community center in Buenos Aires that together killed more than 100 people in the 1990s.

Milei, an avowed philosemite who studies with a rabbi and has expressed interest in converting to Judaism, had vowed to visit Israel early in his presidency. He was close to tears as he made his first comments after arriving. Milei was wearing a “Bring Them Home” dog tag necklace that has become a symbol of the movement to free the hostages who remain in Gaza. His trip includes a visit to Kibbutz Nir Oz, where dozens of Argentinean nationals were killed, injured or abducted on 7 October when Hamas attacked. (JTA 07.02)

ISRAEL MARKET & BUSINESS NEWS

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* 1. Oasis Security Raises $40 Million to Solve Non-Human Identity Security Gap

Oasis Security has raised a total of $40 million funding led by Sequoia Capital, alongside Accel, Cyberstarts and Maple Capital. Guy Podjarny, founder of Snyk and Michael Fey, Co-Founder and CEO of Island, also participated in the financing.

Oasis is the first enterprise platform purpose-built to automate the lifecycle of non-human identities. Oasis is extremely easy to use and to integrate with all the major cloud and on-premise identity sources. Oasis instantly provides holistic visibility with deep contextual insights on every non-human identity - who owns it, consumes it, what resources it grants access to and how privileged. The built-in Oasis Posture & Remediation Intelligence (PRI) module automatically identifies vulnerabilities, prioritizes the most severe issues, and generates remediation plans drastically shortening the time to detection and incident resolution.

Lod's [Oasis](https://www.oasis.security/) is the market leading platform for non-human identity management. With modern systems and development teams now increasingly distributed, non-human identities, such as secrets, API keys and RPA accounts, have surged creating a massive attack surface that legacy tools can’t manage. Oasis solves this critical security challenge by automatically discovering all non-human identities across all environments, providing holistic visibility, risk assessment with vulnerability auto-remediation and simplifying secret management compliance. (Oasis 23.01)

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* 1. Ben & Jerry’s Israel to Build New $35.5 Million Plant in Kiryat Gat

Ben & Jerry’s Israel will build a $35.5 million factory in the new industrial zone of the southern Israeli city of Kiryat Gat. The ice cream maker will transfer its 200 employees in the southern region to the 5 acre plant, which is scheduled to open in 2026. It will replace the smaller manufacturing site in Beer Tuvia near Kiryat Malachi and about 12 miles north of Kiryat Gat, which is 2.5 acres in size. More workers will be hired to handle the expanded production lines at the Kiryat Gat plant, which will include a visitors' center, a flagship store and a logistics center.

It represents another win for Kiryat Gat, fresh off December’s announcement that Intel is investing $25 billion in an Israeli manufacturing facility there. The new Fab 38 factory is expected to begin operating in 2028 and to remain in operation at least until 2035. Intel already operates the Fab 28 plant in the city.

Ben & Jerry’s Israel is separate from the U.S. firm of the same name and its move is not related to the July 2021 decision by the U.S. Ben & Jerry’s to stop selling ice cream in Israeli territory over the 1949 armistice lines. The Israeli company fought against the boycott when it was announced. In June 2022, Ben & Jerry’s parent company, British multinational food giant Unilever, announced that it had sold its Ben & Jerry’s division in Israel to American Quality Products. (JNS 01.02)

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* 1. IONIX Completes $42 Million Financing Round to Expand Threat Exposure Management

IONIX completed its $42 million A Round financing by securing $15 million in additional funding from new investors Maor Investments along with participation from existing investors Hyperwise Ventures, Team8 and U.S. Venture Partners (USVP). Total funding to date is $50.3 million.

IONIX will use the funds to accelerate go-to-market activities, development of its product roadmap and to expand the Threat Exposure Management capabilities of its industry-leading Attack Surface Management solution. This will further advance the company’s platform and give enterprises a unified view of critical exposures from the complete enterprise attack surface across cloud, on-premises, SaaS and digital supply chains.

Tel Aviv's [IONIX](http://www.ionix.io) - a leader in attack surface management - uses Connective Intelligence to shine a spotlight on exploitable risks across the entire attack surface – including its digital supply chain. Only IONIX monitors every internet-facing asset and connection, delivers laser focus into the most important risks to your business, and provides recommendations to rapidly remediate exploitable threats and reduce attack surface risk. (IONIX 06.02)

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* 1. Aim Security Raises $10 Million to Secure Generative AI Enterprise Adoption

Aim Security announced $10 million in seed funding. The round was led by YL Ventures, with participation from CCL (Cyber Club London), the founders of WIZ and angel investors from Google, Proofpoint and Palo Alto Networks. A comprehensive security solution for any GenAI use, Aim goes beyond security. It provides organizations with critical insights that augment their understanding of how GenAI can be used to drive business goals.

Tel Aviv's [Aim Security](https://www.aim.security/) is the industry guide to secure GenAI adoption, equipping security leaders with the ability to drive business productivity while providing the right guardrails and ensuring proactive protection for all use cases across the entire organization, whether enterprise use or production use. Leading CISOs and security practitioners on their secure GenAI journey, Aim empowers enterprises to unlock the full potential of GenAI technology without compromising security. (Aim Security 31.01)

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* 1. Pagaya Closes Five Year $280 Million Credit Facility with BlackRock and Other Lenders

Pagaya Technologies announced the closing of a credit facility with participation from Funds and Accounts managed by BlackRock U.S. Private Capital, UBS O’Connor, JPMorgan Chase, Valley Bank and Israel Discount Bank. The facility, which consists of a $255 million term loan and a $25 million revolver, provides the capital and liquidity needed to support the Company’s future growth, extends its corporate debt maturity to 2029 and validates investors' confidence in Pagaya's business model and financial strength.

In the last four months of 2023, the Company secured four new lending partners, including a top bank and top auto captive, which are expected to drive a transformational step-change in Pagaya’s network expansion. In addition, the Company recently pre-announced strong full-year 2023 financial performance, with Network Volume exceeding $8.2 billion and Adjusted EBITDA exceeding $75 million, implying annualized run-rate Adjusted EBITDA of over $110 million based on 4Q2023. Proceeds from the facility will be used to pay off outstanding borrowings from the Company's previous facility, invest in product innovation, and grow its network with both existing and new lending and investor partners.

Tel Aviv's [Pagaya](http://www.pagaya.com) is a global technology company making life-changing financial products and services available to more people nationwide. By using machine learning, a vast data network and a sophisticated AI-driven approach, Pagaya provides comprehensive consumer credit and residential real estate solutions for its partners, their customers, and investors. Its proprietary API and capital solutions integrate into its network of partners to deliver seamless user experiences and greater access to the mainstream economy. (Pagaya Technologies 07.02)

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* 1. Octup Raises $4 Million Pre-Seed for Operational AI-Driven E-Commerce Platform

Octup announced it secured $4 million in pre-Seed funding from Tal Ventures, as well as the founders of unicorn companies Trax and Rapyd. Bullet Ventures, HCS Investors Group and World Trade Ventures also participated in the round. The company focuses on processing and consolidating data from various operational domains, including marketing, last-mile delivery, customer support, and warehousing, among others. Octup detects anomalies, correlations, and trends to pinpoint the root causes of cost inefficiencies.

Octup’s AI-powered discovery platform gathers data from all aspects of the business, encompassing the entire end-to-end value chain. This platform is complemented by an AI engine that collects and interprets insights.

Tel Aviv's [Octup](https://octup.com/%E2%80%8E) said it serves a global customer base spanning various sectors, including apparel, supplements, consumer electronics, skincare, cosmetics and jewelry. They are committed to helping grow business through their AI driven insights and complete metric transparency across all the platforms that you use daily. (CTech 06.02)

REGIONAL PRIVATE SECTOR NEWS

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* 1. IDC Expects AI Spending in the Region to Top $3 Billion in 2024, up 32% over 2023

ICT spending in the Middle East, Turkey and Africa (META) will top $238 billion this year, up 4.5% over 2023, with the region's digital economy increasingly taking shape, digital transformation spending will reach $59 billion in 2024 and accelerate at a five-year CAGR of 15% to $88 billion in 2027. This is according to the predictions by International Data Corporation (IDC) as more than 400 senior executives from the region's leading technology vendors, telcos, and IT service providers gathered in Dubai for the 2024 edition of IDC Directions Middle East, Turkey and Africa, which addressed the theme "Preparing Your Customers for an AI Everywhere Future."

IDC expects AI spending in the region to top $3.0 billion in 2024, up 32% over 2023. AI investment priorities of end-user organizations will likely evolve over the coming years as they move beyond their initial focus on reducing costs. IDC Directions Middle East, Turkey and Africa takes place annually and is a firm fixture on the ICT industry calendar, providing an unrivalled platform for exchanging ideas and engaging with IDC's most prominent local and global analysts. (IDC 12.02)

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* 1. Jordanian IT Firms Embrace AI with 63% Incorporating the Technology

Jordanian information technology companies are embracing artificial intelligence, with up to 63% incorporating AI into their products and services, according to a recent study. The report, released by the Information and Communications Technology Association of Jordan, revealed that 42% of companies in the country are interested in integrating data analysis tools and techniques into their products.

These trends signify the eagerness of the nation’s businesses to leverage big data for a deeper understanding of the market, elevate customer experience, and make decisions based on accurate and analyzed information. They also underscore the high dynamism of the Jordanian IT sector, confirming its key role in supporting innovation and economic growth in the Middle Eastern country. Companies are emphasizing integrating AI to enhance their capabilities across various departments. (AN 11.02)

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* 1. Jordanian Electric Vehicle Clearances Surge 134% in January

January 2024 witnessed a surge in the clearance of electric vehicles from Jordan's Zarqa Free Zone, with the number reaching 4,777 vehicles, marking a substantial 134% increase compared to 2,036 vehicles cleared in January 2023. This comes following an announcement by the Energy and Minerals Regulatory Commission (EMRC) saying it issued over 300 authorizations for the installation of electrical metering devices dedicated to electric vehicle charging infrastructure, aligning with the national strategy for economic modernization, which includes a detailed plan to bolster green mobility initiatives.

According to statistics related to the vehicle market in Jordan for January, the total number of cleared vehicles amounted to 6,769, reflecting a 29% increase compared to the same period last year. The clearance of gasoline vehicles experienced a notable decline of 57% during the same period, with only 505 vehicles cleared compared to 1,182 in January of the previous year. Meanwhile, clearance for diesel vehicles saw a slight decrease of 8%, reaching 560 vehicles compared to 607 in the previous year. Hybrid car clearances also decreased by 34%, totaling 927 vehicles, compared to 1,415 vehicles.

The overall number of re-exported vehicles in January rose to 3,911, marking a 32% increase compared to 2,941 vehicles in 2023. This underscores the resilience and adaptability of the Jordanian market in meeting external demand amid global changes in the automotive industry. (Petra 05.02)

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* 1. NU-Q Launches Strategic Initiative on Artificial Intelligence

On 5 February, Northwestern University in Qatar launched a new strategic initiative focusing on the challenges and opportunities of artificial intelligence. The Artificial Intelligence Initiative (AI²) is dedicated to making significant contributions to research, education, and professional development within the field of artificial intelligence. The initiative is designed in line with Northwestern’s presidential priority to harness the power of data analytics and artificial intelligence in line with Qatar Foundation’s emphasis on AI as a priority area for Education City.

AI² will position Northwestern University in Qatar as a central player in shaping the understanding and application of AI in global higher education as well as in the media and creative industries worldwide. The initiative was in the making for over a year and the research work by Northwestern University Qatar faculty on AI has significantly contributed towards it. AI² will pave the way to a new joint study program with Carnegie Mellon University in Qatar in media and AI that includes coursework in coding, computer science, ethics, and the social impact, currently in development.

As part of the initiative, AIM Lab will drive research efforts on AI, bringing together faculty members, a postdoctoral scholar, and undergraduate researchers to collaborate on research and organize events. AI² also aims to enhance the knowledge of staff at Northwestern University in Qatar, by skill development workshops, training exercises, and thought-nourishing discussions. (Peninsula 06.02)

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* 1. IQ Robotics and Saudi Post Corporation Unveil a New Robotics Transformation Project

Dubai's [IQ Robotics](https://www.iqholding.com/), a pioneering leader in AI-driven, fully automated logistics solutions, announced an agreement with Saudi Post Corporation | SPL and AL Khereiji Group in digital transformation and robotics. This agreement aims to support the ambitious expansion of Saudi Post Corporation | SPL in Saudi Arabia. The transformation project includes the deployment of 200 advanced robots to assist in facilitating the processing of orders and sorting operations across various channels to increase customer satisfaction. The SPL sorting center, equipped with intelligent robotics technology, will be the largest robotic sorting center deployment in the Middle East.

The new agreement highlights the growing demand for digital transformation in the logistics services and supply chain sectors across the region. (IQ Robotics 29.01)

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* 1. CAMB.AI Announces $4 Million Seed Round Led by Courtside Ventures

[CAMB.AI](https://www.camb.ai/%E2%80%8E), the Dubai-based groundbreaking speech AI company that specializes in instantaneously dubbing any performance in over 100 languages, dialects and accents using the original voices with their nuances, announced that it has raised a $4 million seed round. Led by Courtside Ventures, the investor group includes TRTL Ventures, Blue Star Innovation Partners, Ikemori Ventures, and Eisaburo Maeda. Dubai Future District Fund were early investors in CAMB.AI, and the company was part of the Dubai Future Accelerator cohort in 2023, as well as named a Future 100 Company of the UAE.

The funding will power CAMB.AI’s continued growth and progress seen since the company was founded in 2022. Since then, CAMB.AI has broken several technological barriers with their MARS TTS and BOLI Translator, built from the ground up for voice localization.

CAMB.AI’s state of the art techniques don’t just translate speech, they capture and convey the speaker’s original tone and nuance – preserving emotion with less than three seconds of input. This ensures that the translated content remains as powerful and engaging as the original, maintaining the speaker’s intended impact. The largest collection of resource languages, CAMB.AI has the ability to translate Afrikaans, Malay and Basque, a testament to the company’s commitment to making global communication more inclusive. CAMB.AI was also used in Emirati director Nayla Al Khaja’s horror film Three, which debuted 2 months ago at the Red Sea Festival in Saudi Arabia as the world’s first, fully AI-dubbed multilingual feature film. (CAMB.AI 06.02)

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* 1. UAE's First Battery Recycling Plant is Operational

The UAE's first battery recycling plant Dubatt has been inaugurated in Dubai Industrial City. Dubatt broke ground on the AED 110 million plant nearly two years ago and it is set to be the first fully integrated used lead acid battery (ULAB) recycling facility capable of recycling around 80% of the UAE’s lead battery waste. The plant will have an annual capacity of processing up to 50,000 metric tons using a battery breaker capable of processing 10 tons per hour, a 4 cubic meter smelter and four refinery kettles. Italian lithium battery producer Seri Industrial provided the plant's tech and machinery. (Enterprise 08.02)

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* 1. Joby to Launch Air Taxi Service in UAE

Santa Cruz, California's Joby Aviation, a company developing all-electric aircraft for commercial passenger service, announced it has signed a definitive agreement with Dubai’s Road and Transport Authority (RTA) to launch air taxi services in the Emirate by early 2026, with Joby targeting initial operations as early as 2025. The agreement provides Joby with the exclusive right to operate air taxis in Dubai for six years, and will position Dubai as a world leader in delivering the fast, clean and quiet air travel enabled by Joby’s revolutionary technology. The agreement secures a variety of support from the RTA, including financial mechanisms, for entry and maturing of service operations in Dubai.

Joby additionally signed an agreement with Skyports, who will design, build and operate four initial vertiport sites across Dubai. RTA, Skyports and Joby have worked together to identify Dubai International Airport (DXB), Palm Jumeirah, Dubai Marina and Dubai Downtown as the launch locations for Dubai’s air taxi service. Joby’s aircraft is designed to carry a pilot and four passengers at speeds of up to 200 miles per hour and will be operated by the Company, with a journey from Dubai International Airport to Palm Jumeirah expected to take just 10 minutes compared with 45 minutes by car.

The UAE's General Civil Aviation Authority (GCAA) regulatory framework builds upon FAA standards with additional company testing and analysis alongside a high level of regulatory oversight and an ongoing operational review process to ensure continued safety for early operations. (Joby 11.02)

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* 1. Universal Music Group & DGMC Strategic Partnership to Develop Dubai's Music City

Santa Monica, California's Universal Music Group (UMG), the world leader in music-based entertainment, and DGMC announced a strategic partnership that will supercharge the Middle East region’s music community. DGMC’s vision is to develop a thriving, sustainable, and lasting music ecosystem in the Middle East. The ‘Music City’ development, which will be based in the UAE, will drive this vision, and serve as the regional hub for both local and international recording artists and songwriters.

DGMC and UMG’s historic partnership will see the companies work side by side to build out the ‘Music City’. This will include cutting-edge recording studios, the development of educational academies, and the creation of a new full-service label designed to support local and regional artists across every aspect of their career, including recording, touring, branding and merchandising. The development of this music-related infrastructure, along with UMG’s experience in artist development, marketing, promotion as well as its knowledge of operating in emerging music markets, will empower the region’s historic music community and inspire future generations of local artists and songwriters.

The development will include three new Capitol Studios recording studios – these will be the first-ever Capitol Studios outside of the historic Capitol Tower in Hollywood. The studios will feature a Dolby Atmos mixing room, recording studios, a “green room”, a writer’s room and a rehearsal studio. A range of must-see music experiences for fans are also planned. The label will be a joint venture between UMG and DGMC and will sign and develop local artists, helping them instead to become global ones. (DGMC 12.02)

* 1. Boeing to Establish Middle East Headquarters in Saudi Arabia

Boeing Co. has confirmed its Middle East headquarters will be established in Riyadh, weeks after the 1 January deadline set by Saudi Arabia for global firms to set up regional bases in the kingdom or risk losing out on lucrative government contracts. It remains unclear how this development could affect operations at other offices Boeing has in the region, including Dubai, Abu Dhabi, Kuwait, aside from one in Riyadh. Earlier, Boeing’s Saudi unit also signed an agreement with kingdom’s Bahri Logistics to bolster the latter’s supply chain activities and enhance its role in supporting services and defense-related products.

Boeing has been expanding its operations in Saudi Arabia following last year’s multi-billion-dollar deal that saw the country’s national carriers announce their intent to purchase up to 121 787 Dreamliners, which was one of the largest commercial order by value in the plane manufacturer’s history.

Saudi Arabia has been taking the lead with its civil aviation strategy, which is targeting investments worth $100 billion by the public and private sectors by 2030 as part of its master plan for the kingdom. The country’s General Authority of Civil Aviation (GACA) announced in October that would include the construction of new airports, cutting-edge ground services and a significant boost in air traffic. Saudi Arabia is also on track to launch its new airline, Riyadh Air, in 2025, which is being launched by the country’s sovereign-backed $800 billion Public Investment Fund (PIF), which includes a large Boeing aircraft order. (Zawya 09.02)

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* 1. USTDA Supports Morocco’s Digital Transformation

The U.S. Trade and Development Agency will host a delegation of Moroccan government and private-sector decision makers who are leading the country’s sweeping expansion of its digital infrastructure, including new adoption and development of smart cities, expanded digital access in rural areas and improved delivery of government services.

The 15 member delegation will travel to Austin, Texas and Silicon Valley, California from 10-21 February, where they will meet with and conduct site visits at U.S. companies offering solutions for e-government services, data centers, cloud computing, artificial intelligence and cybersecurity. They will also meet with state- and local-level governments to discuss best practices in the use and application of these systems.

In the context of increasing urbanization, Morocco is growing its adoption of digital technologies, development of smart cities, and government initiatives to promote digital access. U.S. companies are global leaders in developing secure, forward-looking solutions to support digitization. This reverse trade mission supports the U.S. government’s Partnership for Global Infrastructure and Investment to deliver game-changing projects to close the infrastructure gap in developing countries. (USTDA 06.02)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. EIB to Invest €250 Million in Israeli Green Projects via Leumi

The EU's European Investment Bank (EIB) has signed a memorandum of understanding (MoU) with Bank Leumi to expand their existing cooperation on green investments. EIB will inject €250 million to finance projects for small and medium-sized businesses. Among the companies that have received financing like this in the past are Solegreen and Teralight.

This cooperation began a year ago when Leumi and EIB signed an agreement committing to promote financing for projects for climate change, the environment, society and sustainability. As part of the agreement, Leumi received from the EIB, a line of financing for "green credit" worth €500 million. Now the EIB is adding to the amount.

Bank Leumi has set a strategy on climate change and the environment which aims to provide green credit worth NIS 35 billion by 2030. Leumi is ranked in the top 10 of the ESG 100 Index by Israeli consulting firm Entropy Group. The index ranks the 100 top ESG publicly traded companies in Israel. The EIB is one of the world's main financing institutions for Israel's green economy and by 2030 is committed to invest €1 trillion on environmental and climate change issues. (Globes 01.02)

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* 1. Kuwait’s EnerTech Joins with Energy America on Solar Power

[EnerTech Holding Company](https://enertech.com.kw/), a subsidiary of the Kuwait Investment Authority, has inked an agreement with solar module manufacturer, San Francisco's [Energy America](https://ea-global.us/), to design, develop and finance solar projects worldwide. The financial details of the agreement or an operational launch for EnerTech’s projects with Energy America were not provided.

EnerTech is a Kuwaiti renewables developer and operator of power generation, water and waste treatment plants. The company’s existing portfolio has over 600 MW of clean energy under development across South Asia, Africa, and the GCC. The company also acts as an investor, funding emerging technologies and startups in the clean tech sector.

Kuwait is committed to sourcing 15% (or 14 GW) of its power from renewables by 2030, but currently only sources 70 MW of its energy from renewables. One of its key renewable projects, Al Shagaya, was launched as a wind and solar project but has now been designated as a 4 GW solar plant replacing some eight oil and gas-fired power stations powering Kuwait City. (Enterprise 01.02)

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* 1. Gulf Biopolymer Industries to Build MENA’s First Biodegradable PLA Plant

Dubai-based polymer supplier Gulf Biopolymers Industries (GBI) will build the MENA region’s first biodegradable polylactic acid (PLA) polymers production facility in the Khalifa Economic Zones Abu Dhabi (Kezad). The facility — for which GBI signed a 50 year lease agreement— will span 135,000 sq. meters and is planned to have an annual 30,000 ton PLA production volume. The investment ticket and target launch date for the project were not disclosed. PLA is a thermoplastic monomer (a molecule that can be bonded to counterparts to form a polymer) derived from organic, renewable resources including corn scratch and sugar cane, unlike conventional plastics which are produced from the distillation and polymerization of petroleum.

Kezad, the UAE trade, logistics and industry hub, signed an agreement in 2022 with industrial recycling player Renov8 Polymer Industries to establish a $150 million mixed plastic waste recycling facility at its Polymer’s Park. Kezad also signed an agreement with Emirati tissue manufacturer Star Paper Mill in December last year to build a AED 200 million recycled paper plant. On a national level, the UAE last year took a decision to enforce a ban on all single-use plastic bags starting January this year and said the import of all plastic materials will be outlawed by 2026. (Enterprise 08.02)

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* 1. A New Egyptian Waste Management JV

UAE’s [Zero Carbon Ventures](https://www.zerocarbonvc.com/) and Egyptian environmental consultancy Green Planet have formed a waste-to-value JV introducing new tech to transform waste methane into valuable commodities. The JV — called the Zero Carbon Green Planet (ZCGP) — will use new patent-pending tech to process waste at Cairo’s 15 May landfill site and plans to be incorporated in the Abu Dhabi Global Markets.

ZCGP will use Zero Carbon Venture’s tech to process 400 tons of waste per day, turning it into profitable revenue streams such as graphene, hydrogen and fertilizers. The first phase of the project is expected to be operational by 2025; it will eliminate thousands of tons of CO2 and methane emissions upon its completion in 2027. The two companies signed an agreement last September for a pilot project focused on treating organic waste and transforming it into income-generating products.

Zero Carbon raised $5 million in seed funding in September and signed a preliminary pact with Masdar City in October 2022 to collaborate on CO2-reducing tech in the UAE’s capital. Founded in 2022, the company invests and applies innovative tech across four key areas: waste, water, energy and materials. The firm targets carbon reducing projects including carbon capture, storage and utilization (CCSU), clean energy generation, and energy efficiency engineering among other areas. Zero Carbon has offices in Masdar City and Abu Dhabi Global Market and is backed by British climate tech-firm Levidian, UAE’s Khalifa University, and US’ international law firm King & Spalding. (Enterprise 08.02)

ARAB STATE DEVELOPMENTS

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* 1. IMF Downgrades 2024 MENA Growth to 2.9% Due to Conflict & Lower Oil Output

The IMF announced on 31 January that growth in the Middle East and North Africa (MENA) economies is projected at 2.9% this year as the region battles the impacts of the Hamas attacks on Israel, lower oil production and tight policy settings. The fund revised downwards its October outlook for 2024 growth projections by 0.5% with 2023 growth at 2%.

The heightened security situation in the Red Sea has raised more concerns about the conflict's impact on trade and on shipping costs, while oil production cuts by several oil exporters are weighing on overall GDP growth, although non-oil sector activity remains robust. The IMF said one encouraging development was that inflation has continued to decline in most major economies in line with global trends, except in some parts of the region due to country specific challenges.

With regard to the UAE, the IMF expects the economy to grow by 3.8% in 2024. This growth is mainly driven by the non-oil sector and, therefore, despite extension of the cuts in oil production and oil export... we expect that growth will be at 3.8%. The UAE may see an inflation rate of 2.3% this year. Egypt, due to its proximity to Gaza, was heavily impacted by the conflict; the fund revised its growth forecast for 2024 to 3% compared to 3.8% last year. On the negotiations that are underway between the IMF and the Egyptian authorities, the first and second reviews are being reviewed and negotiations are continuing. (IMF 31.01)

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* 1. Bain & Co. Says Sovereign Wealth Funds Lead Middle East M&As

Government-backed funds dominated the deal making circles in the Middle East region last year, although the overall market fell amid a challenging macroeconomic environment, a new report showed. Sovereign wealth funds (SWFs) poured an estimated $81.7 billion into mergers and acquisitions (M&As) in 2023, representing 86% of the total value of deals during the year, Bain & Company said in its new report. The region saw around $95 billion worth of M&As, according to estimates, registering a 3% decline from the prior year’s $98 billion. The slowdown mirrors the trend worldwide, with global M&As dropping 15% to a ten-year low of $3.3 trillion.

Deal making data in the Middle East suggest that government funds play a “pivotal influence” in the region’s investment space. The consultancy firm also noted the “burgeoning” trend of investments by SWFs in Asian companies, particularly aimed at revitalizing the manufacturing sector and promoting innovation within the Middle East. The value of SWF deals with Asia surged by 60% during the first nine months of 2023, signaling a strategic shift towards increased investment in the region. Across the global market, Bain and Co noted, dealmakers grappled with high interest rates, regulatory scrutiny and mixed economic signals. Tech deal values, which fell by around 45%, emerged as the biggest drag on strategic M&As.

The report noted that at least $361 billion in announced deals were challenged by regulators around the globe over the past two years. Around $255 billion of those deals ultimately closed, but nearly all required remedies, Bain noted. (Zawya 06.02)

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* 1. Jordan's Consumer Prices Index Experiences Moderate Rise in January

Jordan's Consumer Price Index (CPI) witnessed an increase in January, rising by 1.95% to reach 109.72, compared to 107.62 in January 2023. According to the monthly report released by the Department of Statistics, several factors contributed to this rise. The water and sanitation category saw a rise of 7.34%, followed by personal effects at 5.92%, and dry and canned vegetables and legumes at 5.87%. Additionally, contributions to unions rose by 5.86%, while meat and poultry increased by 5.41%. Slighter rises were observed in the fuel and lighting group at 1.74%, home textiles at 1.42%, culture and entertainment at 1.05%, and clothing at 0.66%.

Conversely, the general CPI experienced a minor decrease in January of this year, dropping by 0.08% to 109.72 compared to the previous month in 2023, which was at 109.82. The report highlighted key commodity groups contributing to this decline, with notable decreases seen in dry and canned vegetables and legumes at 2.64%, transportation at 0.78%, fuel and lighting at 0.54%, dairy products and eggs at 0.11%, and home textiles at 0.08%. (Petra 11.02)

►►Arabian Gulf

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* 1. Kuwait Approves 2024/25 Budget & Forecasts a $19.1 Billion Deficit

Kuwait has approved its state budget for 2024-2025, which forecasts a deficit of $19.1billion (KWD5.89billion), for the fiscal year that starts 1 April 2024, and ends 31 March 2025. The projected deficit for the next fiscal year is 13.5% lower than that forecast in the current year. The draft budget is projecting revenue of KWD18.66 billion down 4.1% from the current year’s estimate while non-oil revenue is forecast to rise by 5.7% to KWD2.42billion.

Kuwait forecasted a 6.6% plunge in expenditure for the fiscal year 2024/25 to KWD24.6 billion, with salaries and subsidies making up 79.4% of the total expenditure. The Gulf state said it will allocate 9.3 % of the total expenditure towards capital expenditure while other expenses will make up 11.3 %.

The 2024/2025 budget is based on a daily production rate of 2.7 million barrels per day and Kuwait’s breakeven point is $90.7. The Gulf state posted a surplus of KWD6.4 billion in FY 2022/23, ending nine straight years of budget deficits as a boom in oil revenue and more controlled spending delivered a boost for one of the Middle East’s biggest crude producers.

Last August, the International Monetary Fund said Kuwait’s economic recovery is ongoing but risks to the OPEC member’s outlook “remain substantial” and gridlock between the government and parliament continues to delay reforms. The IMF said despite a plunge in the country’s oil GDP in 2023 due to oil production cuts, non-oil GDP growth would stay robust, driven by domestic demand, and is projected to remain steady over the medium term. (AN 31.01)

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* 1. Qatar’s Healthcare System Ranked Among Top 20 Globally

Qatar has ranked among the top countries in Numbeo’s different indexes, demonstrating the world class services, modern infrastructure and investment in the healthcare sector. The country been ranked among top 20 countries in Numbeo Healthcare Index 2024, for the fourth consecutive year, by scoring 72.7 points. Taiwan tops the list of 94 countries covered in the survey. Numbeo’s annual ranking offers an estimation of overall healthcare across the countries included in the study.

Doha also scored 72.7 in Numbeo’s 2024 ‘Health Care Index by City' and took the top spot among the regional cities. Taipei is at number one among the 217 cities on the list. Other countries in top 20 include South Korea, Japan, Netherlands, France, Denmark, Spain, Finland, Austria, Norway and the UK. In Numbeo’s ‘Health Care Expense Index’ Doha has scored 131.6, reflecting the quality of a healthcare system by emphasizing the positive aspects, more notably through an exponential increase while also emphasizing the native aspects more significantly.

Since 2021, Qatar has been ranked among top 20 countries in Numbeo Healthcare Index by Country. With developed and thriving medical technology, Qatar is continuously improving its healthcare, bolstering the competent workforce in the country. In 2023, five hospitals in Qatar were ranked among the world’s top 250 academic medical centers. In 2022, Qatar ranked first in the Arab world and 18th worldwide in the 2022 Health Care Index.

Qatar’s health sector is poised to become increasingly significant, given that medical tourism is anticipated to play a pivotal role in the country’s economic diversification strategy. As a result, the healthcare industry has witnessed unprecedented levels of growth and is projected to achieve a valuation of $12 billion by 2024. (Peninsula 30.01)

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* 1. UAE Economy Projected to Grow by 5.7% in 2024

The Ministry of Finance said the UAE economy is projected to grow by 5.7% in 2024 despite prevailing global economic challenges, including global economic slowdown and difficult financial conditions. The UAE's efforts to diversify the economy and promote sustainable growth have proven effective. The country expects non-oil GDP growth to reach 5.9% in 2023 and to grow by 4.7% growth in 2024.

The UAE's non-oil foreign trade hit a record AED1.239 trillion in H1/23, marking a 14.4% increase from the same period in 2022. Additionally, foreign direct investment (FDI) inflows to the country reached about AED83.5 billion in 2022. The innovative strategies of the UAE reflect a commitment to work according to the vision of the UAE leadership and the ‘Principles of the 50’ which have made economic development a supreme national interest. (WAM 01.02)

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* 1. UAE-Cambodia CEPA Goes Into Effect

Cambodia is now the fifth country that will trade with the UAE under the Comprehensive Economic Partnership Agreement (CEPA) as the deal went into effect starting February. The CEPA is designed to boost bilateral trade by removing or reducing tariffs on over 92% of product lines, facilitating smoother trade transactions and improving market access for service exports. The deal is expected to add 0.015% to the UAE economy by 2031.

Notably, non-oil trade between the UAE and Cambodia reached over $407 million in 2022, marking a 33% increase compared to the previous year and 50% increase compared to 2020. Amid a promising economic outlook in Cambodia, whose GDP grew 5.2% in 2022, the CEPA is expected to unlock new export opportunities for the UAE in sectors such as machinery, oils and lubricants and automotive parts, while Cambodia anticipates increased exports in grains, fruits, meats, processed foods, apparel, footwear, and leather goods.

Additionally, the agreement will enhance investment flows between the two nations, in priority sectors such as logistics, infrastructure, travel, tourism, and renewable energy. By the end of 2020, bilateral foreign direct investment (FDI) stood at $3.8 million, with total UAE investment flows into Cambodia reaching nearly $3m by the first half of 2022. In addition to Cambodia, the UAE has signed similar agreements with four other countries – India, Israel, Indonesia and Turkey. (GB 09.02)

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* 1. UAE Prepares to Start High-Speed Rail Construction

Etihad Rail is preparing to start construction work on the UAE’s high-speed rail project after asking contractors to express interest in the early works for the line connecting Abu Dhabi and Dubai. The high-speed project will slash journey times between the UAE’s two largest cities and economic centers. It is separate from the Etihad Rail passenger service, which will travel at 200 km/h and use the same network as the UAE’s freight rail network, for which construction work is now largely complete.

The early works for the UAE’s high-speed network will involve a contractor clearing and preparing sites for actual construction work. This typically includes earthmoving and the diversion of existing infrastructure or utilities in the area. The preliminary site testing works have begun. Dubai-based Matcon Testing Laboratory and Abu Dhabi’s Engineering & Research International are conducting drilling tests to ascertain the ground conditions in areas that the high-speed rail will pass through. Spanish engineering firms Sener and Ineco are the engineering consultants for the project.

Etihad Rail has previously conducted feasibility studies for high-speed rail links in the UAE. In late 2021, the UAE launched a $13.6 billion program to establish an integrated cargo and passenger transport system across the country. The program comprises three projects, the first of which is the Freight Rail component, which includes Etihad Rail’s freight capacity. The second project, Rail Passenger Services, aims to connect 11 cities within the UAE from Al-Sila to Fujairah. The passenger transport scheme will have a speed of 200 km/h and aims to minimize travel times between Abu Dhabi and Dubai to 50 minutes and Abu Dhabi and Fujairah to 100 minutes. More than 36.5 million passengers are expected to use the system by 2030.

The third project in the program, Integrated Transport Services, involves establishing an innovation center to incorporate smart transportation solutions into the overall plan. A light rail network will be linked to the rail passenger system to facilitate transportation within UAE cities. These projects will add to existing and under-construction elements of the network. (MEED 01.02)

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* 1. Dubai Welcomed 17 Million International Visitors in 2023

Dubai hosted more tourists than ever before in 2023, attracting 17.15 million international overnight visitors, a 19.4% year-on-year (YoY) increase from 14.36 million arrivals a year ago. The latest figures from the Department of Economy and Tourism (DET) align with the Dubai Economic Agenda D33 initiative to consolidate the city’s position as one of the top three global cities for business and leisure.

The tourism sector’s performance closely parallels Dubai’s 3.3% GDP growth in the first nine months of 2023. Accommodation and food services activities witnessed a remarkable 11.1% growth, cementing the emirate’s position as a leading global tourism hub. The strong tourism performance in 2023 saw the emirate maintain its position as a first-choice travel destination for visitors both from key traditional and emerging markets.

The average occupancy for Dubai’s hotel sector stood at 77.4%, among the world’s highest, increasing from 72.9% in 2022 and exceeding the 75.3% average occupancy in 2019. Meanwhile, the city’s hotel inventory at the end of December 2023 comprised 150,291 rooms at 821 establishments, compared to 146,496 rooms available at the end of 2022 across 804 establishments. (GB 07.02)

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* 1. Saudi Arabia’s Real GDP Contracts 3.7% in Fourth Quarter

Saudi Arabia’s real gross domestic product (GDP) shrank 3.7% year on year (YoY) in the last quarter of 2023, as a decline in oil activities by 16.4% continued to weigh on overall growth. The preliminary data from the General Authority for Statistics shows that Saudi Arabia’s economy contracted at a slower pace in Q4 2023 after a decline of 4.4% in the previous quarter. For 2023 as a whole, the economy shrank 0.9%, its first full-year drop since the outbreak of the COVID-19 pandemic. However, non-oil activities and government activities grew by 4.3% and 3.1% respectively, on an annual basis.

The International Monetary Fund (IMF) projected that Saudi Arabia’s economy contracted by 1.1% in 2023 when the kingdom prolonged its oil production cuts leaving the Gulf state pumping 9 million barrels per day (bpd), the lowest in several years. Following the first budget surplus in nearly a decade in 2022, Saudi Arabia rewrote its medium-term spending plans and shifted from forecasting years of surpluses to deficits until at least 2026 as it accelerates spending. The kingdom approved its state budget for 2024, which forecasts a fiscal deficit of $21.1billion or 1.9% of GDP next year. Meanwhile, Saudi Arabia is pumping around 9 million bpd, well below its around 12 million bpd capacity. (GAS 01.02)

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* 1. Saudi More Than Doubles 2030 Foreign Tourism Target

Saudi Arabia drew 27 million foreign tourists in 2023 and has more than doubled its goal for the end of the decade. The announcement came less than five years after the Gulf kingdom fully opened up to tourism and as fears persist that the ongoing Hamas assault on Israel could engulf the wider region. Authorities now hope to hit 150 million tourists by 2030, up from an earlier goal of 100 million, with 70 million of those coming from abroad, up from an earlier goal of 30 million.

Tourism is an important element of Crown Prince Mohammed Bin Salman's Vision 2030 reform agenda, which aims to help the world's biggest crude exporter transition away from fossil fuels and prepare for an eventual post-oil future. Home to Islam's holiest sites in Mecca and Medina, Saudi Arabia has long welcomed pilgrims as well as business travelers, but it inaugurated a general tourism visa only in 2019, just months before the coronavirus pandemic decimated the industry globally.

New resorts along the Red Sea coast are expected to be a major draw, though recent attacks on Red Sea shipping by Houthi rebels in neighboring Yemen have revived security concerns in the area. The Houthis have been at war with a Saudi-led military coalition since 2015. (AFP 07.02)

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* 1. PIF Attracts $26 Billion in Private Investments in Less than Three Years

The value of private sector investments in the Public Investment Fund (PIF) portfolio companies and projects has reached SAR96 billion ($25.6 billion) as of Q3/23, said the Governor of the sovereign fund Yasser Al-Rumayyan. Direct investments from the private sector between 2021 to the end of the third quarter of 2023 amounted to more than SAR 96 billion. The programs and initiatives launched in last year’s edition of the PIF Private Sector Forum contributed to strengthening the partnership with the private sector.

Al-Rumayyan added that the PIF continues to drive economic transformation in Saudi Arabia by focusing on strategic sectors. Since 2017, the fund has established 93 companies, generating more than 644,000 direct and indirect jobs across promising sectors. Saudi Vision 2030 aims to raise the private sector’s contribution to GDP to 65% by 2030. (Zawya 07.02)

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* 1. Alat to Contribute in Making Saudi Arabia a Global Hub for Advanced Industries

Prince Mohammed bin Salman announced the launch of Alat, a PIF company to make Saudi Arabia a global hub for sustainable technology manufacturing that focuses on advanced technologies and electronics. Alat will focus on manufacturing products that serve local and international markets within seven key strategic business units: advanced industries and semiconductors, as well as smart appliances, smart health, smart devices and smart buildings, in addition to next generation infrastructure.

The company, chaired by the Prince, aims to enhance the capabilities of the Saudi technology sector, increase its contribution to local content – benefiting from the rapid development of this sector – increasing the nation’s attractiveness and its ability to create investment opportunities. Alat will also enable the private sector through its strategic partnerships with leading international players in manufacturing and technology, which will enhance the economic ecosystem locally and regionally.

The company will build partnerships to enable the transformation of the industrial sector globally, by providing sustainable industrial solutions based on clean energy sources. These partnerships will help meet commercial demand, keep pace with the needs of the next generation of manufacturing, enhance the strength of local supply chains and contribute to making Saudi Arabia a global center for advanced technological manufacturing. Alat will manufacture more than 30 product categories that will serve vital sectors. These include robotic systems, communication systems, advanced computers and digital entertainment products, as well as advanced heavy machinery used in construction, building and mining.

The establishment of Alat aligns with PIF’s strategy to expand in sectors that are priorities, while strengthening local supply chains to enable economic diversification and sustainable growth – in line with Saudi Vision 2030. (SPA 01.02)

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* 1. Sohar Port and Free Zone Signs Deal for $210 Million Data Center

In a move towards enhancing the digital economy and technological innovation, Sohar Port and Free Zone (SOHAR) entered into a land lease agreement with Oman's [Green Data City](https://www.greendatacityoman.com/). The collaboration involves establishing a $210million high-capacity data computing center dedicated to hosting, processing and mining data in Sohar Free Zone. The project marks a substantial step in the field of advanced technologies within Sohar Free Zone. The facility is set to house approximately 20,000 servers from leading manufacturers, housed in specially prepared 40 feet containers.

These containers will be equipped with dry cooling devices, ensuring sustainable and environmentally friendly cooling, crucial for effective data processing and other Internet computing operations. Spread over 45,000sqm, the project is poised to be a vital resource for contemporary companies, offering essential infrastructure for data storage, processing and management. It represents a key step towards digital transformation, contributing to economic development and bolstering communication and information technology services in the region. (SOHAR 29.01)

►►North Africa

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* 1. Egypt End-of-Mission IMF Statement on First and Second EFF-Review

The IMF visited Cairo during 17 January – 1 February to conduct discussions toward the completion of the first and second reviews of Egypt’s reform program supported by the IMF’s Extended Fund Facility (EFF). The IMF said its team and the Egyptian authorities made excellent progress on the discussions of a comprehensive policy package needed to reach a Staff Level Agreement (SLA) for the combined first and second reviews of Egypt’s economic reform program supported by the IMF. To this end, the IMF team and the Egyptian authorities have agreed on the main policy elements of the program. The authorities expressed a strong commitment to act promptly on all critical aspects of Egypt’s economic reform program.

The IMF team and the Egyptian authorities also agreed on the critical importance of strengthening social spending to protect vulnerable groups. This is important to ensure adequate living conditions for low and middle-income households that have been hit particularly hard by rising prices. The mission and the authorities will continue discussions virtually over the coming days to finalize the Memorandum of Economic and Financial Policies (MEFP), and identify the magnitude of additional support from the IMF and other bilateral and multilateral development partners needed to help close Egypt’s increased financing gaps in the context of recent shocks. (IMF 01.02)

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* 1. Egyptian Pound Forecast to Drop to at Least 55/$ by Year's End

As Egypt still seeks a way out of its grinding foreign currency crunch, Oxford Economics has predicted that the value of local currency will drop somewhere between 55/$ and 60/$ by the end of the year if regulators switch to a flexible exchange rate regime. Oxford noted that such depreciation might help close the widening gap with the black market, where the exchange rate topped 70/$ lately before moving down to nearly 58/$ on 4 February. The official exchange rate still stands at 30.9 against the green back.

Based on its forecasted exchange rate, Oxford Economics expects the annual inflation to peak in Q4/24, reaching between 40% and 45%. Headline inflation has been slowing down in recent months, reaching 33.7% in December compared to 38% in September. London-based think tank Capital Economics released a more pessimistic forecast last week, predicting the Egyptian pound to experience “an initial fall” to 60-65/$ if regulators embark on a devaluation soon.

For almost a year, the Central Bank of Egypt (CBE) has maintained the same official rate below 31/$, ignoring calls by the IMF to adopt a flexible exchange rate. The IMF considers the devaluation of the pound essential to attract foreign capital inflows and reduce a widening financing gap. (Zawya 05.02)

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* 1. Egypt Faces Dollar Crunch as Debt Explodes

Egypt's economic crisis is squeezing high-street brands such as Starbucks and The Body Shop as experts ask how the Arab world's most populous nation will repay its soaring debt. Amid a severe foreign currency crunch, the US dollar has become hard to come by as the Egyptian pound is plunging and inflation is surging at 35%. Egypt's highly import-reliant economy, dominated by military-linked enterprises and with a fondness for infrastructure mega-projects, has been hit hard by a series of recent shocks. The pandemic impacted its key tourism sector. The Ukraine war raised the cost of wheat and other imports. Recent attacks by Yemen's Huthi rebels on Red Sea shipping have slashed vital Suez Canal fees.

Remittances from overseas Egyptian workers -- the main source of foreign currency -- slumped by as much as 30% in July-September 2023 alone, according to Central Bank of Egypt data. The Egyptian state, highly indebted after years of heavy borrowing, including for a new capital city in the desert east of Cairo, has struggled to service its ballooning debt. The IMF has stepped in with a $3 billion loan facility but demanded painful austerity measures in the country of 106 million people, two-thirds of whom live on or below the poverty line. President al-Sisi recently explained that the state spends $3 billion a month on commodities such as food and energy.

Egypt's external debt has exploded to $164.7 billion. The cost of servicing that debt this year will be $42 billion. JP Morgan recently announced that from 31 January, it will exclude Egypt from its index of government bonds of emerging economies "due to issues related to reported difficulties in essential foreign currency convertibility by concerned investors". Ratings agency Moody's just lowered the outlook on Egyptian government bonds to "negative" from "stable" in the face of foreign currency shortages, weak consumer confidence and borrowers increasingly unable to repay their loans. (AFP 01.02)

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* 1. Egypt’s Trade Deficit Shrinks To $36.9 Billion in 2023

Egypt’s trade balance deficit declined by $11.158 billion in 2023 to $36.908 billion, versus $48.66 billion in 2022, Minister of Trade and Industry Ahmed Samir announced on 6 February. Additionally, the country’s merchandize exports were valued at $35.631 billion in 2023, surpassing 2022 records. Egyptian exports to the African countries grew by 7% year-on-year (Y-o-Y) to $2.247 billion, while exports to the Arab League member countries amounted to $13.411 billion. Meanwhile, exports to the European Union (EU) stood at $9.50 billion last year. Moreover, Egypt’s merchandize exports to the US hit $1.966 billion, although merchandise imports fell by 14% last year to $72.539 billion, versus $83.988 billion in 2022. (Various 07.02)

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* 1. Suez Canal Trade Volume Sinks Due to Red Sea Attacks

Global supply chains have been thrown into a tailspin amid ongoing attacks on Red Sea shipping arteries by Yemen-based Houthi militias. Indeed, nearly 5 million metric tons less trade and 150 fewer vessels transited the Suez Canal in January compared to the same time the previous year.

The Suez Canal makes up part of the main maritime trade artery between Asia and Europe via the Middle East. Data for 2024 through 29 January shows 140.55 million metric tons of trade transiting the key chokehold, compared with 145.25 million for the same period the previous year.

The Suez Canal is also a key revenue stream for Egypt, which collects taxes from vessels traversing the waterway. Dollar revenues have plummeted 40% in the first few weeks of 2024 compared to the same period the year prior, adding pressure on Egypt's battered economy. (Enterprise 02.02)

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* 1. Egypt Hikes Wages Amid Cost-of-Living Crunch

Egyptian President Abdel Fattah al-Sisi announced significant wage hikes on 7 February to address the cost-of-living crisis that has seen the national poverty rate hover around 30%. Sisi raised Egypt’s monthly minimum wage by 50% to 6,000 Egyptian pounds ($194) starting in March. He also ordered all government monthly salaries to be raised by a minimum of EGP1000 to 1,200 ($32-$39).

Years of mismanagement coupled with a severe foreign currency crisis have stifled Egypt's economy, leading the IMF to demand a host of austerity measures to unlock relief. The war in Ukraine further pummeled Egypt, which relied heavily on wheat and grain imports from Russia and Ukraine, as dwindling supplies led to increased poverty and soaring inflation. The Hamas assault from Gaza and associated regional tumult, meanwhile, have only exacerbated Egypt’s financial malaise. Among other things, Cairo has seen a sharp decline in revenues from the Suez Canal, a waterway connecting the Mediterranean with the Red Sea and a key revenue stream for Egypt, which collects taxes from vessels traversing it. The IMF director recently said the body is “very close” to concluding a loan deal with Egypt for an estimated $10 billion package. (Al-Monitor 08.02)

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* 1. Tunisia Passes Draft Approval for ELMED Loan

Tunisia’s House of Representatives approved a $268 million loan extended by the World Bank’s International Bank for Reconstruction and Development (IBRD) to the Tunisian Electricity and Gas Company (STEG) to finance the €1 billion ELMED electric interconnection project it is co-developing with Italy. The Cabinet had approved the loan in November.

STEG is expected to channel €582 million toward development of the subsea power link — with the price tag increasing €164 million from previous estimates of €850 million. The newly approved loan will be channeled toward financing building a power converter and accompanying substations on the Tunisian side.

The EU’s Connecting Europe Facility (CEF) is contributing a grant of €307.6 million for the project. Other lenders include the European Investment Bank (EIB), the German Development Bank (KfW), and the EBRD, who approved an extension of a sovereign-backed senior loan of up to €45 million to STEG in December. The Tunisia-Italy 600 MW subsea interconnector will transport 400-600 MW of clean power generated from hydroelectricity and is targeting an operational launch by 2029. The high-voltage direct current (HVDC) transmission cable connecting the two countries will be operated and jointly owned by STEG and Italian transmission system operator Terna. The project will help STEG source clean power during summer peak hours, and export surplus energy to Europe in the winter. (TAP 04.02)

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* 1. Morocco’s Unemployment Rate Hits Two-Decade High at 13% in 2023

Morocco's economy hemorrhaged 157,000 jobs in 2023, with rural areas bearing the brunt of the alarming trend accounting for the loss of 198,000 jobs out of the total. At the end of 2023, unemployment in Morocco reached 13%, a rate not seen in over two decades. The culprit is drought-stricken agriculture, which accounted for nearly 28% of jobs, a report from the Higher Commission of Planning (HCP) said.

The agriculture sector in Morocco shed a sweeping 202,000 jobs nationwide, with a substantial 207,000 of the job cuts occurring in rural areas. However, there was a modest offset with the creation of 5,000 jobs in urban regions. The colossal loss of jobs in the agriculture sector is likely due to the persistent drought and its effect on crops.

In contrast, other sectors performed more favorably. Excluding agriculture, all remaining sectors witnessed notable job growth. HCP data reveal that the construction sector injected 19,000 jobs into the national economy, while the services sector generated 15,000 new positions, and the industry sector added 7,000 jobs. The country has long recognized that its over-reliance on agriculture to generate jobs is unsustainable. Agriculture’s share of the country's Gross Domestic Product (GDP) has been steadily decreasing over the past decade. However, as of 2023, it still only accounts for over 10% of the GDP.

Beyond over-reliance on agriculture, unemployment in Morocco is still driven by a host of other culturally-motivated factors, as joblessness remains higher than average among women at 18%. As of 2022, 73% of the 15 million active population outside the labor force were women, an earlier report from HCP indicated. In addition, a staggering 80% of Morocco’s female population of working age is outside the labor market. High unemployment among women in Morocco is directly attributed to prevailing conservative notions relating to gender roles in the country. (MWN 06.02)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. Erdogan Choses New Turkish Central Bank Governor

Turkish President Erdogan has appointed Fatih Karahan as the new head of the country’s central bank after its former governor Hafize Gaye Erkan stepped down, claiming to be facing a smear campaign from local media.

Karahan has experience working as an economist at the New York Fed and Amazon. He taught at Columbia University and New York University and received his PHD in economics from the University of Pennsylvania. He has been serving as the central bank’s deputy governor since July 2023.

Erkan, the first woman to hold the position as central bank governor in Turkey, held the position for a mere eight months but resigned following allegations that her father was involved in the bank’s affairs. The Turkish lira fell against the US dollar following the news, dipping 0.5% to 30.5 per $. The currency is down 23% against the dollar since Erkan assumed her position in June. (Enterprise 04.02)

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* 1. Greece & Saudi Arabia Launch Interconnection Project Company

Saudi Arabia's National Grid and Greece’s Independent Power Transmission Operator (IPTO) have set up a 50-50 joint venture by way of a special purpose vehicle dubbed Saudi Greek Interconnection to connect KSA to the European continent. The JV will conduct a feasibility study on connecting the two countries’ electricity grids and enabling the exchange of renewable energy.

The two companies said in October they were forming a 50/50 joint venture to link their power grids to deliver greener, more affordable energy to Europe. The news followed an agreement between the governments of Greece, Cyprus, and Israel to establish a subsea electricity transmission cable linking their respective national grids to increase energy cooperation.

The EU has identified MENA countries as suitable partners to help them diversify their energy mix away from Russian imports due to the country's high potential for solar and hydrogen energy production, as well as their geographical proximity, according to a plan proposal published by EU Commission in 2022. The proposal identified Algeria, Qatar, Saudi-Arabia, the UAE and Iraq as the most capable in the short run.

Egypt is also in talks with Greece for the planned 3 GW Egypt-Greece Interconnector which would see Egypt export its renewables surplus to mainland Greece, and is finishing up the first phase of its interconnection project with Saudi as it plans to export renewable energy. Saudi Arabia is also establishing its own 1 GW electrical interconnection project with Iraq, and Morocco is looking to lay a 3,800 km HVDC subsea cable to eventually transport 3.6 GW of renewable energy to the UK. Tunisia is also working on a planned electrical interconnection project with Italy. (Enterprise 13.02)

GENERAL NEWS AND INTEREST

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* 1. Texas A&M Closes Qatar Campus

Reporting on Texas A&M University's dangerous research agreement with Qatar has helped push the university Board of Regents to close its Qatar campus (known as TAMUQ) by 2028. Texas A&M is one of six American universities with all-expenses-paid campuses in Qatar, the major funder of the U.S.-designated terrorist organization Hamas. The others are Carnegie Mellon, Cornell's Weill Medical College, Georgetown, Northwestern and Virginia Commonwealth.

Qatar acquired full ownership of more than 500 research projects at Texas A&M, some of which are in highly sensitive fields such as nuclear science, artificial intelligence, cybersecurity, biotech robotics and weapons development. The Qatar Foundation, controlled by that country's ruling al-Thani family, owns all intellectual property developed at TAMUQ.

On 8 February, the university's board voted 7-1 vote to shutter its Doha campus. This decision was made after thoughtful discussion about the need to focus the university on its land-, sea- and space-grant mission. The Board of Regents decided to reassess the university's physical presence in Qatar in fall 2023 due to the heightened instability in the Middle East.

The initiative to close the campus started with the Middle East Forum, which promotes American interests in the region and protects Western civilization from nefarious elements. It does so through a combination of original ideas, focused activism and the funding of allies. (MEF 09.02)

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* 1. When is Ramadan 2024 in the UAE

While the UAE government is yet to release the official date for the start of Ramadan 2024, predictions by astronomers have pegged the start date of the holy month in the second week of March. Following the release of a new Islamic calendar for 1445, astronomers calculated that the month of fasting and prayers is expected to start 11-12 March. It is expected that Eid Al Fitr will be on Wednesday, 10 April 2024. The official start date will only be confirmed by the UAE’s Moon-sighting committee closer to the start period.

During Ramadan, working hours are cut short and schools have shorter operating hours. The UAE annually announces reduced working hours for Ramadan for both the public and private sector. In 2023, government entities worked from 9:00 through to 14.30 from Monday to Thursday, and from 9:00 until 12:00 on Fridays during the month. Additionally, public sector employees’ shifts will be 70% remote and 30% in-person attendance on Fridays during the month. Employees working across the country’s private sector had a reduction of two working hours per day, based on the advisory issued by MoHRE.

Ramadan is considered the holiest month of the year for Muslims around the world. Muslims commemorate the revelation of the Koran and fast for a period of 30 days from dawn, before the call for the morning prayer and end it at dusk when the call for Maghrib prayer is given. The end of the month is celebrated with Eid Al Fitr which is marked on the first day of Shawwal, after the sighting of the Shawwal crescent Moon – the month after Ramadan. (GB 31.01)

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* 1. A List of Public Holidays in the UAE for 2024

As announced by the United Arab Emirates Cabinet, here are all the public holidays in UAE in 2024 for both the private and public sectors.

**Eid Al Fitr:** After the Holy Month of Ramadan, it’s the first Eid holiday of the year – Eid Al Fitr. A UAE astronomer has predicted the dates for Ramadan and Eid Al Fitr 2024 and, according to astronomical calculations, the holy month of Ramadan is expected to commence on Monday, March 11, 2024, with Eid Al Fitr running from Ramadan 29 to Shawwal 3 on the Islamic Calendar (Hijri), which is likely to correspond to Monday, April 8 to Friday, April 12 in the Gregorian calendar.

If the astronomical predictions are accurate, there may be a nine-day break with work resuming on Monday, April 15. If the crescent moon isn’t sighted and it’s a 30-day Ramadan, Eid al Fitr will be a seven-day break, from Tuesday, April 8 to Friday, April 12.

**Arafat Day:** Arafat Day is considered the holiest day in Islam and in the Islamic calendar. It takes place approximately 70 days after Eid Al Fitr, and marks the second day of Hajj (pilgrimage to Mecca). In 2024, Arafat Day falls on Dhu Al-Hijjah 9 which corresponds to June 15 which is a Saturday.

**Eid Al Adha:** According to tradition, Eid Al Adha is held to honor Ibrahim’s willingness to sacrifice his son, after being instructed to do so by God. In 2024, it is set to fall on Dhu Al-Hijjah 10 to 12.

**Hijri New Year/Islamic New Year:** Thismarks the beginning of a new lunar Hijri year. In 2024, it falls on Sunday, July 7, 2024 (Muharram 1)

**Prophet Muhammad’s Birthday:** In 2024, Al-Mawlid Al-Nabawiis expected to fall on Rabi’ Al-Awwal 12, which corresponds to September 15, 2024 which is a Sunday.

**Commemoration Day and UAE National Day:** Previously known as Martyrs’ Day, it is marked annually on December 1. In 2024, this is a Sunday. However, after this, the UAE celebrates National Day which falls on December 2 and 3, which is a Monday and Tuesday. This means it will be a long four-day break for those of us who enjoy a two-day weekend. (WAM 04.02)

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* 1. Sheikh Hamdan Approves $144 Million Dubai Schools 6,400 Seat Expansion

The UAE could have 15,000 school seats by 2033 after Sheikh Hamdan, Crown Prince of Dubai and Chairman of the Executive Council of Dubai, gave the green light for the substantial expansion of the ‘Dubai Schools’ project. As part of the expansion the project was awarded a budget of $144.32 million. This strategic initiative is focused on fortifying the emirate’s education system, striving to create a world-class learning environment.

The key emphasis of the expansion revolves around a significant increase in the number of schools and, notably, available seats. The investment will also be directed towards incorporating cutting-edge technologies and modern facilities, fostering an environment that champions innovation and creativity within the classroom. This ambitious move is expected to result in the addition of over 6,400 seats, accompanied by the establishment of 295 classrooms and 123 laboratories and specialized classrooms.

The ‘Dubai Schools Project’ expansion aligns with the Dubai Social Agenda 33, an initiative launched by Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai. The overarching goal is to propel Dubai’s educational landscape to new heights, placing a strong emphasis on providing ample and enhanced school seats to cater to the growing educational needs of the community. (GB 31.01)

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* 1. Saudi Arabia's Founder's Day

Saudi Founding Day is a public holiday in Saudi Arabia celebrated annually on 22 February to commemorate the enthronement of Muhammad bin Saud as the emir of the oasis town of Diriyah in 1727 following the death of his father Saud al-Muqrin, the eponymous ancestor of the al-Saud family. His hereditary succession is considered as the prelude to the inception of the First Saudi State, the antecedent to the Second Saudi State and present-day Kingdom of Saudi Arabia. Marking the day began in 2022 on its 295th anniversary, when King Salman bin Abdulaziz issued a royal decree that designated it as a legal holiday to be observed as per the Gregorian calendar. It is one of the three non-religious national holidays observed in the country, other being the Saudi National Day and Saudi Flag Day. Following the rise of Mohammed bin Salman as the country's crown prince in 2017, the country underwent unprecedented reforms that saw taming the authority and influence of religious clerics.

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* 1. Morocco Ranks 7th in Africa for Tobacco Consumption

A new report from the World Health Organization (WHO) reveals Morocco's concerning level of tobacco use, ranking 7th in Africa for number of smokers and 14th in the Eastern Mediterranean. With over 3.4 million adult smokers nationwide, tobacco consumption remains a pressing public health issue.

The WHO's global analysis shows overall declining smoking rates worldwide - down from 1 in 3 adults in 2000 to 1 in 5 today. Morocco, however, lags behind global and regional trends. Recent national surveys found smoking is prevalent in 13.4% of adults, but with a stark gender divide; 27% among men compared to less than 0.5% among women. This gender gap partly explains Morocco's high regional ranking for number of smokers, surpassed only by Egypt, South Africa, Algeria, Democratic Republic of Congo, Sudan and Madagascar in Africa.

While some countries like Brazil and Netherlands have implemented strong tobacco control policies, Morocco continues to face industry interference undermining public health efforts. According to a study conducted by Morocco’s Ministry of Health in 2021 on the epidemiological and economic impact of smoking, tobacco in Morocco was responsible for 74,000 prevalent cases of ischemic heart disease and 4,227 new annual cases of lung cancer in 2019. Also noted as an alarming trend is the "tobacco epidemic transition", as smoking habits are passed to the younger generation. (Various 07.02)

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* 1. Report Shows Greece's Lagging University Graduation Rate

Only one in five students at Greek universities complete their studies within the minimum time of study, while most take almost six years to complete a four-year program, which is the shortest possible duration of an undergraduate program, according to a report by the National Authority for Higher Education.

In its rather non-flattering review of the situation, the authority also notes that Greece has the highest ratio of students per teacher, 33 points below the European average. The report notes that Greece has 25 institutions of higher education with 423 departments, 602 undergraduate programs, 1,258 postgraduate programs and 423 doctoral programs. The student population appears to be one of the highest among European countries, but also internationally, mainly due to the high percentage of “eternal” students who delay graduation for many years beyond the normal period of study. (EKathimerini 13.02)

ISRAEL LIFE SCIENCE NEWS

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* 1. Align Technology Announces New iTero Lumina Intraoral Scanner

Align Technology announced the launch of the iTero Lumina intraoral scanner – with a 3X wider field of capture in a 50% smaller and 45% lighter wand, delivering faster scanning speed, higher accuracy, superior visualization, and a more comfortable6 scanning experience. Designed with iTero Multi-Direct Capture technology that replaces the confocal imaging technology in earlier models, the iTero Lumina scanner has a wider field of capture and multi-angled scanning that enables simultaneous capture from multiple angles, making it possible to capture more dentition in a single uninterrupted movement, and deliver smoother, faster and more accurate scans3.

Petah Tikva's [Align Technology](http://www.aligntech.com) designs and manufactures the Invisalign system, the most advanced clear aligner system in the world, iTero intraoral scanners and services, and exocad CAD/CAM software. These technology building blocks enable enhanced digital orthodontic and restorative workflows to improve patient outcomes and practice efficiencies for over 256 thousand doctor customers and is key to accessing Align’s 600 million consumer market opportunity worldwide. (Align Technology 31.01)

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* 1. ProFuse Technology Unveils Revolutionary Cell Line for Cultivated Meat

ProFuse Technology announced the official launch of PROFUSE-B8, a pioneering spontaneously immortalized bovine myoblast cell line available for licensing. This innovative development marks a significant milestone in the cultivated meat industry, introducing a paradigm shift in the efficient cultivation of protein-rich muscle tissue. Extensively researched and tested over a comprehensive two-year period, the PROFUSE-B8 cell line presents cultivated meat producers with a stable and robust foundation for the development of scalable, repeatable and cost-competitive production processes. Notably, B8 achieves this without resorting to genetic modification technology, ensuring optimal alignment with consumer preferences and acceptance.

Complementing its groundbreaking attributes, when integrated with the PROFUSE-S1 muscle differentiation media supplement muscle tissue production is accelerated, offering increased efficiency within shorter production times. ProFuse Technology remains steadfast in its commitment to advancing the cultivated meat sector by providing cutting-edge muscle-related production solutions. Concurrently, the company is actively engaged in the development of additional muscle production-optimized cell lines tailored for chicken, pork, lamb, and fish.

Yokneam's [ProFuse Technology](http://www.profuse-tech.com) specializes in creating solutions for muscle growth in the cultivated meat and life science industries. This includes the development of cell lines and media supplements. Their solutions not only increase yield and shorten production cycles but also lead to a substantial reduction in production costs. The company actively collaborates with prominent cultivated meat and life-science companies, seamlessly integrating its solutions into their production processes for cultivated meat and in-vitro muscle models. (Profuse Technology 06.02)

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* 1. GrayMatters Health Pioneering Study Highlights Self-Neuromodulation for PTSD

GrayMatters Health (GMH) announced the publication of a peer-reviewed article in the Journal of Psychiatry Research demonstrating the safety and efficacy of its FDA-cleared Prism for PTSD device. The prospective, single arm, multi-site, open label trial evaluated men, women, and treatment-resistant combat veterans with chronic post-traumatic stress disorder (PTSD).

Prism for PTSD is the first self-neuromodulation device to receive FDA clearance as a prescribed adjunct to standard-of-care for PTSD. The treatment, now available in select clinics in the United States, digitizes brain activity associated with PTSD to scientifically help patients gain control of their PTSD symptoms.

Prism's core technology is the world's first digital biomarker of brain activity associated with mental health disorders. The EEG-fMRI-Pattern (EFP) biomarker was developed by applying advanced statistical models to register fMRI amygdala data with EEG. This puts a neuroscience-based tool into the hands of clinicians to improve patient care. Prism for PTSD uses a computer simulation and EEG headset to create a novel, immersive environment for training individuals to self-modulate an amygdala-based biomarker associated with PTSD.

Haifa's [GrayMatters Health (GMH)](https://graymatters-health.com), develops self-neuromodulation therapies to enhance mental health care outcomes. GMH's flagship FDA-cleared product, 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. The company is collaborating with leading mental health institutions to evaluate Prism for additional mental disorders. (GrayMatters Health 06.02)

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* 1. Evogene & Verb Biotics Collaborate to Advance Probiotic Innovation

Evogene and Boston's Verb Biotics, a microbiome health ingredient company whose mission is to improve human health, entered into a collaboration agreement that will focus on the development of new strains of probiotic bacteria, which produce a highly sustainable quantity of microbial metabolites that improve human health and vitality. The collaboration will focus on identifying and enhancing the currently unknown genetic pathways in microbes that support the production of novel metabolites, using Evogene's MicroBoost AI tech-engine and Verb Biotics' extensive accumulated knowledge in the field of the microbiome.

The collaboration generates excellent synergy by combining Evogene's knowledge in bacterial-based product development utilizing its tech-engine MicroBoost AI with Verb Biotic's access to the genomes of various microbial strains that support the production of microbial metabolites vital for human health. The financial terms of the agreement are not disclosed.

Rehovot's [Evogene](http://www.evogene.com) is a computational biology company aiming to revolutionize the development of life-science based products by utilizing cutting edge technologies to increase the probability of success while reducing development time and cost. Evogene established three unique tech-engines - MicroBoost AI, ChemPass AI and GeneRator AI – leveraging Big Data and Artificial Intelligence and incorporating deep multidisciplinary understanding in life sciences. Each tech-engine is focused on the discovery and development of products based on one of the following core components: microbes (MicroBoost AI), small molecules (ChemPass AI), and genetic elements (GeneRator AI). (Evogene 06.02)

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* 1. Remilk Makes History as First Animal-Free Milk Protein Greenlit for Use in Canada

Remilk has received Health Canada's "Letter of No Objection", enabling the use and sale of its animal-free BLG protein in Canada. In Feb 2023, Remilk received a "No Questions Letter" from the FDA and the Singapore Food Agency's approval. The company made headlines again in April as the first to receive regulatory approval of its kind in Israel. Now, it is the first company producing animal-identical protein to receive Health Canada's No Objection Letter. The letter opens Canada's door for use of Remilk's protein in a variety of products with the same taste and texture as milk, ice cream, yogurt and more, while free of lactose, cholesterol, and growth hormones, and with significant nutritional and environmental benefits.

Remilk's animal-free BLG milk protein is equivalent to its cow-derived counterpart, but it is produced without a single cow, via precision fermentation. The company manufactures its protein at commercial scale in several locations around the world.

Rehovot's [Remilk](https://www.remilk.com/) is a global leader in the development of animal-free dairy. Remilk produces dairy-identical milk proteins through precision fermentation and has developed a unique and patented approach to scalable manufacturing which requires a fraction of Earth's resources compared to traditional dairy. It also dramatically increases efficiency in production and, for the first time in history, eliminates the need for dairy cows in industrial-scale dairy production. Dairy made with Remilk's animal-free protein is rich and creamy, providing consumers with the dairy experience they know and love, but free of lactose, cholesterol, hormones and antibiotics. (Remilk 05.02)

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* 1. Inspira Collaborates with a Leading Israeli Medical Center for INSPIRA ART Device

Inspira Technologies signed a non-binding Letter of Intent (LOI) with Shamir Medical Center (Assaf HaRofeh), a renowned healthcare institution in central Israel. The Company plans to extend collaborations with further leading Israeli medical centers as part of a wider clinical deployment strategy.

The LOI solidifies the mutual commitment of both parties to assess the integration and performance of the INSPIRA ART100 device within Shamir Medical Center's clinical environment. This includes evaluating the device's fit with the hospital's clinical needs, efficiency in workflow, and overall impact on healthcare delivery. The hospital will procure all required disposables for operating the Devices as part of the LOI. Inspira will gain access to device operation data and user experience in a real-life clinical setting.

Ra'anana's [Inspira Technologies](https://inspira-technologies.com/%E2%80%8E) is leading the way in transforming life-support care. Its innovative solutions are paving the way for direct blood oxygenation, bypassing the lungs and potentially reducing the need for traditional mechanical ventilation. Beyond this, the Company is committed to advancing blood circulation technology and incorporating AI-driven monitoring systems. These advancements are part of its strategy to offer more patient-focused, data-informed care. The integration of these technologies signifies the potential to enhance patient outcomes and streamline hospital operations, marking a new era in respiratory care. (Inspira Technologies 08.02)

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* 1. PatenSee & Fresenius Medical Care Sign Clinical Collaboration Agreement

PatenSee, developer of a fistula monitoring system for dialysis patients, has entered into an agreement with Germany's Fresenius Medical Care, a leading global provider of dialysis services. Under the agreement, the parties will first collaborate in a joint, multi-center, pilot trial of PatenSee's contactless monitoring system in Fresenius Medical Care's dialysis clinics in Israel. The study is expected to commence during Q1/24. PatenSee plans to add additional clinics in the United States, with the goal of collecting the required data towards FDA clearance.

Or Yehuda's [PatenSee](http://www.patensee.com) is a clinical-stage medical device company developing a contactless monitoring system for the early detection of vascular access stenosis in hemodialysis patients. Using advanced, multi-modal imaging technologies, AI and machine learning, PatenSee's device alerts caregivers of an access stenosis risk at the earliest stage, enabling timely interventions to protect the patient's hemodialysis lifeline, improve quality of care and prolong the life of the fistula access in both the clinic and the home dialysis setting. (PatenSee 13.02)

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* 1. SaliCrop's Novel Seed Enhancement Tech Makes Deserts Bloom

Globally, fertile lands are increasingly being degraded, losing the ability to sustain life and grow food. AgriTech start-up, Kfar Vitkin's [SaliCrop](http://www.salicrop.com), has pioneered a breakthrough seed treatment to transform arid terrain into flourishing landscapes to growing food. Leveraging its expertise in desert technology, the company developed a novel, non-GMO approach to bolster seeds' resilience to abiotic stresses brought on by extreme climate challenges. SaliCrop's solution can help boost crop cultivation in arid regions, raising yields and elevating the value to marginal lands, turning them into arable stretches more fit for growing food. The result is greater food security for the future.

SaliCrop's has developed hundreds of seed enhancement protocols designed to improve plant resilience to the impacts of climate change by intentionally exposing the seeds to controlled abiotic stressors. This process harnesses the innate stress-response mechanisms helping them thrive even during periods of intense heat, prolonged dry spells, and low water. While the company is progressing with field trials across Europe, Africa, and India, focusing on an open field variety of crops including onions, broccoli, chili rice and more. SaliCrop is already at commercial stages in Israel, actively selling treated tomato seeds across 700 hectares. (SaliCrop 13.02)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. Rail Vision Reveals its Next Generation AI Computer for Railway Safety

Rail Vision revealed its next generation artificial intelligence (AI) based computer to be incorporated into its Main Line and Switch Yard systems. This advanced system represents a major evolution from Rail Vision’s existing AI-based solutions, featuring advanced real-time deep learning capabilities and compliance with stringent railway standards.

Rail Vision’s system ensures exceptional performance in obstacle detection and identification, even under challenging weather and visibility conditions. Its real-time operational capacity in both software and firmware contributes to a new era of responsiveness and efficiency in railway safety management. Furthermore, the system's design focuses on scalability, ensuring the system remains at the forefront of technological advancements. The integration of cloud connectivity opens new avenues for data analysis and predictive maintenance, enhancing the overall safety and operational efficiency of railway networks.

Ness Ziona's [Rail Vision](https://www.railvision.io) is a technology company that is seeking to revolutionize railway safety and the data-related market. The Company has developed cutting-edge, artificial intelligence-based, industry-leading technology specifically designed for railways. The Company has developed its railway detection and systems to save lives, increase efficiency, and dramatically reduce expenses for the railway operators. Rail Vision believes that its technology will significantly increase railway safety around the world, creating significant benefits and adding value to everyone who relies on the train ecosystem. (Foresight 31.01)

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* 1. Gilat Awarded Multimillion-Dollar Defense Satellite Connectivity Project

Gilat Satellite Networks was awarded a multimillion-dollar defense satellite connectivity project. Gilat’s SkyEdge IV platform and Taurus-M modems will be augmenting the advanced satellite communications capabilities for a leading governmental defense organization. SkyEdge IV is Gilat's next generation multi-service platform built to work in harmony with multi-orbit (GEO, MEO and LEO) software-defined satellite constellations. It supports cloud infrastructure and an Elastix-Access Scheme to address the current and future needs for satellite connectivity with the ability to support large and scalable networks.

The SkyEdge IV Taurus-M is a satellite modem with a low SWAP (Size, Weight, and Power) that’s ideal for armored fighting vehicles and man-pack deployment. Specifically designed for military and government markets and compliant with MIL-STD-810 standards, it is a fast-to-deploy, easy-to-operate, ruggedized modem that offers highly available, high-speed satellite communications for stationary and on-the-move (SOTM) operations.

Petah Tikva's [Gilat Satellite](http://www.gilat.com) is a leading global provider of satellite-based broadband communications. With over 35 years of experience, we create and deliver deep technology solutions for satellite, ground and new space connectivity and provide comprehensive, secure end-to-end solutions and services for mission-critical operations, powered by our innovative technology. (Gilat 01.02)

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* 1. Quantum Machines' QDAC-II Compact and QSwitch Quantum Electronics Solutions

Quantum Machines announced the addition of two new high-density solutions to its industry-leading quantum electronics product family. QDAC-II Compact is a versatile, ultra-stable, ultra-low-noise 24-channel voltage source for tuning superconducting and spin qubits for optimal performance. It retains all the features of the best-selling QDAC-II, but with more compact dimensions, fitting into one fourth the space (1U). QSwitch is an easy-to-use, software-controllable breakout box with 240 relays. Users can pre-program experiments and quickly switch between setups and instruments, saving valuable research and development time. QDAC-II Compact and QSwitch can each be used stand-alone or connected in series via a single 24-pin cable.

Tel Aviv's [Quantum Machines](http://www.quantum-machines.co) (QM) drives quantum breakthroughs that accelerate the realization of practical quantum computers. The company's Quantum Orchestration Platform (QOP) fundamentally redefines the control and operations architecture of quantum processors. The full-stack hardware and software platform is capable of running even the most complex algorithms right out of the box, including quantum error correction, multi-qubit calibration, and more. Helping achieve the full potential of any quantum processor, the QOP allows for unprecedented advancement and speed-up of quantum technologies as well as the ability to scale to thousands of qubits. (Quantum Machines 06.02)

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* 1. Beamr is Bringing the Video Technology of Google & Meta to Everyone

Beamr Imaging is scheduled to launch a new cloud service that will simplify video processing and make it accessible and affordable to everyone. Beamr’s video cloud solution is operating over Amazon’s AWS and powered by Nvidia hardware (GPU) that has been collaborating with Beamr for the past 2 years.

Beamr’s video cloud service is enabled by Beamr’s Content-Adaptive-Bitrate technology (CABR), which is the fruit of 13 years of R&D and won an Emmy award for technology and engineering. Beamr’s video cloud service aims to make every pixel perfect, every color vibrant and every motion smooth - yet size and costs are significantly lower – as if a video expert was examining a video file, frame by frame.

Herzliya's [Beamr](http://www.beamr.com) is a world leader in content adaptive video solutions. Backed by 53 granted patents, and winner of the 2021 Technology and Engineering Emmy® award and the 2021 Seagate Lyve Innovator of the Year award, Beamr's perceptual optimization technology enables up to a 50% reduction in bitrate with guaranteed quality. (Beamr Imaging 07.02)

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* 1. REE Completes U.S. Certification of Full-by-Wire Vehicles of its P7-C Electric Truck

Glil Yam's [REE Automotive](http://www.ree.auto) has begun customer deliveries of its P7-C electric chassis cab following Federal Motor Vehicle Safety Standards (FMVSS) and Environmental Protection Agency (EPA) certification, making it the first to certify a fully x-by-wire vehicle. REE is the first to certify a fully steer-by-wire, brake-by-wire and drive-by-wire vehicle. The Powered by REE P7-C medium duty electric commercial truck has met the FMVSS requirements and has achieved EPA approval.

REE has initiated customer deliveries of the first batch of P7-C demonstration trucks for multiple fleet evaluations in North America via its fast-growing Authorized Dealer Network. Pritchard EV, a leading dealer in the U.S., is the first to receive the P7-C demonstration truck for a roadshow with its large fleet customers. Additional REE authorized dealers and leading fleets are expected to receive additional P7-C demonstration units in the coming weeks.

REE’s P7-C is eligible for the U.S. federal Internal Revenue Service (IRS) Commercial Clean Vehicle Tax Credit (Internal Revenue Code 45W), which allows customers to receive a tax credit of up to $40,000 per vehicle. The Company is also in the process of initiating eligibility for various state incentives, which could bring the total incentive to over $100,000 per vehicle, depending on the customer’s location. (REE 08.02

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* 1. Gilat Awarded $10 Million Follow-On Order from the US Department of Defense

Gilat Satellite Networks announced that the US Department of Defense awarded a $10 million follow-on order to one of the company’s US-based subsidiaries, DataPath. This additional order is for DKET 3421 terminals, transportable satcom hubs that deliver the operational flexibility, capacity, connectivity, and control required to ensure success anywhere in the world.

The field-proven DKET 3421 terminal supports multi-carrier operations with a scalable modem architecture (up to 32 modems) while weighing under 5000 lbs. to allow for easy transport over air, land or sea via a variety of aircraft and vehicles. Deploying in less than three hours, the DKET 3421 provides a satellite network hub in the form of a single-skid with the flexibility to leverage available satellite assets.

Petah Tikva's [Gilat Satellite Networks](http://www.gilat.com) is a leading global provider of satellite-based broadband communications. With over 35 years of experience, they create and deliver 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. Gilat’s comprehensive offering supports multiple applications with a full portfolio of products and tailored solutions to address key applications including broadband access, mobility, cellular backhaul, enterprise, defense, aerospace, broadcast, government, and critical infrastructure clients all while meeting the most stringent service level requirements. (Gilat 08.02)

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* 1. Indiana University Health Strengthens Identity Security Controls with CyberArk

CyberArk announced that Indiana University Health (IU Health) has expanded its use of the CyberArk Identity Security Platform to fortify cybersecurity protocols, strengthen incident response and reduce cyber insurance costs by prioritizing privileged access management (PAM).

IU Health is Indiana’s largest network of physicians comprising more than 38,000 team members serving over 1.2 million individuals across the state. Like many healthcare organizations, the threat of targeted cyberattacks remains a real and constantly evolving risk. The CyberArk Identity Security Threat Landscape Report found that 97% of healthcare organizations indicated they were targeted by at least one ransomware attack over the previous 12 months, the most of any sector.

IU Health initially deployed CyberArk Privileged Access Manager (PAM), part of the CyberArk Identity Security Platform, for managing and securing IT administrator accounts and sensitive access for its SOC team. The expanded implementation now focuses on locking down third-party risk across its vendor ecosystem by securing vendor access and service accounts and meeting emerging audit and compliance requirements. With CyberArk PAM, IU Health can better manage the expanding number of privileged credentials across its network and isolate and monitor sessions to detect and respond to threats.

Petah Tikva's [CyberArk](http://www.cyberark.com) is the leader in identity security. Centered on intelligent privilege controls, CyberArk provides the most comprehensive security offering for any identity – human or machine – across business applications, distributed workforces, hybrid cloud environments and throughout the DevOps lifecycle. The world’s leading organizations trust CyberArk to help secure their most critical assets. (CyberArk 12.02)

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* 1. Rail Vision Increases Railway Safety with its Next Generation AI Computer

Rail Vision has introduced its next generation AI-based computer designed enhance railway safety and prevent accidents. This advanced technology marks a significant step forward in the realm of railway safety, leveraging artificial intelligence to detect potential hazards and mitigate risks effectively.

The new AI-based computer from Rail Vision incorporates advanced artificial intelligence algorithms, enabling it to analyze vast amounts of data in real-time. Rail Vision's new AI solution will be seamlessly integrated into both their Main Line and Switch Yard systems, revolutionizing safety measures across all aspects of railway operations. Rail Vision's next-generation AI-based computer is poised to revolutionize railway safety practices, offering an intelligent solution to mitigate risks and prevent accidents. By harnessing the power of artificial intelligence, Rail Vision continues to drive innovation in the railway industry, ensuring safer and more efficient transportation systems for the future.

Ra'anana's [Rail Vision](https://www.railvision.io/%E2%80%8E) seeks to revolutionize railway safety and the data-related market. The Company has developed cutting-edge, artificial intelligence based, industry-leading technology specifically designed for railways. The Company has developed its railway detection and systems to save lives, increase efficiency, and dramatically reduce expenses for the railway operators. (Rail Vision 12.02)

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* 1. SaverOne Granted New US Patent Supporting its Transportation Safety Solution

SaverOne announced the award of a new patent by the United States Patent and Trademark Office (USPTO), granted on 30 January 2024. This latest patent is a testament to SaverOne's dedication to reducing accidents and enhancing driver safety by controlling the use of cellular phones while driving. The patent describes SaverOne's advanced algorithms and its selective blocking mechanism to prevent the driver from accessing distracting phone functionalities while the vehicle is in motion. This proactive approach to safety aims to significantly reduce the risk of collisions caused by distracted driving.

SaverOne's system is installed in vehicles to provide a solution to the problem of driver distraction, as a result of drivers using distracting applications on the mobile phone while driving, in a way that endangers their safety and the safety of their passengers. SaverOne's technology specifically recognizes the driver area in the vehicle and prevents the driver from accessing distracting applications such as messaging, while allowing others (navigation as an example), without user intervention or consent, creating a safer driving environment.

Petah Tikva's [SaverOne](https://saver.one) is a technology company engaged in the design, development and commercialization of OEM and aftermarket solutions and technologies, to lower the risk of, and prevent, vehicle accidents. (SaverOne 13.02)

ISRAEL ECONOMIC STATISTICS

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* 1. Israeli Startups Raise Nearly $500 Million in January

Israeli startups raised nearly $500 million in January 2024, according to Globes, the lowest monthly amount for several years. The figure may be more as some companies prefer to remain in stealth and sometimes do not publicize the investments they have received.

Israeli privately-held tech companies raised $6.9 billion in 2023, according to IVC-Leumitech, after raising $15 billion in 2022 and a record $25.6 billion in 2021. After several years of declines, one encouraging sign is that the nearly $500 million raised last month by startups was up from the $340 million raised in January 2023.

In January 2024, large financing rounds were led by identity protection company Silverfort, which raised $116 million. Cloud native security solutions developer Aqua Security raised $60 million, cybersecurity company Torq raised $42 million, agricultural robotic company Bluewhite raised $39 million and non-human identity management company Oasis Security raised $35 million. (Globes 01.02)

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* 1. Israel's Foreign Exchange Reserves Keep Rising

Israel’s foreign exchange reserves at the end of January 2024 stood at $206.125 billion, up $1.442 billion from their level at the end of December 2023, the Bank of Israel announced. The level of the reserves relative to GDP was 39.8%. The increase during January was mainly the result of the government’s foreign exchange activities totaling about $2.241 billion, which was partly offset by a revaluation that decreased the reserves by $766 million.

Despite announcing in October at the start of the war a plan to sell up to $30 billion in foreign currency to support the shekel, the Bank of Israel again did not sell any foreign currency in January and has only sold $8.5 billion since the start of the war, most of it in October. The foreign exchange reserves have risen from $201 billion to $206 billion over the past 12 months and the reserves are approaching the records $213 billion held in December 2021. (Globes 08.02)

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* 1. Israel's Fiscal Deficit Continues Widening

Israel's fiscal deficit widened to 4.8% of GDP at the end of January 2024, the Ministry of Finance Accountant General announced, rising 0.6% from 4.2% at the end of December 2023. The fiscal deficit - the gap between government revenues and spending - stood at NIS 89.1 billion in the 12 months prior to the end of January. The Accountant General reports that government spending in January totaled NIS 41.2 billion, up 36% from January 2021. Without spending related to the war, government spending would only have risen by 14.6%. At the same time government revenues are also declining. In January 2024 government revenues amounted to NIS 43.7 billion, down from NIS 44 billion in January 2023.

The Accountant General says that the growing deficit will be financed in three main ways: raising debt locally, raising debt abroad, and selling state assets. So far Israel has raised NIS 19 billion, four times the amount raised abroad NIS 5.4 billion. (Globes 08.02)

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* 1. Glimmer of Hope for the Recovery of Israeli Tourism Industry

There were 59,000 tourist entries into Israel in January 2024, the Central Bureau of Statistics announced, rising from 53,000 in December 2023 but down from 271,000 tourist entries in January 2023, as the country's tourist industry struggle to cope with the consequences of the war.

However, there is a much stronger recovery in outgoing tourism, with 281,000 Israelis traveling abroad in January 2024, up from 248,000 in December 2023 but still well below the 611,000 Israelis who traveled abroad in January 2023.

These are troublesome figures for Israel's tourist industry, which suffered enormously during the COVID pandemic in 2020 and 2021 but recovered - both incoming and outgoing tourism - prior to the start of the war on 7 October. While El Al, Arkia and Israir have continued flying to and from Israel, most foreign airlines canceled all flights. However, a long list of foreign airlines resumed flights in January and are set to resume flights in the coming weeks, which should help increase the numbers. (Globes 06.02)

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* 1. Average Monthly Wage in Israel Hits a New Record High

The Central Bureau of Statistics reported that the average monthly wage in Israel in November 2023 rose by 9.5% compared with November 2022, reaching an all-time record of NIS 12,969. Even taking inflation into account, the average wage rose in real terms by 6% between November 2022 and November 2023.

In November 2023, the number of jobs in the economy fell by 4.9% compared with November 2022, and was also down 2.5% compared with October 2023. Due to the war, many employees have been laid off or put on unpaid leave because of the slowdown in business activity, and this may have caused an artificial rise in the average wage.

A similar phenomenon occurred during the COVID pandemic, when the average wage jumped as a result of the dismissal of mainly low-paid workers. This led to the freezing of linkage on payments linked to the increase in the average salary, such as pensions and child allowances, salaries of MKs, and senior officials, as well as income tax rates.

In the high-tech industry, the average wage rose by 10.4% in November 2023 compared with November 2022, to more than NIS 29,000. However, the in the high-tech industry the number of jobs fell 1%, reflecting a genuine rise in employees' wages and not an artificial statistical rise. In November 2023, high-tech jobs represented 10.4% of the overall jobs in the Israeli economy. (CBS 04.02)

IN DEPTH

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* 1. ISRAEL: Moody's Downgrades Israel's Ratings to A2, Changes Outlook to Negative

On 9 February, [Moody's Investors Service](http://www.moodys.com/) (Moody's) downgraded the Government of Israel's foreign-currency and local-currency issuer ratings to A2 from A1. Moody's has also downgraded Israel's foreign-currency and local-currency senior unsecured ratings to A2 from A1 and the foreign-currency senior unsecured shelf and senior unsecured MTN program ratings to (P)A2 from (P)A1. The outlook is negative. Previously, the ratings were on review for downgrade. This concludes the review for downgrade initiated by Moody's on 19 October 2023.

Israel's backed senior unsecured rating has been affirmed at Aaa. The related issuances benefit from an irrevocable, on-demand guarantee provided by the Government of the United States of America (Aaa negative) with the government acting through USAID. The notes benefit explicitly from the "full faith and credit of the US" and as per prospectus, USAID is obligated to pay within three business days if the guarantee is called upon.

The main driver for the downgrade of Israel's rating to A2 is Moody's assessment that the ongoing military conflict with Hamas, its aftermath and wider consequences materially raise political risk for Israel as well as weaken its executive and legislative institutions and its fiscal strength, for the foreseeable future.

While fighting in Gaza may diminish in intensity or pause, there is currently no agreement to end the hostilities durably and no agreement on a longer-term plan that would fully restore and eventually strengthen security for Israel. The weakened security environment implies higher social risk and indicates weaker executive and legislative institutions than Moody's previously assessed. At the same time, Israel's public finances are deteriorating and the previously projected downward trend in the public debt ratio has now reversed. Moody's expects that Israel's debt burden will be higher than projected before the conflict.

The A2 rating also takes into account the sovereign's long-standing strengths including very high economic strength, derived from a diversified, high-income and resilient economy; very high monetary policy effectiveness, recently illustrated by the central bank's ability to swiftly stabilize financial markets; a solid banking sector and the government's very strong liquidity position and market access. These strengths are moderated by fiscal and debt metrics which, already prior to the conflict were weaker than many similarly-rated sovereigns.

The negative outlook reflects Moody's view that downside risks remain at the A2 rating level. In particular, the risk of an escalation involving Hezbollah in the north of Israel remains, which would have a potentially much more negative impact on the economy than currently assumed under Moody's baseline scenario. Government finances would also be under more intense pressure in such a scenario. More generally, the consequences of the conflict in Gaza for Israel's credit profile will unfold over a long period of time. The negative impact on the country's institutions and/or public finances outlined above may prove more severe than Moody's currently assesses.

Moody's maintained Israel's local-currency country ceiling at Aaa. The five-notch gap between the local-currency ceiling and the sovereign rating balances the limited government footprint in the diversified Israeli economy and external stability against elevated geopolitical risks. The foreign-currency country ceiling has also been maintained at Aaa, in line with the local-currency ceiling, and reflects very low transfer and convertibility risks, given the very open capital account, the central bank's very large foreign currency buffers of 39% of GDP as well as solid policy effectiveness.

**RATINGS RATIONALE**

**Rationale for Downgrade to A2: Elevated Political Risks are Likely to Persist, Weakening Executive and Legislative Institutions**

One key driver for the downgrade of the ratings to A2 is that Israel's elevated exposure to political risks will likely persist for the foreseeable future, even via a reduction in the intensity of or pause in fighting in Gaza.

While there are currently negotiations underway to secure the release of the hostages against a temporary ceasefire and more humanitarian aid into Gaza, there is no clarity on the likelihood, time frame and durability of such an agreement. Also, the governments of the United States and neighboring countries have presented the broad outlines of a longer-term plan that would include a new governance and political leadership framework in Gaza, which in turn could contribute to improved security for Israel. Moreover, even if a plan is eventually agreed, its durable success will be, for a long time, highly uncertain. As such, Moody's assesses that geopolitical risk and, in particular security risk, will remain materially higher for Israel into the medium to long term. Equally, Israel may face a period of elevated domestic political upheaval and renewed polarization when the war cabinet dissolves.

Heightened security risks relate to higher social risk for Israel. In turn, this environment weakens the country's institutions, in particular the executive and legislative which, for the foreseeable future, will dedicate significant institutional capacity to restoring security. Moody's assessment also takes into account the strong track record and recent indications of the strength of civil society and the judiciary, which have shown to provide strong checks and balances. The Supreme Court cancelled the government's attempt to restrict judicial overview, underlining the strength and independence of the judiciary. Moreover, the strength of civil society has been on display since the start of the military conflict.

**Israel's Public Finances are Weaker than Assumed Before the Conflict**

Over the coming years, Israel's budget deficit will be significantly larger than expected before the conflict. The Bank of Israel estimates the cost of the conflict for the years 2023-2025 to stand at around NIS 255 billion or around 13% of (2024 forecast) GDP, which includes both higher defense and civilian spending as well as lower tax revenues. The interest bill will also be permanently higher. According to the Ministry of Finance, spending will be permanently higher by at least 1.4% of GDP and potentially closer to 2% of GDP if the conflict lasts longer or escalates further than currently expected.

In its baseline scenario, Moody's expects Israel's defense spending to be nearly double the level of 2022 by the end of this year and to continue to rise by at least 0.5% of GDP in each of the coming years, with risks tilted towards yet higher defense spending. The 2023 budget deficit was raised from less than 2% of GDP to 4.2% of GDP in the supplementary budget approved in mid-December. The revised 2024 budget sets a deficit of 6.6% of GDP (versus a pre-conflict forecast of around 2.5%).

These estimates take into account a number of mitigating measures. The 2024 budget incorporates a series of deficit-reducing measures, for 2024 and the following years. The single-most important measure is a VAT rate increase by 1% next year, which is estimated to bring additional revenues of 0.35% of GDP per year. In total, the government aims to legislate deficit-reducing measures of around 1.1% of GDP both on the revenue and spending side for 2025, with measures of a similar magnitude targeted to remain in place over the following years. If approved in full, these measures could broadly compensate the higher defense and interest spending, although budget deficits will remain much wider than expected before the conflict. The government's willingness to raise taxes is a positive sign about the strength of the country's institutions, given the reluctance of successive governments in the past to consider higher taxes.

Still, as a result of much higher budget deficits, Israel's government debt ratio will rise to a peak of 67% of GDP by 2025, from 60% in 2022. Before the conflict started, Moody's expected that Israel's debt burden would decline towards 55% of GDP.

**Rationale for Negative Outlook**

At the A2 rating level, downside risks remain. In particular, Moody's considers that the risk of an escalation of the conflict remains significant, especially one involving Hezbollah to the north of Israel, notwithstanding awareness of the very negative consequences of a full-scale conflict on both sides. Conflict with Hezbollah would pose a much bigger risk to Israel's territory, including material damage to infrastructure, renewed calls on reservists and further delays to the return of the evacuees to the region. The Ministry of Finance estimates that real GDP could contract by up to 1.5% overall this year if this downside scenario materialized compared with positive growth of 1.6% under a status quo scenario.

So far the economy has managed the fall-out from the conflict reasonably well, with high-frequency indicators pointing to a swift rebound over the past three months. The labor force is approaching pre-conflict levels, as schools reopened and reservists have started to be released from duty. That said, some sectors of the economy, in particular construction which relies to an important extent on workers from Judea & Samaria, are operating at much lower levels than normal. Under a scenario of outright conflict in the North, the negative economic impact would spread to more sectors and be longer-lasting. Government finances would also be under more intense pressure in such a scenario, as defense spending would likely be even higher than currently assumed.

More generally, the consequences of the conflict in Gaza for Israel's credit profile will unfold over a long period of time, potentially well beyond the period of active fighting. The negative impact on the country's institutions and public finances outlined above may prove more severe than Moody's currently assesses.

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

Given the negative outlook, an upgrade to the rating is unlikely. Moody's would stabilize the outlook if there was evidence that Israel's institutions are able to formulate policies that support the economic and public finance recovery and restore security while dealing with a wide range of policy priorities.

The ratings would likely be downgraded if the situation in the North escalated to a full-scale conflict with Hezbollah with a significantly more negative impact on Israel's infrastructure and ability of the economy to recover. Indications that Israel's institutional capacity is more diminished than Moody's currently assesses by the need to focus on the country's security would also be negative. Moreover, an increasing likelihood of a materially larger negative impact on the sovereign's economic and fiscal strength over the medium term than Moody's currently projects would also put downward pressure on the rating. (Moody's 09.02)

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* 1. QATAR: IMF Executive Board Concludes 2023 Article IV Consultation with Qatar

On 11 January 2024, the Executive Board of the [International Monetary Fund (IMF)](http://www.imf.org/) concluded the Article IV consultation with Qatar, and considered and endorsed the staff appraisal without a meeting.

Qatar’s decade-long efforts to diversify the economy culminated into the successful hosting of the 2022 FIFA World Cup. After very strong performance in 2022 on the back of World Cup-induced buoyancy and high hydrocarbon prices, growth has been normalizing, with real GDP growth in 2023 projected at 1.6%. Growth normalization is expected to continue in the near term, with non-hydrocarbon growth supported by investment in public projects, construction of the North Field LNG expansion project, and their spillovers to logistics, manufacturing, and trade. Visibility brought by the WC could continue to boost tourism. Medium-term growth is expected to average around 5½%, boosted by significant LNG production expansion and initial reform gains from implementing the Third National Development Strategy (NDS3), set to be released soon. As global commodity prices decline and domestic demand normalizes, headline inflation will likely ease to below 3% in 2023, and further to around 2% over the medium term.

Amid high hydrocarbon prices, both fiscal and current account positions strengthened significantly in 2022, with surpluses reaching 10½% of GDP and 26½% of GDP, respectively. Both the fiscal and current accounts will likely remain in sizeable surplus supported by elevated, albeit declining, hydrocarbon prices projected for the medium term, and Qatar’s LNG production expansion, coupled with increasing demand from Asia and Europe.

Banks are well-capitalized, liquid and profitable, with the capital adequacy ratio and return on equity at 19 and 14.6%, respectively, in the second quarter of 2023. Banks’ nonresident deposits fell by more than one-third from the recent peak, partially replaced by higher public sector domestic deposits, reducing vulnerabilities amid tight global financial conditions. The NPL ratio continued to edge up to 3.8% but the provisioning coverage ratio is relatively high, close to 80%. Banks were resilient to the financial market turmoil from advanced economies in early-2023.

Structural reforms continue to progress, including to enhance protection and mobility of expatriate labor, improve the business environment, promote public-private partnerships and further attract private investment through the residency program and broadened foreign ownership provisions. The pension scheme has been expanded to more Qataris in the private sector to promote private sector employment. Digitalization has continued to advance, and many climate initiatives guided by the National Environment and Climate Change Strategy and the Climate Change Action Plan are being implemented. The upcoming NDS3 is expected to provide an ambitious reform agenda to guide the transformation toward a private sector-led, knowledge-based, more diversified and greener economy, as envisaged under Qatar’s National Vision 2030.

Risks to the outlook are broadly balanced. Main downside risks stem from an unfavorable global environment. In particular, while the conflict in Gaza and Israel has had no visible impact on Qatar, if it is protracted or worsened, it could potentially affect Qatar through more volatile hydrocarbon prices (although higher prices could improve fiscal and external positions), lower tourism and investment, as well as more costly external funding for banks. Domestically, more protracted or severe real estate market weaknesses could negatively affect the banking system and the broader economy. If downside risks materialize, Qatar has strong policy buffers to mitigate the negative impact. On the upside, accelerated reform efforts guided by NDS3 could further promote diversification and boost potential growth.

**Executive Board Assessment**

In concluding the 2023 Article IV consultation with Qatar, Executive Directors endorsed staff’s appraisal, as follows:

Qatar has remained resilient to the recent global shocks and its economic outlook is favorable. Output growth is normalizing as expected from the 2022 WC-driven boom. The nation’s favorable medium-term outlook is supported by the significant expansion of LNG production in the NF and expected gains from the implementation of NDS3. Risks are broadly balanced. Maintaining prudent macroeconomic policy and intensifying reform efforts will support Qatar’s resilience to shocks and accelerate its economic transformation.

The fiscal strategy should balance discipline with growth in the near term and facilitate the transition to more diversified, private sector-led growth over the medium term. If downside risks to growth materialize and the ongoing growth slowdown sharpens, some fiscal space could be deployed through productive and efficient spending while maintaining broad fiscal prudence. In the medium term, fiscal strategy should aim at sustaining prudent and countercyclical policy, accelerating revenue diversification including via VAT introduction, enhancing current expenditure efficiency by rationalizing wage bill and gradually removing remaining subsidies, and reorienting expenditure from traditional infrastructure to reforms that facilitate transformation to a private sector-led growth model. A medium-term fiscal framework anchored around maintaining intergenerational equity, complemented by greater fiscal transparency, will support the implementation of the fiscal strategy.

The authorities are encouraged to continue safeguarding financial stability. The QCB should continue its proactive supervision and regulation, supported by regular risk analysis and information sharing among the financial supervisors to help identify emerging vulnerabilities and guide regulatory actions. The authorities’ plans to deepen domestic capital markets are welcome as well as measures to mitigate risks associated with banks’ exposure to short-term foreign funding, which should be reviewed regularly. Equally important is to carefully balance opportunities and risks associated with the nation’s fintech and green financing initiatives and put in place adequate regulations. Qatar’s significant progress on the technical compliance with the FATF Standards is commendable, and the authorities are encouraged to implement the FATF action plan decisively.

The exchange rate peg continues to represent a credible monetary anchor. Qatar’s external position in 2022 was assessed to be substantially stronger than the level implied by medium-term fundamentals and desirable policies, mainly due to the elevated hydrocarbon prices. Further efforts to strengthen liquidity management and coordination among the fiscal and monetary authorities are recommended. Deepening domestic financial markets and maintaining low currency mismatches on bank balance sheets would further reduce vulnerabilities and enhance monetary policy transmission.

Reform efforts should be intensified to shift from a traditional state-led growth model to a more dynamic, knowledge-based, private sector-driven one. Attracting more skilled expatriates, improving education outcome, incentivizing Qatari nationals to take up private sector jobs and raising female labor force participation will enhance human capital and labor market dynamics. In addition, reforms are needed to promote further trade liberalization, ease access to finance, and continue enhancing administrative efficiency. These measures should be implemented comprehensively in a well-sequenced manner to boost potential growth. Furthering digitalization and climate actions are also critical. Broadening gains from economic zones and centers to the wider economy would accelerate economic diversification. (IMF 07.02)

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* 1. SAUDI ARABIA: Fitch Affirms Saudi Arabia at 'A+'; Outlook Stable

On 5 February, [Fitch Ratings](http://www.fitchratings.com/) affirmed Saudi Arabia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'A+' with a Stable Outlook.

**Key Rating Drivers**

**Balance Sheet Strength:** Saudi Arabia's ratings reflect its strong fiscal and external balance sheets, with government debt/GDP and sovereign net foreign assets (SNFA) considerably stronger than both the 'A' and 'AA' medians, and significant fiscal buffers in the form of deposits and other public sector assets. Oil dependence, low World Bank governance indicators and vulnerability to geopolitical shocks remain relative weaknesses. Nonetheless, governance is improving with social and economic reforms and efforts to bolster effectiveness across government institutions.

**Formidable External Finances:** Saudi Arabia has one of the highest reserve coverage ratios among Fitch-rated sovereigns, at 16.5 months of current external payments. Foreign reserves excluding gold declined moderately in 2023, to $437 billion, as financial account outflows in the form of investments abroad outweighed the current account surplus, which narrowed to an estimated 4.5% of GDP, around $100 billion smaller than in 2022, due to lower oil revenue and high imports.

We forecast reserves to decline to an average of $420 billion in 2024-2025, as the current account surplus narrows on the assumption of lower oil revenue, but that outward investments by large institutions such as the Public Investment Fund (PIF) and pension funds moderate. We forecast SNFA to remain above 50% of GDP in 2024-2025, large relative to the 'A' median (6% of GDP) and the 'AA' median (34% of GDP), although substantially lower than regional peers in the 'AA' rating category. SNFA include central bank foreign reserves as well as the estimated foreign assets of pension funds and the PIF, minus the foreign liabilities of the government, Saudi Central Bank (SAMA) and the PIF.

**Government Debt Rising but Low:** Gross government debt/GDP rose to 26.5% of estimated GDP in 2023, but remained low, at roughly half the 'A' median of 50%. We forecast that government debt/GDP will increase to 28% in 2024 and 30% in 2025. This assumes that Brent crude oil prices average $80/bbl in 2024, $70/bbl in 2025, contributing to budget deficits and constraining nominal GDP. We assume deficits are funded by borrowing, rather than asset drawdowns.

We estimate that government deposits at SAMA, comprising the government current account and the fiscal reserve, were close to SAR450 billion (11.4% of GDP) at end-2023. This represents a significant fiscal buffer and puts net government debt at 15.1% of GDP.

**Looser Fiscal Policy:** Saudi Arabia's 2024 budget projects fiscal deficits over the medium term, of around 2% of GDP, marking a shift away from the previous set of medium-term figures that projected annual surpluses and a decline in government debt/GDP. Spending ran 14% ahead of budget in 2023 and in the latest projections spending in 2025 will be 15% higher than previously planned. This policy recalibration reflects a decision to make more use of the fiscal space to support strong non-oil economic growth and press ahead with economic and social priorities under the Vision 2030 strategic development plan.

We forecast a budget deficit of 2.3% of GDP in 2024, similar to 2023 and slightly ahead of the 1.9% of GDP budget plan. We expect spending 3.5% above budget, at SAR1.3 trillion on higher capex and procurement. We also assume revenue to be higher than budgeted and higher than in 2023, despite our assumption that average oil production and prices will be lower. Revenue will be supported by performance-related dividends from Aramco. We forecast a wider budget deficit of 2.8% of GDP in 2025, assuming spending in line with budget plans, lower oil prices and higher oil production (10 million b/d).

**Oil Dependence High:** Oil dependence remains a rating weakness. Oil revenue will account for around 60% of total budget revenue in 2024-2025 (albeit down from 90% 10 years ago) and oil GDP 30% of total nominal GDP. Saudi Arabia's fiscal break-even oil price for the budget has risen in recent years and we forecast it will remain above $90/bbl in 2024 before falling to $85/bbl in 2025. A $10/bbl movement in oil prices impacts our budget forecast by 2%-2.5% of GDP, holding other factors constant. A change in oil output by 500,000 b/d impacts the budget by around 1% of GDP.

**Non-Oil Economy Developing:** An increase in public sector investments, combined with a raft of social and economic reforms has boosted the non-oil economy. We project real growth of 4.5% in the non-oil sector (excluding government) in 2024-2025, following an average of around 5% in 2022-2023. Growth will be supported by public sector investments, business environment reform, gradually lower interest rates, robust credit growth, ongoing development of retail and tourism sectors and employment gains among Saudis and expats.

Risks to the outlook include supply side constraints that could slow the pace of public sector investments and lower oil prices, which would complicate financing plans, in Fitch's view.

**Vision 2030 Risks and Returns:** Rising public-sector spending outside the budget, including on ambitious giga projects, and the potential for higher debt of state-owned and government-related entities (GREs), as Saudi Arabia presses ahead with its national investment strategy as part of Vision 2030, is a medium-term risk to the sovereign's balance-sheet strengths, in Fitch's view. However, leverage is currently low across the public sector and investments may bring returns, in the form of sustained higher non-oil GDP growth, job creation to meet the expanding national labor force and productivity gains.

**Regional Stability Risks:** Saudi Arabia has sought to deescalate regional tensions in recent years, including a degree of détente with Iran and efforts towards a formal ceasefire in Yemen. This has helped build confidence in the Kingdom, which is important for attracting greater foreign investment and tourism flows.

The Hamas' war on Israel has caused an increase in regional instability since 7 October. Saudi Arabia is not being directly impacted so far, but risks of escalation persist from the ongoing nature of the conflict in Gaza, the involvement of the Houthis from neighboring Yemen in disrupting Red Sea transit, the activity of other groups with links to Iran and US reprisals against these groups in Yemen, Iraq and Syria.

**RATING SENSITIVITIES**

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

* -Public Finances: Deterioration in the overall public finance position, reflected in government debt/GDP trending firmly above our forecasts or marked drawdowns of government assets, including government deposits at SAMA.
* -Public Finances: Significant increases in contingent liabilities that undermine the strength of the public-sector balance sheet offsetting improvements in narrower government measures, for example, as a result of a sustained rise in GRE debt, particularly if this might not result in productive investments in the economy.
* -Structural Features: A major escalation of geopolitical tensions that affects key economic infrastructure and activities over an extended period.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

* -Public Finances: Fiscal reforms that increase the budget's resilience to oil price volatility, for example greater non-oil revenue generation or lower expenditure, while also maintaining the strength of the wider public-sector balance sheet.
* -Structural Features: A marked trend of improvement in governance scores, helping to boost prospects for greater economic diversification.

**Country Ceiling**

The Country Ceiling for Saudi Arabia is 'AA-', 1 notch above the LT FC IDR. This reflects moderate constraints and incentives, relative to the IDR, against capital or exchange controls being imposed that would prevent or significantly impede the private sector from converting local currency into foreign currency and transferring the proceeds to non-resident creditors to service debt payments. (Fitch 05.02)

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* 1. SAUDI ARABIA: Saudi Arabia’s Shock Cut in Planned Oil Expansion

Simon Henderson posted at the [Washington Institute](http://www.washingtoninstitute.org) on 5 February that Riyadh’s 30 January announcement that it had canceled its plan to increase maximum sustainable production capacity from 12 to 13 million barrels per day (bpd) by 2027 caught analysts by surprise. The kingdom’s current output of about 9 million bpd makes such a decision explicable, but it was nevertheless unexpected. The Financial Times called the move “a major policy reversal.” Reuters labeled it a “U-turn.” The MEES energy newsletter described it as “a bombshell announcement.”

Unnamed “industry sources,” quoted by Reuters, said that the decision was “at least six months in the making” and claimed that it had “no bearing on the view of long-term demand.” The sources indicated that the "decision came from the top,” suggesting it was taken by the kingdom’s de facto leader, Crown Prince Muhammad bin Salman, widely known as MbS.

In essence, the cutback means that the kingdom has revised its view of medium-term demand growth, based on a slow world economy, particularly in China. Oil fields need constant investment to maintain levels of production, and new fields have to be developed to replace the decline in existing deposits. Billions of dollars will still be spent, but the total expenditure will be significantly lower.

In the longer term, Saudi Arabia will retain the advantage of producing lower-cost oil than much of the rest of the world, but future total demand will be affected by the availability of other lower-carbon fuels like natural gas, or nonhydrocarbon producers of electricity like wind, solar, and nuclear sources. With supply by OPEC+, the oil-producing cartel led by Saudi Arabia and Russia, now falling below half of total world demand—in part because of significantly increased U.S. production—Riyadh’s historical role as the" central bank of oil” is being lost.

For the week ending 2 February, oil prices fell by about 5%, with the main internationally traded Brent crude dipping to just over $77 per barrel. Although such short-term price movements are not reliable indicators of longer-term trends, the fall suggests more specifically for the kingdom that other budgets may be squeezed. MbS’ major Vision 2030 plan for economic transformation relies on oil revenues and foreign investment. As yet, foreign investment has been slower than foreign interest in his projects, of which the futuristic city of NEOM is notably ambitious. The prospect of slowing down development of such projects appears likely to many outside commentators. Despite the long-term ambition to move away from dependence on oil revenues, the kingdom’s reliance on such income has—if anything—increased.

On 31 January, the analytical Lex column of the Financial Times led with “Oil: The Days of $100 Prices Are Over.” The text read: “Oil will be part of our lives for decades to come. But its value to the consumer has already topped out.” It went on: “Futures markets hint at little concern about supply since the latest Middle East tension began in October.” The column identified the no longer rapidly growing Chinese economy as crucial to forecasts, pointing out the country’s evolution. It particularly noted an analysis that predicted half all new car sales in the country will be electric by 2025.

For the United States, low oil prices may win votes domestically, but they have a negative impact on Gulf allies like Saudi Arabia and the United Arab Emirates, whose diplomatic support could well be crucial to resolving the future of Gaza, as well as containing continuing tensions with Iran.

*Simon Henderson is the Baker Fellow and director of the Bernstein Program on Gulf and Energy Policy at The Washington Institute*. (TWI 05.02)

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* 1. SAUDI ARABIA: Halted Oil Expansion Will Reduce Medium-Term Supply Buffer

On 2 February, [Fitch Ratings](http://www.fitchratings.com/) said Saudi Arabia’s decision to halt Saudi Aramco’s ‎maximum sustained capacity increase will reduce the global supply buffer available to absorb ‎supply-side shocks or demand increases over the medium term. It does not immediately affect the physical oil market.

‎

Saudi Aramco is majority-owned by the government of Saudi Arabia, which controls 90.18% of ‎its share capital directly, with a further 8% owned by the country’s sovereign wealth fund and its ‎subsidiary, and the rest by outside investors. It had previously guided it would spend USD48 ‎billion-52 billion in capex in 2023 and potentially more in 2024 and beyond, which included ‎growth projects that would increase maximum sustained capacity to 13 million barrels per day ‎‎(MMbpd) by 2027 from 12MMbpd currently.

‎

Saudi Aramco stated that it will refresh its capex guidance in March 2024. We believe ‎that the company can reduce planned capex. This would support dividend payments flowing ‎mostly to the government, which may be re-invested in non-oil sectors. The scale of these potential changes in Aramco’s capex and dividends will not materially affect ‎the credit profiles and financial positions of Saudi Arabia or Saudi Aramco, and will have no ‎rating implications.

‎

The change in the oil investment strategy, however, sends a signal to the market that it should ‎not overly rely on Saudi Arabia to absorb any future increases in consumption or supply ‎disruptions. The decision could contribute to the tightening of the oil market if global oil ‎consumption grows strongly by end-2030 and the energy transition proceeds slowly.

‎

We expect the market to be well-supplied in 2024, assuming no major disruptions. Global ‎demand growth will moderate to 1.2MMbpd in 2024 from 2.3MMpbd in 2023, according to IEA, ‎and will be broadly met by supply increases from non-OPEC countries, including the US, ‎Canada, Brazil and Guyana. We do not expect a strong upside to our USD80/bbl Brent price ‎assumption for 2024 due to shipping re-routing from the Red Sea as there is material OPEC+ ‎spare capacity of over 5MMbpd.

‎

Saudi Arabia produces significantly below its maximum sustained capacity of 12MMbpd, with ‎production averaging 9MMbpd in 2H23. Saudi Arabia is the main balancing supplier, accounting ‎for most OPEC+ spare capacity, which is available to absorb potential supply shocks. However, ‎this supply buffer could gradually diminish should global non-OPEC supply increase more ‎slowly than demand in the next few years.

‎

‎Saudi Arabia’s lower oil investments could have some negative impact on order book growth for ‎its contractors, including KCA DEUTAG (B+/Positive), Borr Drilling (B/Stable) and Shelf Drilling ‎‎(B/Stable). However, we expect that their rig utilizations in the region will remain high (e.g. KCA’s ‎reported utilization in Saudi Arabia was 100% in 3Q23). Nabors Industries (B-/Stable) has a JV ‎with Saudi Aramco; however, our assessment of Nabor’s credit profile is mostly focused on its ‎consolidated operations. ((Fitch 02.02)

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* 1. SAUDI ARABIA: [Four Indicators to Track Saudi Reform Progress](https://agsiw.org/four-indicators-to-track-saudi-reform-progress/)

On 31 January, Tim Callen posted in the [Arab Gulf States Institute in Washington](https://agsiw.org/) that positive developments in four indicators during 2024 – the female labor force participation rate, tourist arrivals, foreign direct investment inflows, and student educational attainment – will give confidence that the bold diversification plans underway in Saudi Arabia are on track.

Amid the deluge of news about Saudi Arabia’s latest investments in the global sports market ‎and the newest initiatives planned at Neom, it is hard to get a clear sense of how the Vision ‎‎2030 reforms are affecting the day-to-day workings of the economy. Such an assessment is ‎further complicated because short-term movements in indicators such as growth, exports, and ‎inflation are influenced by factors that are not directly related to the reforms, including oil prices ‎and U.S. monetary policy.‎

The impact of the reforms can be easier to see in indicators that capture narrower aspects of the economy. Four such indicators are the labor force participation rate of Saudi women, tourist arrivals in Saudi Arabia, foreign direct investment inflows and the educational attainment of Saudi students. Close monitoring of these indicators will provide important information on the progress with the broader Vision 2030 reforms. Indeed, positive answers to the following four questions will give confidence that the kingdom’s economic diversification plans are on track.

**1. Will the labor force participation rate of Saudi women resume an upward trend?**

The increase in the number of Saudi women participating in the labor market is one of the most significant successes to date of the Vision 2030 reforms. Between 2017 and 2021, the Saudi female labor force participation rate doubled from 17.4% to 35.6%, comfortably exceeding the Vision 2030 target of raising it to 30%. Since then, however, the female participation rate has stagnated in the 35%-36% range, although women’s employment has continued to increase during this period, and the female unemployment rate has declined.

*Source: General Authority for Statistics*

It is important that the female labor force participation rate starts rising again this year. Estimates by the International Monetary Fund suggest that increasing the female labor force ‎participation rate could add up to 1.6% per year to gross domestic product. Given the ‎participation rate of Saudi women is still well below the global average, there is plenty of scope ‎for further increases. Legal impediments that previously restricted female participation and ‎employment have been eased, and costs of employment are being defrayed through subsidies ‎for childcare services, travel costs, and training. Social norms and expectations, however, will ‎take time to change. This process would be accelerated if companies ensure an attractive work ‎environment for their female employees and more Saudi women are promoted into leadership ‎positions, which would have a positive demonstration effect on those considering entering the ‎workforce.‎

**2. Will foreign and domestic tourist arrivals continue to surge?**

Vision 2030 puts considerable emphasis on developing the tourism sector. These efforts are ‎bearing fruit with both foreign and domestic tourism booming. Official data from the Ministry of ‎Tourism shows that 14.6 million foreign visitors arrived in Saudi Arabia in the first half of 2023, ‎compared to 16.6 million in all of 2022, while the World Tourism Barometer published by the ‎United Nations World Tourism Organization estimates that international arrivals in the kingdom ‎increased by 56% in 2023 relative to 2022. Since tourist visas were first introduced in 2019, ‎leisure travel to the kingdom has surged. In the first half of 2023, 2.9 million foreign visitors ‎arrived for leisure purposes, nearly four times the number in 2018. Domestic tourist trips have ‎also increased substantially, and spending during these trips doubled in 2021-22 compared with ‎‎2018-19. It looks likely that 2023 will match or exceed the 2021-22 numbers.‎

*Sources: Ministry of Tourism and Saudi Arabian Monetary Authority*

The development of tourism has had a noticeable impact on the balance of payments. A decade ago, the travel account was in a $10 billion deficit – in other words, Saudi residents were spending $10 billion more overseas than nonresidents were spending in the kingdom. In 2022, it had swung into a surplus of $10 billion, and a similar or better outcome looks likely for 2023. The boom in tourism has also contributed to robust growth in private consumption. Of course, these numbers do not take account of the huge sums of money that are being spent to develop the tourism sector, and questions remain about whether the tourism investments will ultimately provide value for money for the kingdom.

Strong growth in the tourism sector should continue this year. The World Tourism Organization projects that international tourism will recover above its pre-pandemic level during 2024, while the further build out of tourist infrastructure, hosting of more global events in the kingdom, and substantial outreach the authorities are undertaking to highlight the attractions that Saudi Arabia has to offer should see the country increase its share of the growing global market. With Saudi Arabia receiving approved destination status from China in 2023, it is likely that Chinese visitors will rise substantially. The one potential headwind to this growth is the uncertainty caused by the conflict in Gaza, which could deter some travelers from visiting the region.

**3. Will foreign direct investment in the nonhydrocarbon sector take off?**

Vision 2030 aims to increase foreign direct investment into Saudi Arabia to 5.7% of gross domestic product per year, a level that would exceed the 4.5%-5% of GDP achieved in the United Arab Emirates. According to the revised FDI series published in the Saudi Central Bank’s “Monthly Statistics Bulletin,” FDI into Saudi Arabia increased in 2021 and 2022, reaching 87 billion riyals and 105 billion riyals (2.5% of GDP) in these years respectively (these numbers are somewhat lower than those published by the General Authority for Statistics). This pick-up, however, was driven mainly by the sale by Aramco, the national oil company, of stakes in an oil and a gas pipeline to two consortiums of largely foreign investors. While recorded in the data as investment in the “transportation and storage” sector, these were effectively investments in the hydrocarbon sector. FDI inflows have weakened in 2023, although data for the full year is not yet available.

*Source: Saudi Central Bank, “Monthly Statistics Bulletin,” December 2023*

While regional uncertainties could dampen investment flows to the Middle East, other factors ‎suggest that FDI inflows should accelerate in 2024. Saudi Arabia has recently introduced ‎important legal reforms through the new Civil Code (effective December 2023). Previously, civil ‎and commercial transactions were governed by sharia law, and many rules were applied ‎inconsistently by the courts. The new code seeks to integrate Islamic principles into modern ‎legal concepts, and while it remains to be seen how courts and tribunals will interpret the new ‎code, it should provide a more predictable legal environment for businesses in the kingdom and ‎should unlock increased investment. Further, the Regional Headquarters Program is coming ‎into effect during the first quarter of 2024 and this may also boost foreign investment into Saudi ‎Arabia.‎

**4. Will education reforms start to pay dividends?**

Ensuring the education system is equipping young Saudis with the skills needed for jobs in the ‎dynamic non-oil economy the kingdom is trying to develop is a crucial element of the reform ‎process. While Saudi Arabia spends around 5% of GDP (17% of government spending) on ‎education, outcomes have been less than stellar. Two studies – Progress in International ‎Reading Literacy Study (PIRLS) and Trends in International Mathematics and Science Study (TIMSS) – have found Saudi students score at the lower end of standardized international tests ‎in reading, math and science. This underperformance is even starker given Saudi Arabia’s ‎income level. The chart shows a positive relationship between a country’s income level and its ‎educational outcomes as represented by the 2019 TIMSS score. Countries below the trend line, ‎including Saudi Arabia (marked by the orange triangle), are underperforming relative to their ‎income level.‎

Recognizing that improvements are needed, the authorities have implemented reforms to the education system in recent years to try and raise the quality of teachers, strengthen curricula, and improve student attainment. The results of the 2023 TIMSS study, which are scheduled to be released at the end of 2024, will provide an important indication of whether the reforms are beginning to have a positive impact on educational outcomes.

Sources: TIMSS 2019 International Results in Mathematics and Science; and International Monetary Fund.

Notes: Saudi Arabia is represented by the orange triangle. The TIMSS scores shown are the average of math and science scores for 8th graders in the 39 countries for whom 2019 results are reported. GDP per capita is nominal in U.S. dollars.

**Structural Reforms, Not Public Investment, Key to Economic Diversification Success**

While large-scale investment by the government and other public sector entities can play an important role in kick-starting new sectors of the economy, economic diversification will ultimately depend on the successful implementation of deep-seated structural reforms that improve productivity and the investment climate and thereby boost the competitiveness of the non-oil economy. The good news is that many of these reforms are happening. Careful monitoring of the four indicators discussed above will provide important information about the likely success of the Vision 2030 reforms.

*Tim Callen is a visiting fellow at the Arab Gulf States Institute in Washington*. (AGSIW 31.01)

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* 1. EGYPT: Egypt's Pharma Players Say They Have it Worse Than Most.

[Enterprise Egypt](https://enterprise.news) reported that like other industries, Egypt's pharma industry is severely impacted by the ongoing FX crunch, which is hampering the industry’s ability to import raw materials and active ingredients for a number of meds and products, according to industry players Enterprise spoke with. Several producers have had to resort to sourcing these ingredients from the black market, according to our sources, while other players are shifting towards manufacturing cosmetics, nutritional supplements, and vitamins instead of medications.

Egypt currently has 170 factories producing pharma products, in addition to another 40 factories currently under construction, head of the Federation of Egyptian Industries’ pharma chamber Gamal El Leithy told Enterprise. There are also around 500 cosmetics factories, along with some 300 factories producing medical equipment, according to El Leithy. We have around 191 licensed factories with a combined 799 production lines, head of the Egyptian Drug Authority Tamer Essam. That’s a notable leap from where we were a decade ago, when Egypt had 130 pharma factories with some 500 production lines.

Pharma has big FX needs because it’s extremely import-reliant, considering manufacturers import around 90% of raw materials, head of the pharma division in the Federation of Egyptian Chamber of Commerce Ali Ouf told Enterprise. That reliance on imports should grant the sector special treatment in at least some regards, Ouf suggested. “We’re facing a crisis due to the inability to compensate for jumps in the cost differences of dollar sourcing by pricing it into the products because the sector is regulated by mandatory pricing that can’t be changed without the approval of the Egyptian Drug Authority,” Ouf previously told us. This formula puts the sector under the pressure of facing “huge” cost differences, he said.

**The sector has had only a partial solution:** While costs jumped 50% last year, the EDA allowed for a 20% increase in prices. The EDA also abides by pricing according to the official exchange rate (EGP 30.96 / $1), which is far below the parallel market pricing, further widening the gap between the EDA’s pricing guidelines and the reality for many of these companies. Companies are forced to source FX from the parallel market to ensure operational continuity, which exposes them to sharper cost increases.

**But the government isn’t blind to the problems:** Cabinet is currently working on ensuring the availability of pharma products and medical equipment, particularly as there is a shortage of certain products, Prime Minister Moustafa Madbouly said in a statement. Madbouly called for an increase in reserves and stockpiles of critical meds, with Health Minister Khaled Abdel Ghaffar confirming that certain products — particularly those that are imported — have been in short supply in the past period.

**More tax deductions are needed, sector says:** Pharma companies in Egypt are facing net losses as a result of high fees, taxes, and currency differences, in addition to foreign companies being legally prohibited from purchasing FX from the black market, Ouf said. Authorities should be more lenient with the sector when it comes to imposing fines for delays in production, Ouf suggested, while there should also be a comprehensive view on the sector as a whole, including taxes, incentives, pricing, and FX transactions.

**A unified and flexible registration system + fair pricing:** The solution for industry obstacles including introducing a new system for registering pharma products, which takes time and lots of money and therefore limits companies’ ability to allocate these resources towards deepening the local product, El Leithy suggests. He also believes that introducing flexibility in pricing will allow factories to improve operational continuity.

**The sector has lots of potential — if its problems are addressed:** Pharma could export as much as $5 billion worth of products by 2030, thanks to the active ingredients we have access to and the range of products we produce, but the sector needs a shot in the arm, Chairman of the Egyptian Federation of Investors’ Association’s Health and Medicine Committee Mohie Hafez said. Introducing flexible pricing, ensuring the availability of active ingredients, and correctly enforcing regulations on the meds market (by preventing the over-the-counter sale of antibiotics and other meds without a doctor’s prescription) would help get the sector in order, Hafez said.

This is all without accounting for external pressures, including the global shipping as a result of tensions in the Red Sea. The crisis — leading many shipping companies to change routes away from the Suez Canal and around the Cape of Good Hope — has left Egypt’s consumer market, including pharma products, particularly vulnerable, Fitch said in a recent risk report. With China and India being the primary suppliers of [chemical] materials to Egypt and the wider MENA region, we predict that Egypt-based drug makers will face adverse effects due to supply disruptions, potentially hindering their production capabilities and ultimately impacting the stability of Egypt’s pharma sector,” Fitch said. (Enterprise 04.02)

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**\* END \***