

**The FORTNIGHTLY**

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

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ISRAEL GOVERNMENT ACTIONS & STATEMENTS

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* 1. Israel's Tax Authority Heralds Crypto Disclosure & Tech Taxation Reform

On 20 May, Israel's Attorney General gave his approval for the publication of new voluntary disclosure procedure that will enable Israelis who up to now have concealed wealth from the state and not paid taxes to make a report and pay the tax they owe without the fear of criminal proceedings. The procedure is especially relevant for people who deal in cryptocurrencies, who up to now have had difficulty in regularizing their profits from the point of view of reporting and taxation.

Israel Tax Authority director Aharonovich said that the voluntary disclosure procedure would be in operation until the end of 2025, but added that it would be the last, and thus the final opportunity for Israelis who have failed to report assets and income to do so with reduced fines and protection from criminal prosecution.

One of the main problems for cryptocurrency players is that in many cases the commercial banks in Israel will not accept money arising from virtual currencies, because of the difficulty in tracing the source of the money, and the fear that it may be connected to money laundering or terrorism financing. In such cases, the refusal also applies to taxes on the realization of virtual currencies.

A procedure was recently published enabling cryptocurrency players to pay tax even on money that the banks refuse to accept, directly to the Tax Authority. With the publication of the new voluntary disclosure procedure, it may be that profits that have not been reported at all will now be revealed to the Tax Authority, and that the taxes on them will be paid.

The Tax Authority collected NIS 153 million in a voluntary disclosure scheme that ended in 2019, and over NIS 3.5 billion in a scheme that was in force between 2014 and 2016. Under the current procedure, it expects to collect NIS 2-3 billion. ((Globes 21.5)

ISRAEL MARKET & BUSINESS NEWS

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* 1. Microsoft Selects TeraSky for Strategic Partnership

TeraSky announced their new strategic partnership with Microsoft to advance Azure Public Cloud computing platform with Generative AI. The companies will leverage their respective strengths to help customers maximize the impact of migrating to Microsoft Azure and integrating Generative AI. TeraSky supports all scales of businesses with challenges related to infrastructure, cloud-native, generative AI, platform engineering, and DevOps. The company's unmatched expertise and proven experience guarantee successful delivery through well-structured methodologies and frameworks designed by TeraSky's experts to provide quality support at every stage. The team's dedication to excellence is regularly recognized by technology partners, reflected in numerous top-tier certifications, competencies, and awards.

Petah Tikva's [TeraSky](https://www.terasky.com/) is a global Innovative Digital Solutions and Cloud Services Provider, helping companies overcome infrastructure, platform engineering, and DevOps challenges thanks to domain expertise, value-driven planning, and successful execution. They create robust infrastructures using multi-clouds and next-gen data centers, application infrastructures for complex foundations, productive and secure platform engineering tools without compromising security. (TeraSky 9.5)

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* 1. XTEND Secures $40 Million to Redefine Robotics with Ai-Powered Common Sense

XTEND announced its $40 million Series B round, led by Chartered Group, with further participation from its existing and new strategic investors, including Clal-Tech. The new funding will further develop XTEND's proprietary XOS operating system and its application in various time-consuming, dangerous enterprise and security scenarios worldwide. XTEND will also ramp up global sales of its own drones and robotics products.

Tel Aviv's [XTEND](https://www.xtend.me/) provides a revolutionary human-supervised, AI-driven drone and robot operating system that enables operators to perform highly complex and dynamic missions in any environment with minimal training. When drones and robots are controlled by XTEND's patented XOS operating system - which fuses the best of human intelligence and machine autonomy – it provides a new way for logistics, public safety, inspection, defense, and security professionals to interact with machines effectively from a safe distance.

XOS has been developed for multiple markets, including logistics, public safety, inspection, and security. The U.S. Department of Defense Special Forces and Israel's Ministry of Defense tier-1 units have also chosen XTEND for multiple multi-million-dollar programs to develop and deliver its systems for operational evaluation, so the technology is already being used by some of the best in the business. (Xtend 9.5)

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* 1. Fairgen Raises $8 Million for Statistically Accurate AI-Generated Survey Responses

Fairgen has raised $8 million to date in Seed funding, led by Maverick Ventures Israel, with participation from Tal Ventures, IGNIA and Creator Fund to move consumer insights into the AI era. The company is launching FairBoost, which doubles the size of under-sampled segments using predictive responses.

Fairgen became the first company to use synthetic data for granular insights when it proved scientifically that it could augment under-sampled segments with a high degree of accuracy using proprietary algorithms. Fairgen's FairBoost trains an AI model exclusively on the customer's survey data. The model learns the relationship between the different surveyed groups and can extrapolate from the larger groups, generating new responses for niche groups in minutes that are mathematically guaranteed to be statistically accurate.

Tel Aviv's [Fairgen](https://www.fairgen.ai/) is used by some of the largest global consumer brands and has recently signed a partnership with the international market research firms, IFOP and BVA, which rigorously tested their technology and integrated it into their offerings. (Fairgen 9.5)

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* 1. WEKA Nets $140 Million in Series E Funding at $1.6 Billion Valuation

WEKA has raised $140 million in an oversubscribed Series E funding round comprised of a combined primary and secondary transaction led by Valor Equity Partners, a previous investor in the company. The round brings WEKA’s post-money valuation to $1.6 billion. The funds will augment the company’s considerable cash reserves, giving it ample options for how it can scale its business rapidly to meet accelerating global demand for AI-native data infrastructure.

WEKA’s Series E round is unique in that it was raised entirely with existing investors, like Valor, seeking to increase their positions in the company. Generation Investment Management, NVIDIA, Atreides Management, 10D, Hitachi Ventures, Ibex Investors, Key1 Capital, Lumir Ventures, MoreTech Ventures, and Qualcomm Ventures joined Valor in contributing to the round.

Tel Aviv's [WEKA](http://www.weka.io) is architecting a new approach to the enterprise data stack built for the AI era. The WEKA® Data Platform sets the standard for AI infrastructure with a cloud and AI-native architecture that can be deployed anywhere, providing seamless data portability across on-premises, cloud, and edge environments. It transforms legacy data silos into dynamic data pipelines that accelerate GPUs, AI model training and inference, and other performance-intensive workloads, enabling them to work more efficiently, consume less energy, and reduce associated carbon emissions. (WEKA 15.5)

REGIONAL PRIVATE SECTOR NEWS

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* 1. Singapore’s Golden Gate Ventures Launches $100 Million MENA Fund

Singapore-based venture capital (VC) company Golden Gate Ventures has launched a $100 million Middle East and North Africa (MENA) fund in Qatar. The Golden Gate Ventures MENA Fund I has so far raised $20 million in commitments from some of the most prominent families in the Gulf state. The fund’s anchor investors include Al Khor Holding, Al Attiya Group and Sheikh Jassim Bin Jabor Al Thani.

The fund is Golden Gate’s first international venture capital fund to be established and managed in Qatar. It will support start-ups in key sectors, such as alternative energy, green technology, B2B artificial intelligence and energy-related deep tech. MENA Fund I will also cover fintech, health tech and edtech, which are expected to further Qatar’s economic diversification goals. Golden Gate had set up an office in Saudi Arabia in 2023 to tap into opportunities in the Middle East. (Zawya 17.5)

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* 1. Dubai Health Testing VR for Reducing Pain and Anxiety in Medical Procedures

Dubai Health, which is the first integrated academic health system in Dubai, is embracing virtual reality (VR) technology to improve patient care across its hospitals and healthcare centers. This initiative began with a study and implementation program at the Thalassemia Center, exploring the use of VR technology to reduce anxiety and pain during cannulation (needle insertion) procedures for thalassemia patients. The study, which is the first of its kind for this specific patient group in Dubai, holds promise for a more comfortable and positive healthcare experience.

Mohammed Bin Rashid University of Medicine and Health Sciences (MBRU), which leads the Learning and Discovery missions of Dubai Health, will conduct and document the study. Unlike prior studies that primarily relied on subjective experiences, this novel approach will incorporate objective measurements such as eye movement tracking and heart rate to assess the effectiveness of VR technology, marking a significant advancement in medical discovery. Separate from the MBRU study, the selected VR technology had been tested extensively. It demonstrated clinically effective results in 14 published and 30 ongoing studies, providing a solid foundation for its use in improving patient experiences.

This program marks the first phase of integrating VR technology across Dubai Health hospitals and healthcare centers, with plans to extend its application into medical procedures at Al Jalila Children's Hospital and Latifa Hospital. (DH 9.5)

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* 1. Wheekeep Closes an $8 Million Series A Round

Saudi Arabian Logistics and self-storage startup Wheekeep raised SAR 30 million ($8 million) in a series A round led by New York-based venture capital firm Fintech Collective. Unnamed local and international investors also participated in the round. The funding will finance the company’s short-term growth in the local market, especially in the Eastern and Western regions. They also have plans for franchising and expansion into the GCC in the medium term, the sources added.

Jeddah's [Wheekeep](https://wheekeep.com/), founded in 2020, is a storage solutions provider that caters to individuals and businesses alike by delivering its mobile storage units to their customers’ doorstep to fill up, and then takes them back to their storage facilities. The startup also offers a space calculator to allow customers to gauge exactly how much space they need before delivery. (15.5)

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* 1. Registration of Saudi Domains Increases by 40% in 2023

More than 17,000 new domains were registered in Saudi in 2023, rising 40% y-o-y, the Communications, Space and Technology Commission (CST) said in its Saudi Domain Report 2024. The rate of growth in new domain registrations tripled last year compared to 2022, the report showed. The private sector accounted for 89% of registered new domain names, followed by the public sector with 9%, and individuals at 2%, the report showed.

The monthly transaction rate on the CST’s registry system rose by 75% y-o-y last year, with the monthly rate for inquiries on domain registration growing 87% y-o-y. The domains are supported by 150 distributed servers globally, including eight local servers across Riyadh, Jeddah and Dammam. Amazon.sa and Google.com.sa were among the most visited domains at home, while government websites such as the Interior Ministry’s Absher, the Kingdom’s official digital identity application Nafath, education platform Madrasti among others. AlRajhi Bank’s website, e-commerce platform Salla and buy and sell platform Haraj were also among the most visited domains.

The CST has worked to remodel domain registration in Saudi to the registry-registrar model, which follows international practices in the industry. Domain registrations are now made through licensed registrars by the CST instead of direct registration through the governmental communications authority’s platform in a bid to boost the private sector’s role in the sector. Registrants were given a transition period that allowed them to transfer the management of their domains to licensed registrars, without disrupting any of their services. (Various 14.5)

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* 1. Swypex Launches Following $4 Million Seed Round

Swypex announced its launch following a $4 million seed investment round, led by the venture capital fund Accel. Licensed by the Central Bank of Egypt, Swypex becomes the first comprehensive platform designed to eliminate financial inefficiencies and unlock a business’s full potential. This marks Accel's first fintech investment in the region. The investment also included participation from Foundation Ventures, The Raba Partnership and industry-leading angel investors.

Swypex consolidates payments, invoice management, and smart corporate cards on a unified platform. Their products simplify financial management, empowering businesses to automate financial workflows and make payments with ease. Swypex’s corporate cards are built specifically for Egyptian businesses, designed to reduce costs, elevate operational efficiency, and facilitate scalable growth.

Egypt's [Swypex](https://www.swypex.com/) offers a unified and intuitive financial platform that scales with each business, saving them time and money. (Swypex 07.05)

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* 1. Hailiang Set to Build a $288 Million EV Battery Parts Plant in Morocco

Chinese copper tubes and rods manufacturer Zhejiang Hailiang is planning to construct a $288 million plant for the production of lithium-battery copper foil in Morocco. The plant will be constructed in 36 months and will have the capacity to produce 50,000 tons of alloy, 35,000 tons of pipe, 40,000 tons of rod and 25 tons of foil annually for export to Europe, America, MENA and Africa. Copper foil is a key material in lithium-ion batteries which acts as the current collector for the anode. The thin and conductive foil conducts electricity and helps release heat generated by the battery during operation.

Morocco's free trade agreements with the US, EU and Turkey will allow easy access to those markets. Hailiang also wants to capitalize on Africa's abundant copper resources to keep production costs low. By moving its production to other countries, the company is able to evade the US sanctions on US goods.

Morocco signed a $297 million investment agreement with Chinese EV battery components maker BTR New Material for the construction of a cathode factory for electric vehicle batteries last month. Earlier in January, the kingdom said it had secured $700 million in EV battery cathode investments from Chinese companies including the Tanier cathode facility. Chinese battery giant CNGR also partnered with Morocco-based pan-African investment fund Al Mada last September to build a $2 billion industrial base for battery parts production and recycling. (Various 09.05)

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* 1. Oracle Increases Research and Development Investments in Morocco

Oracle will expand its research and development (R&D) capabilities in Morocco by growing its local workforce to 1,000 information technology (IT) professionals. This investment will accelerate the development of Oracle’s cutting-edge technologies that help solve customer challenges worldwide. Morocco's Minister in charge of Digital Transition and Administration Reform signed an agreement with the CEO of Oracle to formalize the partnership and commitment to innovation in Morocco.

Oracle’s R&D center in Casablanca has already played a critical role in creating technical breakthroughs, enhancing cybersecurity and delivering impactful new AI capabilities. This project falls within the strategic and comprehensive Royal Vision of King Mohammed VI who called on encouraging Moroccan youth innovation and creativity.

Oracle’s expansion follows the opening of its Morocco Development Center facility at Casanearshore Park in Casablanca, where researchers use Oracle’s cloud, AI, and machine learning technologies to tackle the most pressing challenges facing business, science, and the public sector. An estimated 40% of the new positions will be located outside the regions of greater Casablanca and Rabat-Salé-Kenitra to offer opportunities across the country including new Oracle offices in Agadir this year and Northern Morocco in the next two years. (Oracle 9.5)

CLEAN TECH & ENVIRONMENTAL DEVELOPMENTS

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* 1. UAE Launches Blue Residency Visa for Environmental Advocates

The UAE has announced the introduction of the Blue Residency visa, a long-term residency scheme aimed at recognizing and rewarding individuals who have made exceptional contributions to environmental protection. This 10-year visa will be granted to those demonstrating significant efforts in sustainability, both within and beyond the UAE.

The Blue Residency visa is designed for a wide range of environmental advocates, including members of international companies, associations, non-governmental organizations, global award winners, and distinguished activists and researchers in the field of environmental work. Eligible individuals are invited to submit their applications through the Federal Authority for Identity, Citizenship, Customs, and Port Security. Additionally, relevant authorities have the ability to nominate individuals for this long-term residency. The visa aims to bolster sustainability initiatives, reflecting the UAE’s commitment to integrating environmental sustainability into its economic development. (WAM 16.5)

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* 1. Another Step Forward for Egypt’s 10 GW Wind Project

The Egyptian government has signed a land access agreement with Infinity Power, Hassan Allam Utilities and the UAE’s Masdar for their planned $11 billion 10 GW wind farm project in Sohag. The consortium will reportedly have access to over 3,000 sq km of land in West Sohag, allowing the group to conduct the surveys and studies needed before beginning construction. The consortium is expected to reach financial close and break ground on Egypt’s largest wind energy project in Q1/25, with operations scheduled to begin in 2027.

The wind farm — which is set to be one of the largest wind farms globally and the largest in Africa — will offset as much as 10% of Egypt’s total carbon footprint, saving the country some $5 billion per year by minimizing the need for natgas consumption. The wind project aims to produce 48,000 GWh of clean energy annually, reducing Egypt's carbon emissions by 23.8 million tons of CO2 each year. Construction of the plant is set to start in Q1/25. Masdar, Infinity Power, and Hassan Allam Utilities signed the land allocation agreement with the Egyptian government back in June 2023 — eight months after the companies signed a MoU on the sidelines of COP27. (Enterprise 16.5)

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* 1. Tunisia Advances Solar Ambitions With Two New Solar Projects

Tunisia signed an agreement to build a 100 MW and 200 MW solar plant in Gafsa and Tataouine governorates with a combined investment of some $255 million. Construction will begin next year with an operational launch set for 2026. The government has plans for similar projects in Gafsa and Tozeur worth about $95.7 million. The bid comes in response to a call for submitting bids for planned solar projects across Tunisia with a production capacity of 500 MW. This strategy is part of a government scheme to issue tenders for larger projects with a total capacity of 1.7 GW. The tenders include two in Metbasta at 500 MW and 100 MW each. Two projects at 50 MW each are also in the final stages in Tozeur and Sidi Bouzid. The agreement was signed by the Tunisian government, the Tunisian public grid operator Société Tunisienne de l'Électricité et du Gaz (STEG) and an undisclosed Emirati and French investor. (TAP 14.5)

ARAB STATE DEVELOPMENTS

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* 1. Lebanon’s Trade Deficit Down by 10.1% YOY to $13.99 Billion in December 2023

According to the Customs Administration, Lebanon’s trade deficit totaled $13.99 billion, down from $15.56 billion during the same period last year. Total imported goods dropped by 4.85% year-on-year (YOY) to $18.13 billion while total exports increased by 18.53% YOY to stand at $4.14 billion by December 2023. In details, the Mineral products grasped the lion’s share of total imported goods with a stake of 27.58%. Pearls, precious stones and metals ranked second, composing 13.94% of the total while Machinery; electrical instruments and Products of the chemical or allied industries grasped the respective shares of 9.56% and 7.04%, respectively.

On an annual basis, the value of imported Mineral products rose by 36.75%, from $3.66 billion to $5 billion by December 2023. Furthermore, the value of imported Pearls, precious stones and metals rose significantly by 120.22% from $1.15 billion to $2.53 billion by December 2023.

On a different note, the top three import sources by December 2023 were China, Greece and Switzerland grasping the respective shares of 11.52%, 9.81%, and 9.67% of the total value of imports. Furthermore, total value of imported goods from China, Greece and Switzerland reached respectively $2.09 billion, $1.78 billion and $1.76 billion. (CAB 21.05)

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* 1. Jordan's Inflation Rate Rises by 1.61% in First Third of 2024

Jordan's general consumer price index (inflation) surged by 1.61% in the first three months of 2024, reaching 110.21 points, marking an uptick from 108.47 recorded during the corresponding period last year. The Department of Statistics highlighted key commodity categories driving the inflationary trend. Notably, water and sanitation saw a significant increase of 7.34%, followed closely by personal belongings at 7.30%. Additionally, contributions to syndicates rose by 5.86%, while tobacco and cigarettes increased by 5.29%, and rent saw a 4.12% rise.

April 2024 witnessed inflation reaching 110.50 points, up from 109.09 in the same month last year, marking a 1.30% increase. The report attributed the rise primarily to personal belongings surging by 9.41%. Moreover, water and sanitation witnessed a notable increase of 7.34%, contributions to syndicates rose by 5.86%, tobacco and cigarettes by 5.38% and rents by 4.12%. Conversely, the group comprising fruits and nuts saw a decrease of 7.40%, while dry and canned vegetables and legumes decreased by 2.90%. Oils and fats experienced a decline of 1.77%, and home textiles decreased by 1.57%. (Petra 13.5)

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* 1. Record Rise in Jordan's Foreign Reserves Reflect Economic Resilience

The Central Bank of Jordan (CBJ)'s foreign reserves have reached a new record level of $19.1 billion, which is enough to cover the Kingdom's imports of goods and services for 8.3 months. Pundits noted this rise reflects success of the Kingdom's economic reform policies, which strengthens investors’ confidence in capability of the national economy to counter challenges and achieve positive results, in light of the region's changing circumstances and political tensions. These levels of foreign reserves enhance Jordan's credit rating, help keep the dinar exchange rate, control inflation rates, boost performance of the Kingdom's banking system and financial institutions, raise confidence in monetary policies and reduce the expected impact of external shocks.

The reserve increases are due to foreign grants, expatriates' remittances, increased spending by overseas tourists and revenues of national exports of goods and services. Jordan's foreign cash reserves have reached $19.1 billion. The Kingdom's foreign reserves in 2019 stood at $14.3 billion, which grew by 34% in 6 years. (Petra 11.5)

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* 1. Indonesia & UAE Sign Agreement to Use Local Currencies for Trade

The central banks of the UAE and Indonesia have signed a MoU, paving the way for the establishment of a framework that promotes the use of local currencies for bilateral trade between the two countries. The agreement between the Central Bank of the UAE (CBUAE) and Bank Indonesia (BI) defines a framework that facilitates the settlement of cross-border trade transactions in local currencies – the UAE dirham and the Indonesian rupiah.

CBUAE said the MoU also outlines the types of eligible transactions and allows for developing the conditions to support hedging and liquidity management activities in dirham and rupiah. The central banks agreed to promote the use of national currencies by supporting the gradual implementation of the framework, which aims to develop financial markets to support economic growth and financial stability. Dirham-rupiah trade is expected to help reduce transactional costs for businesses while strengthening bilateral financial cooperation. The partnership between the two countries witnessed significant growth in non-oil trade, doubling between 2017 and 2023 to reach more than Dhs16 billion. (GB 11.5)

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* 1. The Number of Dubai's Millionaires Surges Upwards

Dubai has been named one of the world’s richest cities and the wealthiest in the Middle East, with the number of millionaires surging by nearly 80% over the last decade, according to a new report. The number of individuals in Dubai with liquid investment wealth — or assets that can be readily converted to cash — of $1 million or more increased by 78% between 2013 and 2023 to 72,500, according to the World’s Wealthiest Cities Report 2024 from Henley & Partners, in collaboration with New World Wealth.

Dubai is also home to 212 millionaires with over $100 million or more, and 15 billionaires. Dubai ranked 21st on the list that ranked the top 50 cities based on the raw number of high-net-worth individuals (HNWIs). The only other Middle Eastern city that made the top 50 was Tel Aviv in Israel, with 24,300 millionaires.

The report said that Abu Dhabi was the world’s next major millionaire hotspot. The emirate currently has 22,700 HNWIs. Abu Dhabi is where the country’s ruling royal family is based and is home to the lion’s share of the UAE’s oil and gas reserves. The report also mentioned the emergence of the Abu Dhabi Global Market, which is attracting more family offices that advise HNWIs. (Various 9.5)

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* 1. Wealth Managers Flock to Dubai as Millionaire Population Grows

Dubai has been seeing an influx of wealth managers looking to cash in on the large pools of fortune and growing population of millionaires in the UAE. During April, more than a dozen wealth and asset management (WAM) companies set up shop at the Dubai International Financial Centre (DIFC), and to date, their total number has already exceeded 370. These businesses have come from Asia Pacific, Europe, the UK and US, while others have originated in the Gulf Cooperation Council (GCC).

The financial hub’s strong performance has also made it a “highly competitive choice” for wealth management businesses looking to tap into Dubai’s status of being the city in the region with the highest concentration of wealth, the DIFC said. Dubai is home to more than 72,500 individuals with liquid investable wealth of $1 million or more, according to a recent report from Henley & Partners in collaboration with New World Wealth. The city also has 212 centi-millionaires, or those with $100 million or more, and 15 billionaires. The number of millionaires in Dubai alone is triple the number of any other city in the region, while Middle Eastern state-owned investors manage $4.7 trillion of capital, the DIFC also noted.

The new wealth management firms establishing in the DIFC as of April 2024 include Audere Capital Limited, Banca Del Sempione Ltd, Blue Owl Capital (Dubai) Limited, Capital Asset Management (DIFC) Limited, 24 Capital Management Ltd, El Dorado Capital Limited, GID Investment Advisors LLC, Hayfin, Novia Global Limited, Ominvest Capital (DIFC) Limited, Patient Square Capital (DIFC) Limited, Point72 (DIFC), Taula Capital Management (DIFC) Limited and Theia Investments Limited. (Zawya 15.5)

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* 1. Dubai Inflation Hits Six-Month High in April

Annual inflation in Dubai reached 3.9% in April, the highest since October 2023, according to figures from the Dubai Statistics Center. This is an increase from the 3.34% rate recorded in March. Prices of housing, water, electricity, gas, and other fuels — the largest component of the basket of goods and services — increased at the highest pace this year to 6.46% during April, compared to 6.34% in March, while food and beverage inflation decelerated to 2.29% from 3.1%. Price increases from restaurants and hotels have also risen to 2.17% in April from 1.17% during the previous month.

Fuel prices climbed for the fourth consecutive month in May, marking a seven-month high. Month-on-month, Dubai’s inflation increased to 0.76% in April, up from 0.24% in March, according to the statistics center’s monthly inflation report. (DSC 19.5)

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* 1. Ras Al Khaimah to Elevate Tourism with Electric Air Mobility Across the Emirate

Ras Al Khaimah Transport Authority (RAKTA) and Ras Al Khaimah Tourism Development Authority (RAKTDA) have taken a significant move towards transforming tourism and transportation in the Emirate by signing a Memorandum of Understanding (MoU) with Skyports Infrastructure (Skyports), the company leading the development of vertiport infrastructure for electric air taxi services. Marking the beginning of a partnership that will pioneer sustainable tourism through electric air mobility, this pivotal MoU will see Skyports develop a network of vertiports to connect key attractions across Ras Al Khaimah, propelling the Emirate as a destination of the future and aligning with RAKTA’s Strategic Plan 2030.

Under the agreement RAKTA, RAKTDA and Skyports will collaboratively design, develop, and operate Ras Al Khaimah’s first electric vertical take-off and landing (eVTOL) air taxi ecosystem, with commercial operations set to commence by 2027.

This innovative project will integrate Skyports’ vertiport infrastructure with RAKTA’s existing transport network, providing fast and convenient zero-emission transport to Ras Al Khaimah’s most popular areas and attractions, including Al Marjan Island, Al Hamra and Jebel Jais, the UAE’s highest peak. Tourists and residents visiting these iconic sites will experience substantial time savings from the service. For example, travelling from Al Marjan Island to Jebel Jais takes approximately 70 minutes by car. The launch of air taxi services will cut the journey time to less than 20 minutes. (RAKTA 9.5)

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* 1. Dubai Airport Passenger Numbers to Exceed 90 Million in 2024

Dubai’s main international airport is expected to receive 90 million passengers this year, the Dubai Airports said, building on the 87 million travelers the hub served in 2023. The latest passenger forecasts come a week after the approval of plans to build a new passenger terminal worth $34.85billion at Dubai World Central (DWC) in anticipation of a spike in passenger numbers. The new passenger terminal at DWC, also known as Al Maktoum International Airport, is expected to be the largest in the world when fully operational, with the capacity to handle 260 million passengers annually.

The DWC will pave the way for the expected growth in the aviation sector in Dubai for the next 40 years, supporting the Dubai Economic Agenda “D33”, which includes 100 transformative projects and ambitious economic targets that seek to double the size of the city’s economy over the next decade. The emirate’s economy has grown exponentially over the years, supported by the resilient performance in various economic sectors including aviation, travel and tourism. (Various 09.05)

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* 1. Dubai Plans Flexible Work Hours & School Bus Incentives to Ease Congestion

Dubai’s Executive Council unveiled a comprehensive plan aimed at reducing traffic congestion in the city by introducing flexible working hours and incentivizing the use of school buses. The initiative aims to capitalize on Dubai’s economic growth and global reputation as a key transport hub.

Key components of the plan include the development of priority bus routes to significantly reduce trip times by up to 59%. Additionally, efforts will be made to encourage more students to utilize school buses, which is projected to improve traffic flow around schools by 13%. Flexible working hours and remote working options are also being considered as part of the strategy to reduce traffic congestion during peak hours.

While details about the implementation timeline were not immediately available, Dubai authorities had previously conducted a comprehensive survey to gather insights into the potential impact of flexible working hours and remote work on traffic congestion. To further understand public opinion and driving patterns, the Roads and Transport Authority (RTA) posted another survey on its social media accounts targeting residents of Dubai. This initiative follows a similar survey conducted by the Dubai Statistic Centre in October, which engaged private sector workers in assessing traffic patterns and potential solutions. Data collected from these surveys will inform future traffic management strategies and infrastructure developments in Dubai, aligning with the city’s vision for sustainable growth and efficient transportation systems. (GB 10.5)

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* 1. NCA Launches National Program for R&D and Innovation in Cybersecurity

The National Cybersecurity Authority (NCA) has announced the launch of the National Program for Research, Development, and Innovation (RDI) in cybersecurity to revolutionize the cybersecurity landscape by empowering the Cybersecurity RDI ecosystem in Saudi Arabia. The program aims to accelerate the growth and impact of promising cyber research and bolster the development of innovative solutions for present and emerging cybersecurity challenges. The program also intends to harness the power of national and international partnerships within the cybersecurity ecosystem.

Embarking on this transformative journey to leap forward in cybersecurity, NCA has revealed the program's first phase by announcing three high-impact initiatives, "Cyber Research and Innovation Pioneer Grants", "Cyber Industry Research Grants", and "Cyber Innovation Bridges". The program targets diverse stakeholders, including universities, research institutions, cybersecurity experts, researchers, and students specializing in cybersecurity, prioritizing eight national cybersecurity RDI areas, focusing on NextGen Cyber Defense, Cyber Resilience, Cyber-Physical Technologies and IoT, AI x Cyber, Cryptography and Quantum Security, Behavioral Cyber, Future of Cyber Threats and Attacks, and Cyber Order.

The program is being developed in close collaboration with NCA's technical arm, the Saudi Information Technology Company (SITE). This strategic partnership ensures that the program aligns perfectly with the NCA's objectives, which include developing human capital in the cybersecurity sector and increasing the impact of national Cybersecurity RDI contributions. (NCA 09.05)

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* 1. Saudi Inflation Drops to 1.6% in March

Saudi Arabia’s inflation rate dipped to 1.6% in March 2024, according to data released by the kingdom’s General Authority for Statistics (GASTAT). The decrease was primarily influenced by a 0.7% month-on-month decline in the Food & Beverages category. Moreover, non-oil export growth (year-on-year) surged to 4.4% in February 2024. Additionally, Saudi Arabia’s crude oil production rose slightly to 9.04 million barrels per day (mbpd) in March from 9.01 mbpd in February. Meanwhile, the average price of Brent crude oil climbed to $89.07 per barrel in April, up from $84.03 in March.

The Consumer Price Index (CPI) experienced a 1.6% year-on-year increase in March, down from 1.8% in February. This rise was predominantly driven by a notable 8.80% year-on-year increase in the Housing, Water, Electricity, and Gas category. The Wholesale Price Index (WPI) saw a 3.80% year-on-year increase in March, compared to 3.11% in February, largely due to a rise in ‘Other transportable goods, except metal products, machinery, and equipment transportable goods’ by 9.23%.

Non-oil exports in February surged by 4.40% year-on-year, a significant increase compared to the 0.80% year-on-year growth in January. This growth was fueled by a notable 12.40% year-on-year increase in ‘Vehicles, aircraft, vessels, and associated transport equipment. The Saudi Central Bank’s foreign reserves on an annual basis rose by 3.80% in March, rebounding from the decline witnessed in February, to SR1.707 trillion ($460 billion). (WAYA 2.5)

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* 1. Riyadh to Host Global AI Summit in September

The Saudi Data and Artificial Intelligence Authority will host the third Global AI Summit from 10 to 12 September at the King Abdulaziz International Conference Center in Riyadh. The summit will bring together international ministers, organization heads, CEOs of major tech companies, and AI experts to discuss global AI developments and announce initiatives and agreements, advancing international efforts in data and AI under the Kingdom’s banner. Topics at the conference include AI innovation, industry trends, shaping a better future with AI, fostering human talent in the field, and other key areas. This summit, under the crown prince’s leadership, is a testament to the successes of Vision 2030, which position Riyadh as a global hub for cutting-edge AI developments. (Arab News 12.5)

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* 1. EBRD Again Cuts Egypt’s Growth Forecast for 2024

The European Bank for Reconstruction and Development (EBRD) has cut Egypt's growth forecast for 2024 to 3.9%, down 0.6% from its September forecast. The EBRD cut its growth forecast for the current fiscal year by 1.8% to 3%. The bank also published its first forecast for 2025, anticipating growth to pick up to 4.4% for the calendar year. Likewise, the bank expects growth to pick up to 4% in its first forecast for the coming fiscal year.

The bank highlighted FX shortages and “reform uncertainty” as factors weighing on the economic outlook. High interest rates and persistently high inflation, as well as further escalation of tensions in the Middle East endangering investor confidence, tourism and trade flows were also singled out as factors dampening growth expectations.

The EBRD’s new forecast for the current fiscal year is above the World Bank’s forecast of 2.8% and is even more optimistic than the Madbouly government’s most recent forecast of the economy growing by 2.9%. The IMF is in agreement with the EBRD, with both projecting 3% growth throughout the year ending June 2024. (EBRD 16.5)

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* 1. Egyptian Inflation Falls Once Again as Price Shocks Continue to Cool Post-Float

Annual headline inflation in Egyptian cities eases for the second consecutive month to 32.5% in April from 33.3% in March amid the slowdown of consumer price increases after the float, figures from state agency CAPMAS show. Food and beverage prices — the largest component of the basket of goods and services used to calculate headline inflation — continued to rise, albeit at the lowest rate of increase since December 2022. Food inflation came in at 40.5% in April compared to 45.0% in March. F&B prices also decreased by 0.9% m-o-m in April, marking the first month of deflation since August 2021. (CAPMAS 9.5)

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* 1. Second $20 Billion Installment of Ras El Hekma Funds Arrives in Egypt

The Abu Dhabi wealth fund ADQ has delivered the second tranche of the $35 billion Ras El Hekma agreement on 12 May. The tranche consists of $14 billion fresh inflows and $6 billion in the form of a previous UAE deposit at the Central Bank of Egypt (CBE). Egypt received the first $15 billion tranche of the payment late February, split between $10 billion in fresh inflows and $5 billion in the form of a previous UAE deposit at the CBE.

Some $11 billion of Egypt’s external debt is expected to be written off using funds from the Ras El Hekma agreement. Egypt’s foreign debt hit $168 billion during the first half of the current fiscal year, rising $3.3 billion compared to the $164.7 billion recorded at the end of fiscal year 2022-2023. The CBE is expected to pour $6 billion of the Ras El Hekma proceeds into the banking sector, providing sufficient hard cash in the system for banks to help clear arrears and start opening up their FX allocations outside of those importing essential goods. (CBE 14.05)

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* 1. Egypt’s Foreign Debt Rose by $3.3 Billion in First Half of FY 2023/4

Egypt’s foreign debt hit $168 billion during the first half of the current fiscal year, rising $3.3 billion compared to the $164.7 billion recorded at the end of fiscal year 2022-2023, according to central bank data. Medium- and long-term debt accounted for over 81% of Egypt's total foreign debt, sitting at $136.8 billion, while short-term debt accounted for $29.5 billion. The central bank is projecting that we will repay some $36.4 billion — 21.7% of our total foreign debt — of the medium- and long-term debt in 2024. Some $11 billion of the country's external debt will be written off thanks to the $35 billion Ras El Hekma agreement signed earlier this year. Egypt’s external debt has quadrupled over the past decade, reaching a record high of $165.4 billion at the end of Q3/23 due to increased borrowing from multilateral lenders and international debt markets. (CBE 12.5)

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* 1. Egypt's Unemployment Drops for the Second Quarter in a Row

Egypt’s unemployment rate fell to 6.7% of the total workforce in Q1/24, inching down 0.2% from the previous quarter, according to data released on 15 May by CAPMAS. Unemployment was down 0.4% compared to the same period last year. Unemployment among men decreased to 4.4% in Q1/24, marking a 0.2% decline from the previous quarter and 0.1% drop y-o-y. For women, unemployment fell to 16.5% in the quarter, down from 17.7% in the previous quarter and down 2.7% from the same period last year. People aged 15-29 accounted for 64.5% of all jobless people in Q1/24, marginally up from 62.4% in the previous quarter.

By definition, the official unemployment rate only includes people who are looking for work. The labor force participation rate — which counts everyone aged 15-64 either in work or actively looking for work — came in at 43.5%, up from 43.1% in the previous quarter and 43.0% in Q1/23. Egypt’s labor force now stands at 31.4 million, up 1.0% on the previous quarter. Men make up 81% of the workforce and women make up 19%. (CAPMAS 15.5)

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* 1. EBRD Forecasts Steady 3% Growth for Morocco’s Economy in 2024

Morocco’s economy has demonstrated remarkable resilience in the face of adversity, with the European Bank for Reconstruction and Development (EBRD) projecting an annual growth rate of 3% in 2024. The optimistic outlook comes despite the severe impact of a 6.8-magnitude earthquake that struck the central regions near Marrakech in September 2023. The EBRD maintains that the positive growth prospects are mainly supported by the recovery in external demand, which translates into higher exports, and government investment. Under EBRD’s current projections, Morocco’s economic growth should average 3.6% in 2025.

The report argues that despite the increasing expenditures related to post-earthquake relief and reconstruction efforts, the government is continuing to advance fiscal consolidation policies aimed at reducing government debt. While inflation eased to 3% by February 2024, unemployment is a persisting challenge for the North African country. At the end of 2023, unemployment reached a historical 13% exacerbated by the colossal job loss due to the lingering drought. Morocco’s economy, however, remains highly exposed to the country’s dependence on energy imports and climate risks caused by its rain-dependent agriculture. (MWN 15.5)

TURKISH, CYPRIOT & GREEK DEVELOPMENTS

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* 1. What Does Turkey's Three-Year Austerity Plan to Curb Inflation Entail?

Turkey announced a three-year austerity program on 13 May to cut public spending to tame inflation, which reached nearly 70% year-on-year in April and is expected to peak this month. The wide-ranging plan includes budget cuts for the entire public service, including some that will require legislative changes that will be submitted to parliament, Finance Minister Simsek said during the plan's presentation in Ankara.

The government said that it will limit employment and transportation spending for civil servants, including a three-year ban on the purchase or rental of any public service vehicle. The only exception to this rule is if the vehicle is being bought for “mandatory requirements” concerning the health, security or defense sectors. Simsek did not specify the government's policies on civil service salaries but said the number of new recruits will mirror the number of retirements.

The new measures are forecasted to reduce public spending by $3.1 billion. The funds allocated for state institutions' purchases of goods and services will be cut by 10% and those for investment will be reduced by 15%. Simsek added that public servants will no longer use imported vehicles. There will also be a three-year suspension of the construction or purchase of public buildings, except for those built to reduce earthquake risks or those impacted by natural disasters. The minister said that the fiscal policy aims to save resources by improving efficiency in the public sector, implementing cost-cutting measures in employment, energy, waste management and communications.

Annual inflation in Turkey reached 69.8% in April and is forecast to reach 75-76% in May before falling to 38% at the end of the year, according to the Turkish Central Bank. (Al-Monitor 14.5)

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* 1. Turkey's Central Bank Raises Year-End Inflation Forecast to 38%

The Central Bank of Turkey recently raised its year-end inflation forecast to 38%, up from a previous estimate of 36%, reflecting the persistent inflationary pressures facing the Turkish economy. Despite a series of interest rate hikes, consumer price growth surged to 69.8% in April, prompting the central bank to adjust its projections and reaffirm its commitment to maintaining a tight monetary policy. The central bank has responded to the increase in inflation by implementing a series of interest rate hikes, totaling 3,650 basis points since June 2023, gradually increasing rates from 8.5% to 50%.

The Central Bank of Turkey has also implemented the most recent hike of 500 basis points in March due to the deteriorating inflation outlook. While the bank held rates steady in April, it signaled readiness to tighten further in case of significant inflationary developments. The central bank projects inflation to peak around 73-75% in May before starting its downward trajectory in the second half of the year. Hence, Turkey aims to reach an inflation rate of 38% by the end of 2024. (Various 12.5)

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* 1. Turkey Suspends All Trade Ties with Israel

Turkey has decided to suspend all trade ties with Israel, the Turkish Trade Ministry announced. The ministry said the decision marks the second phase of the measure, which Turkey launched in April by imposing a series of export restrictions in its trade with Israel. All export and import transactions concerning Israel have been halted, covering all products. The ministry added that it was working with its counterpart within the Palestinian Authority to ensure that Palestinians living in Judea and Samaria are not affected by the halt. Israeli Foreign Minister Katz separately said that Ankara had also started to block Israeli imports and exports at Turkish ports. (Various 09.05)

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* 1. First Quarter Growth Rate Seen at 3.5% for Cyprus

The Cyprus economy’s growth rate in real terms during the first quarter of 2024 is positive and gross domestic product is estimated at 3.5% year-on-year, according to the flash estimate by the Statistics Department Cystat. Based on seasonally and working day adjusted data, GDP growth rate in real terms is estimated at 3.3%. This is an improvement on the y-o-y GDP flash estimates in the fourth quarter of 2023, at 2.1% and 2.3% (seasonally adjusted).

Cystat said the positive GDP growth rate is mainly attributed to the sectors of hotels and restaurants, wholesale and retail trade, repair of motor vehicles, information and communication, construction, arts, entertainment and recreation and other service activities.

Meanwhile, Eurostat has released a second estimate of preliminary Q1 GDP data. The GDP report indicated that quarterly and annualized GDP growth were in line with the consensus and the preliminary reading at 0.3% and 0.4%, respectively. (fm 15.5)

GENERAL NEWS AND INTEREST

\*ISRAEL:

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* 1. On its 76th Independence Day, Israel’s Population Stood at 9.9 Million

Ahead of its 76th Independence Day, Israel’s population stood at 9.9 million people, some 189,000 (1.9%) more than last year, according to a report by the Central Bureau of Statistics (CBS). The CBS estimates that the population will hit the 10-million mark by the end of 2024. The report says 7.247 million, or 73.2%, are Jews, 2.089 million (21.1%) are Arabs and the remaining 564,000 (5.7%) are categorized as “other.” Some 80% of Jewish Israelis are “sabras” — meaning they were born in Israel. By Independence Day next year, Israel's population is expected to have surpassed the 10 million threshold.

Over the past year, about 196,000 babies have been born in the country, 37,000 people immigrated to it and some 60,000 people have died, the report says, adding that additional factors affecting the population number are family unifications and Israelis staying abroad for over a year. The report says 28% of Israelis are aged 0-14, while 12% are 65 and over. (CBS 09.05)

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* 1. Five Israeli Universities Ascend In International Rankings

Five of Israel’s nine research universities improved their academic quality this year and most were among the top 3% of universities worldwide, according to a 2024 ranking of international universities released on 13 May. The list, compiled annually by the UAE-based Center for World University Rankings (CWUR), examines almost 21,000 universities around the world in the categories of education, employability, faculty and research to reach final rankings for the 2,000 top institutes of high education.

The Hebrew University of Jerusalem, Israel’s number one university, came in at 66th, up from number 70 last year. Weizmann Institute of Science was ranked 74, up from the 87 spot in 2023, and Ben-Gurion University of the Negev rose to number 352 from its previous spot of 363. Ariel University was ranked 1,502, up 45 spots from last year, and Reichman University advanced 61 spots to number 1,870. Tel Aviv University was ranked at 154, the same as last year.

All nine of Israel’s research universities were in the top 2,000 list, and all were among the top 10% of universities worldwide, with the majority considered to be in the top 3%, according to the CWUR ranking system. Hebrew University, the Weizmann Institute, Tel Aviv University and the Technion were all ranked among the top 1% of universities worldwide. The results showed that despite the difficult conditions of operating during wartime, Israel is increasing its competitiveness in higher education on the global stage, CWUR said.

The top ten spots on the 2024 CWUR list were held mostly by the top American universities. Harvard University came in at number one, followed by MIT, Stanford, Cambridge, Oxford, Princeton, Columbia, University of Pennsylvania, Yale and Caltech. Despite the presence of Oxford and Cambridge in the top five, over 60% of universities in the UK also declined in rank, as did the majority of universities in Russia, Germany and Japan. This decline is partly due to stiff competition from China, which has invested heavily in higher education in recent years, causing a full 95% of Chinese universities to gain in the 2024 international ratings. (ToI 14.5)

\*REGIONAL:

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* 1. Married Women in Morocco Are 8 Times More Likely to Opt Out of Labor Market

Marriage is proving to be a strong determinant of economic activity in Morocco, especially for women, who are eight times more likely not to be in Education, Employment, or Training (NEET) once married. According to a recent report from Morocco’s Higher Commission for Planning (HCP), the disparity in inactivity between married women and unmarried women is mainly due to prevailing social norms and gender roles. A sweeping 94% of NEET women are housewives as of 2022, mainly due to their family responsibilities. A significant proportion of these inactive women - 60% - are located in rural areas.

In the HCP survey, the large majority of inactive NEET young women said they were not available for work. Nearly 75% of inactive young women cited childcare and household chores as the primary reasons why they dropped out of the labor market, in addition to opposition from their spouse or father.

The report’s comprehensive analysis reveals that the presence of at least one child under the age of 3 in the household increases a woman’s likelihood of being NEET by nearly 16% independent of other variables. This grim reality is particularly dire in rural areas, where 51% of young women are NEET, against 28% in urban areas. (MWN 15.5)

ISRAEL LIFE SCIENCE NEWS

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* 1. Edete Expands Precision Pollination Services - Quadrupling Pistachio Pollination Areas

Edete Precision Technologies for Agriculture, a pioneer in Precision Pollination as a Service (PPaaS) technology, has expanded its pollination areas in California to more than 3,000 acres following significant orders from recurring leading customers as well as new ones. This fourfold increase in its service provision reflects the critical need for the precise delivery of pure, viable, and high-quality pollen at the right time of female bloom. This comes at a time when changing global weather conditions are hindering natural pollination, resulting in reduced yields.

Edete's precision pollination as a service (PPaS) based on its proprietary 2Be® mechanical pollinator and quality assured pollen, has garnered extensive interest within the agricultural industry for its ability to enhance yields and mitigate these risks. Edete successfully pollinates pistachios from 2021. In 2023, a record year for pistachio, Edete's services resulted in a 19% average increase in pistachio yield in Bakersfield, California. Founded in 2016, [Edete](%D7%A9%D7%91%D7%AA%20%D7%A9%D7%9C%D7%95%D7%9D%20%F0%9F%87%AE%F0%9F%87%B1%F0%9F%87%AE%F0%9F%87%B1) is operating pollination services from offices in Paso Robles, California with headquarters in Tivon, Israel. (Edete 9.5)

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* 1. ProFuse Technology Gets €2.4 Million EIC Grant to Accelerate Cultivated Meat Production

ProFuse Technology has been awarded a €2.4 million grant from the European Innovation Council (EIC) Transition program. This prestigious grant recognizes ProFuse's innovative technology and its potential to revolutionize the cultivated meat industry. Selected from a Competitive Pool: ProFuse was chosen for the EIC grant after a rigorous selection process involving hundreds of applicants. This recognition serves as a strong validation of ProFuse's technology and its value proposition within the cultivated meat landscape.

Building on the successful validation of its technology with numerous cultivated meat producers, ProFuse recently launched two key products: The PROFUSE-S1 media supplement, which accelerates and optimizes cultivated muscle growth, and the PROFUSE-B8 cell line, a unique bovine myoblast cell line that replicates indefinitely without genetic modification.

Government funding plays a critical role in fostering innovation, particularly in capital-intensive industries like cultivated meat. This €2.4 million grant, awarded to one company, is extraordinary in its size and thus is a good indication for the commitment of the EU towards supporting the development of the promising alternative proteins sector.

Kiryat Shmona'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. Our solutions not only increase yield and shorten production cycles but also lead to a substantial reduction in production costs. (Profuse Technology 8.5)

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* 1. NTWO OFF Reduces Over 22% of N2O Emissions in Open Greenhouse Environment

N2OFF announced that its subsidiary NTWO OFF achieved a groundbreaking milestone in its mission to mitigate agriculture's environmental impact. A recent study conducted by NTWO OFF’s research team demonstrated success in its goal of reducing nitrous oxide (N2O) emissions from wheat crops. The study transitioned from growth chambers to open greenhouse environments, allowing for larger pots and soil volumes. This adaptation facilitated the cultivation of more plants per pot and extended growth periods. The results exceeded expectations, with N2O emissions reduced by up to 54% compared to NTWO OFF’s previous study result of emissions reduced by up to 44%, representing more than 22% improvement.

NTWO OFFs proprietary technology revolves around two naturally occurring bacteria species isolated from wheat roots. These bacteria have demonstrated the ability to reduce N2O emissions across various environmental conditions. NTWO OFF rigorously tests different formulations and soil types to optimize the effectiveness of this technology.

Neve Yarak's [N2OFF](http://www.n2off.com) is an innovative agri-food tech company that through its three operational arms delivers integrated solutions for improved safety, quality, and sustainability every step of the way from field to fork. NTWO OFF, N2OFF's majority-owned Israeli subsidiary, contributes to tackling greenhouse gas emissions, offering a pioneering solution to mitigate emissions of nitrous oxide (N2O), a potent greenhouse gas with 265 times the global warming impact of carbon dioxide. (N2OFF 9.5)

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* 1. FDA Grants IND Clearance for Can-Fite's Namodenoson to Treat MASH Patients in Study

Can-Fite BioPharma announced that the U.S. FDA granted Investigational New Drug (IND) clearance for Namodenoson, for the treatment of patients with metabolic dysfunction-associated steatohepatitis (MASH), also known as non-alcoholic steatohepatitis (NASH), for the Company’s ongoing Phase IIb clinical study.

Namodenoson is a small molecule orally bioavailable drug, targeting the A3 adenosine receptor, over-expressed on the surface of liver pathological cells in MASH but not normal cells. This potentially makes Namodenoson an ideal specific candidate for the treatment of MASH. Indeed, in a Phase IIa clinical study Namodenoson, has been shown to reduce hepatic steatosis, inflammation and fibrosis, with an excellent safety profile. Currently Can-Fite is enrolling patients for a Phase IIb clinical study in Europe and in Israel and the IND approval by FDA will allow for the recruitment of patients in the US.

Ramat Gan's [Can-Fite BioPharma](http://www.canfite.com) is an advanced clinical stage drug development Company with a platform technology that is designed to address multi-billion dollar markets in the treatment of cancer, liver and inflammatory disease. Can-Fite’s cancer and liver drug, Namodenoson, is being evaluated in a Phase IIb trial for the treatment of steatotic liver disease (SLD), a Phase III pivotal trial for hepatocellular carcinoma (HCC), and the Company is planning a Phase IIa study in pancreatic cancer. (Can-Fite 9.5)

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* 1. Innocan Liposomal-CBD Injection Restores Mobility to an Female Amputee Donkey

Innocan Pharma Corporation announced the successful pre-clinical treatment with a liposomal-CBD injection in a female donkey. Innocan's innovative therapy provided immediate noticeable pain relief and improved mobility.

Miri, a 7-year-old female donkey, underwent amputation of her right front limb at a young age, resulting in a weight burden primarily borne by her left front limb. Consequently, she developed laminitis in her left front limb, an inflammatory disease affecting the soft tissue that connects the foot bone to the hoof, seemingly causing extreme pain and limited mobility. Over time, Miri's condition worsened, culminating in the formation of an abscess in the affected hoof, which appeared to have intensified her pain. Despite receiving pain relief medications, Miri found no respite, was unable to move, and her caregivers were advised to euthanize her.

As an act of compassionate therapy, the female donkey was administered a liposomal-CBD injection. The effect was immediate, with Miri becoming active and roaming the farm. Following the liposomal-CBD injection, the abscess in her affected foot healed, and Miri regained her ability to walk and move as she did before her laminitis developed.

Herzliya's [Innocan](https://innocanpharma.com/%E2%80%8E) is a pharmaceutical tech company that operates under two main segments: Pharmaceuticals and Consumer Wellness. In the Pharmaceuticals segment, Innocan focuses on developing innovative drug delivery platform technologies comprises with cannabinoids science, to treat various conditions to improve patients' quality of life. In the Consumer Wellness segment, Innocan develops and markets a wide portfolio of innovative and high-performance self-care products to promote a healthier lifestyle. (Innocan Pharma 9.5)

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* 1. Pluri & Wilk Develop Human Breast Milk-Derived Food Production

Pluri, which transforms cells into solutions that promote global wellbeing and sustainability, announced a strategic collaboration with Wilk Technologies, a developer of authentic, cell-cultured human and animal milk components. By combining Pluri’s cutting-edge 3D cell-expansion technology with Wilk’s expertise in developing cultured human breast and animal milk products, the strategic collaboration will use the components of breast milk to develop a unique medical food intended for the elderly on a commercial scale.

Medical foods for the elderly are specifically formulated and designed to meet the unique nutritional needs and health concerns of older adults. Demand for medical food products is growing, driven by the growing geriatric population and increasing prevalence of chronic illnesses impacting adults who may have nutritional deficiencies stemming from their illness or its related treatment.

Haifa's [Pluri](http://www.pluri-biotech.com) is pushing the boundaries of science and engineering to create cell-based products for commercial use and is pioneering a biotech revolution that promotes global well-being and sustainability. The Company’s technology platform, a patented and validated state-of-the-art 3D cell expansion system, advances novel cell-based solutions for a range of challenges— from medicine and climate change to food scarcity, animal cruelty and beyond.

Rehovot's [Wilk](https://wilkismilk.com/) is dedicated to revolutionizing the dairy and infant formula industry by enabling the sustainable production of high-value dairy products using the lowest carbon footprint. Leveraging over 10 years of industry-leading research, Wilk is focused on two main development tracks: cultured human breast milk ingredients and cultured cow milk ingredients. Wilk produces its solutions for various purposes: enriching infant formula with cultured breastmilk ingredients for babies, alternative dairy healthy diets, and the extrapolation of milk’s nutritional components for the pharma industry. (Pluri 20.5)

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* 1. Wanda Fish Unveils Its First Cell-Cultivated Bluefin Tuna Toro Sashimi

Wanda Fish unveiled its first cultivated bluefin tuna toro sashimi. The creation of this prototype addresses the burgeoning demand for bluefin tuna via a pollution-free, quality-consistent, and sustainable supply of the highly sought fish.

The raw toro specialty is composed of the underbelly of the fish. It has the highest fat content, with especially high omega-3 levels. This awards it a unique buttery sensation, making it the most tender and desired meat of the fish. Wanda Fish's cell-cultivated sashimi possesses the same sensory features of wild-sourced toro sashimi and is imbued with comparable nutritional richness, especially protein and omega-3 fatty acids. Wanda Fish's cell-cultivated adaptation of the 3D filet combines the cellular mass of muscle and fat created from the Bluefin tuna's own cells, developed together with a plant-based matrix. The company enlisted skilled chefs to bring its sashimi to culinary perfection.

Since its inception in 2021, Tel Aviv's [Wanda Fish](http://www.wandafish.com) is a cutting-edge company spearheading a more sustainable future for ocean seafood. Through disruptive technologies, they produce a variety of whole cut cultivated premium fish filets outside of the ocean. (Wanda Fish 20.5)

ISRAEL PRODUCT & TECHNOLOGY NEWS

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* 1. Okoora Wins IBS Intelligence's 2024 Digital Banking Award for Forex Management

okoora has been named as the winner of the 2024 Digital Banking Award in the Forex Management category by IBS Intelligence, a leading global financial technology research, news analysis and advisory firm. Okoora, which has already gained 15,000 registered clients, is the creator of the Automated Business Currency Management (ABCM) integrated cloud platform that manages global payments, transactional banking, and currency risk management. Okoora is also the first company in the world to offer an API in the field of currency risk management.

Okoora has taken significant strides toward expanding into new markets over the past year, particularly in Europe. At the end of last year, it opened a new branch in Limassol, Cyprus. The company plans to launch a new office in another European country in the beginning of the second half of the year. This move is part of a longer-term plan to serve the millions of businesses, especially small and medium-size enterprises, operating within the EU.

Bnei Brak's [Okoora](https://okoora.com/), established in 2021currently boasts a committed team of 100 professionals across Israel, Switzerland, Germany, India and Cyprus. With sights set on further European expansion, okoora is gearing up to expand its workforce, aiming to bolster its operational capacity and provide outstanding service to its growing clientele. (Okoora 09.05)

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* 1. Zesty Named Top Rated Cloud Optimization Software for Second Consecutive Year

Zesty has been named a Top Rated Software by FeaturedCustomers, the world's only customer reference platform for B2B business software & services. This is the second year in a row that Zesty has received this distinction. Zesty helps organizations to be more adaptable to changing business needs by making their cloud infrastructure, including compute and block storage more dynamic. Serving over 500 customers, Zesty automates cloud infrastructure management, reducing costs and the time needed to manage cloud resources.

FeaturedCustomers helps potential B2B buyers' research and discover business software & services through vendor-validated customer reference content such as customer testimonials, success stories, case studies, and customer videos. Every day its platform helps influence the purchasing decisions of thousands of B2B buyers in the final stages of their buying cycle from Fortune 500 companies to SMBs.

Founded in 2019, [Zesty](https://zesty.co) was built with the vision of making the cloud more affordable and accessible while reducing waste. With offices in San Mateo, Tel Aviv, Kiev, New York, and London, Zesty supports thousands of organizations, helping them get maximum value out of their cloud infrastructure. (Zesty 09.05)

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* 1. Argus New DevSecOps Platform Accelerates Automotive Software Development Cycles

Argus Cyber Security unveiled the Argus Development Security Operations Platform (DevSecOps platform), specifically designed to address the complex security challenges facing manufacturers of software-defined vehicles (SDVs) and their suppliers. This first-of-its-kind platform integrates the full range of automotive cyber security technologies and services that Argus has been providing to vehicle manufacturers over the past decade.

The newly launched Argus DevSecOps platform is an innovative comprehensive solution aimed at helping automotive manufacturers incorporate security and compliance protection early in the development lifecycle. With security checks integrated continuously into the deployment pipeline - rather than at the end - developers can find and fix security vulnerabilities early, hence avoiding the higher costs of detecting vulnerabilities in production software.

Ramat Gan's [Argus](https://argus-sec.com/), a global leader in automotive cyber security, provides DevSecOps, vehicle security and fleet protection technologies and services for automakers and their suppliers. Their solutions ensure that vehicle components, networks and fleets are secured and compliant throughout their life cycle. Argus' innovative methods and solutions are based on decades of cyber security and automotive research and have culminated in over 100 granted and pending patents. (Argus Cyber Security 8.5)

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* 1. SaverOne Expands Collaboration with IVECO with Vulnerable Road User Solution

SaverOne received a purchase order for a vulnerable road user (VRU) proof-of-concept (POC) from IVECO, the brand of Iveco Group that designs, manufactures and markets light, medium and heavy commercial vehicles. The POC will present SaverOne’s radio frequency (RF)-based solution that could be integrated in the vehicle Advanced Driver-Assistance System (ADAS) logics to enhance vehicle safety.

This follows the entry in March 2024 of an OEM collaboration agreement between SaverOne and IVECO to integrate SaverOne’s in-cabin safety technology within IVECO’s vehicles. SaverOne and IVECO will collaborate to define and develop the POC VRU solution for IVECO. This solution is expected to be installed in one of IVECO’s vehicles in Europe later this year after which it will be demonstrated to various stakeholders within IVECO.

Petah Tikva's [SaverOne](https://saver.one/%E2%80%8E) 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’s initial line of products is a suite of solutions that saves lives by preventing car accidents resulting from distraction from the use of mobile phones while driving. SaverOne is also developing a sensor system for early location and direction detection under all visibility conditions of vulnerable road users (VRU) through their cellphone footprint. (SaverOne 9.5)

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* 1. Israel Orders Odysight.ai Bespoke System Based on Its Proprietary Visual Sensors

Odysight.ai received a purchase order from Tel Aviv University for a research and development project of the Israeli Ministry of Defense for a bespoke system based on its proprietary visual sensors. Odysight believes the purchase order showcases the wide variety of applications for its visual know-how and proven expertise. Odysight.ai’s unique system provides a state-of-the-art solution, using advanced visual and processing capabilities, minimizing weight and size to meet challenging operating requirements. Odysight.ai’s unique technological capabilities and flexibility allow the rapid development of solutions to critical client needs and showcase the capabilities and importance of its products to the most demanding of customers.

Omer's [Odysight.ai](https://www.odysight.ai) is pioneering the Predictive Maintenance (PdM) and Condition Based Monitoring (CBM) markets with its visualization and AI platform. Providing video sensor-based solutions for critical systems in the aviation, transportation, and energy industries, Odysight.ai leverages proven visual technologies and products from the medical industry. Odysight.ai’s unique video-based sensors, embedded software, and AI algorithms are being deployed in hard-to-reach locations and harsh environments across a variety of PdM and CBM use cases. (Odysight.ai 9.5)

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* 1. Akeyless Security Simplifies Secrets Management for Microsoft Azure Customers

Akeyless Security is now available on the Microsoft Azure Marketplace. This development allows Azure customers to easily find, purchase, and deploy Akeyless platform directly through the marketplace, while also helping them meet their Microsoft Azure Consumption Commitments (MACC).

Akeyless Vaultless Secrets Management Platform, now certified as an "Azure benefit eligible" solution, empowers Azure customers to securely manage and protect their sensitive information, such as API keys, certificates and credentials across hybrid and multi-cloud environments. The platform, built on the advanced Akeyless Distributed Fragments Cryptography (DFC™) technology, offers unlimited scalability and reduces overall costs for enterprise customers.

Ramat Gan's [Akeyless Security](http://www.akeyless.io) is the company behind Akeyless Vaultless Platform, a cloud-native SaaS-based approach to help manage enterprise secrets - credentials, certificates, and keys - while effectively phasing out conventional vaults and slashing associated costs by up to 70%. Designed for Infosec and DevOps professionals in enterprise hybrid and multi-cloud environments, the Akeyless platform efficiently controls Secrets Sprawl and automates Secrets Management. (Akeyless 14.5)

ISRAEL ECONOMIC STATISTICS

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* 1. Israel's April CPI Higher Than Expected

Israel’s Consumer Price Index (CPI) rose by 0.8% in April, higher than the economists' expectations of 0.6%. In the twelve months to the end of April, the rate of inflation rose to 2.8% from 2.7% at the end of March, according to figures released by the Central Bureau of Statistics.

The prices of transport rose 3.4% in April, clothing prices rose 2.3%, culture and entertainment prices rose 1.6%, housing maintenance rose 0.3%, and food prices rose 0.3%. Prominent price declines in April included fresh fruit and vegetable, which fell 1.3% and furniture and household equipment, which fell 0.5%.

The Central Bureau of Statistics has also published the change in home prices (which are not part of the general CPI) between January-February 2024 and February-March 2024. On average, prices rose 0.9%. This was the fourth consecutive month that prices have risen after many months of declines. (CBS 15.5)

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* 1. Israel's Fiscal Deficit Widens Beyond Government's Target

Israel's fiscal deficit continued to widen in April, reaching 7% of GDP over the past 12 months, or NIS 132.2 billion, the Ministry of Finance accountant general reported. Thus after the first four months of the year, the deficit has already widened beyond the government's 2024 target of 6.6%. The Ministry of Finance accountant general's office explains that in April an estimated NIS 4.8 billion in tax payments were postponed until May because of the Passover holiday. But even after taking such an amount into account the fiscal deficit would have been 6.7%.

The Ministry of Finance estimates that the annual deficit will peak in September and afterwards begin to fall to 6.6% by the end of the year - the figure on which the 2024 budget was approved. In contrast the accountant general's office believes that at the current rate of government spending, the picture could be more pessimistic, and the fiscal deficit at the end of the year could be as high as 8% - a government overdraft of NIS 150 billion for the year.

Since the start of 2024, the fiscal deficit has amounted to NIS 37.6 billion, compared with a budget surplus of NIS 17.5 billion in the corresponding period of 2023. (Globes 9.5)

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* 1. Israel's GDP Grows But Remains Below Pre-War Levels

According to the initial estimate by the Central Bureau of Statistics, Israel’s gross domestic product (GDP) grew by an annualized 14.1% in Q1/24, or by 3.3% in the quarter itself. This follows a slump of 21.7% on an annual basis in the fourth quarter of 2023, in which the Swords of Iron war began. The rebound was expected, but its strength was greater than most analysts predicted. Their estimates were around 12%.

Despite the significant growth, the recovery from the crisis precipitated by the war is only partial. GDP in the first quarter of 2024 was still 1.4% lower than in the corresponding quarter of 2023, and GDP per capita fell by 3.1% between these two quarters. Private sector GDP, which is GDP excluding housing services and the public sector, was 4.1% below the figure for the first quarter of 2023.

Consumption and investment figures indicate the continuing effect of the war. Private consumption did rise by 26.3% after plunging in the previous quarter, but was still low in comparison with the immediate pre-war period, and was similar to 2021 levels. Investment in fixed assets jumped by 49.2%, but it is still sluggish, and lower than in every quarter in the two and half years before the war. Public consumption on the other hand rose moderately, by 7.1%, after the unprecedented 86% rise in the previous quarter, and it remains high, mainly because of defense expenditure.

Imports of goods and services shot up by 32.7% in the first quarter of this year, while exports shrank by 11%, after falling in the previous quarter as well. (Globes 16.5)

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* 1. New Home Sales in Israel Rise by 21% in First Quarter

Israel's housing market has gone back five years in terms of the number of new homes sold but at prices that are 40% higher, according to figures published by the Central Bureau of Statistics for the first quarter of 2024. In the first quarter, Ashkelon stood out with 861 new homes sold, up 151% from the fourth quarter of 2023. In Netanya 123% more new homes were sold, in Ashdod 117% more and in Tel Aviv 108% more.

The city where most new homes were sold in Q1/24 was Jerusalem with 1,328 homes sold, up 30.8% from the Q4/23. In Haifa 1,073 new homes were sold, up 55%, and in Beer Sheva 1,163 new homes were sold, 88.2%. In fourth place was Tel Aviv with 1,021 new homes sold, up 108%. The trend in the rise in new homes sold began in December 2023 and has been strengthening since. Some 23,250 new homes were sold in Q1/24, up 21% from Q1/23. New homes sales are rising at a monthly rate of 3.7%. (CBS 12.5)

IN DEPTH

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* 1. ISRAEL: Moody's Ratings Affirms Israel's A2 Rating, Outlook Remains Negative

On 10 May, [Moody's Ratings (Moody's)](http://www.moodys.com/) affirmed Government of Israel's A2 foreign-currency and local-currency issuer ratings. Moody's has also affirmed Israel's foreign-currency and local-currency senior unsecured ratings at A2 and the foreign-currency senior unsecured shelf and senior unsecured MTN program ratings at (P) A2. The outlook remains negative.

Israel's backed foreign-currency 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 rating affirmation reflects Moody's view that the current A2 rating adequately captures Israel's elevated exposure to geopolitical risks. Moody's baseline scenario involves a continuation of the conflict between Israel and Hamas and hostilities between Israel, Iran and Iranian proxies, in particular Hezbollah. Under these assumptions, Israel's key credit metrics, including the economy and public finances, are evolving as expected at the time of the downgrade to A2 on 9 February 2024.

However, the risks remain skewed to the downside, as conveyed by the negative outlook on Israel's A2 ratings. In particular, there remains a non-negligible risk of an escalation into an outright military conflict between Israel and Hezbollah or Iran directly. An intensification of geopolitical tensions beyond Moody's baseline that led to a marked reassessment of safety and security in the Middle East could weaken Israel's credit profile further and potentially quickly. Moreover, the consequences of heightened geopolitical tensions between Israel and other parties will unfold over time. As highlighted in Moody's February 2024 rating announcement, the negative impact on the country's institutions and/or the economy and public finances may prove more severe than Moody's currently assesses.

Israel's local-currency country ceiling remains unchanged 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 also remains unchanged 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 over 40% of GDP as well as solid policy effectiveness.

**RATINGS RATIONALE**

**RATIONALE FOR AFFIRMATION OF A2 RATINGS: High Geopolitical Risks are Captured in A2 Ratings While Economy and Public Finances Evolve in Line With Earlier Expectations**

The first driver for the rating affirmation is Moody's view that despite the recent escalation in hostilities between Israel and Iran, the current A2 rating adequately captures Israel's elevated exposure to geopolitical risks.

Moody's baseline assumptions, taken into account in Israel's rating, involve a continuation of the conflict between Israel and Hamas and hostilities between Israel, Iran and Hezbollah. At this stage, while the probability of an escalation of the hostilities into a multi-front military conflict or a full-scale conflict between Israel and Iran with significant economic and human costs is non-negligible, it remains low. Ongoing mediation from other Middle Eastern countries, economic disincentives and military deterrence reduce the likelihood of further escalation.

Moreover, Israel's key credit metrics, in particular the economy and public finances, are evolving as expected at the time of the downgrade to A2 on 9 February 2024. High-frequency indicators such as credit card purchases and employment data have returned to levels from before 7 October 2023, pointing to a swift economic recovery in the first quarter of 2024 after a sharp drop in activity in Q4/23. The high-tech sector has recovered strongly in Q1/24, with investments reaching $1.74 billion, similar to Q1/23, and no indications of diminished interest by foreign investors or exits from Israel. While GDP growth will likely be very weak this year – Moody's expects real GDP growth of just 0.6% for 2024 as a whole, assuming an end to hostilities at some point this year, it will likely recover in 2025, similar to previous episodes of conflict.

The revised state budget for 2024 was passed by the Knesset in March 2024, and incorporates an increase of NIS 70 billion (3.7% of GDP) in expenditures due to the conflict. The Knesset also legislated an increase in the VAT rate from 17% to 18%, to be applied permanently from 2025 onwards, which Moody's considers an important step towards containing the deterioration in the public finances, which will help to limit the weakening in public finances from 2025 onwards again. At the same time, US Congress has finally approved a financial support package for Israel amounting to $17 billion (3.3% of GDP), in addition to its usual annual support of $3.8 billion, which will contain the increase in government debt.

In the first quarter of this year, revenue growth was very weak at just 0.3% year-over-year against an increase of 38% in expenditures. Both should normalize somewhat as the year progresses, although expenditures will remain markedly higher for the foreseeable future than planned before 7 October. For the year as a whole, Moody's now forecasts the budget deficit to be around 7.8% of GDP, 1% higher than expected in February. Weaker GDP growth and higher expenses, including for housing the evacuees from the North, are the main drivers for the wider deficit forecast.

Overall, Moody's maintains its assessment that Israel's public finances will be durably weakened by the conflict, despite the measures taken by the government to contain the costs. Government debt will be around 10% of GDP higher in the medium term than projected last year.

**RATIONALE FOR NEGATIVE OUTLOOK**

The risk of an escalation into an outright military conflict between Israel and Iran remains, which could inflict material human and economic costs. Also, Israel's conflict with Hamas in Gaza continues and its length and outcome remain highly uncertain. At the same time hostilities with Hezbollah in the North have intensified in recent weeks and could still result in more material damage to Israel's economy, infrastructure and public finances than assumed in Moody's base case.

More generally, the consequences of the conflict in Gaza for Israel's credit profile will unfold over a period of time, potentially well beyond the period of active fighting. The negative impact on the country's institutions and public finances 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 may stabilize the outlook if an end to active fighting between Israel and Hamas in Gaza improved the prospect for a durable cooling down of tensions with Iran and Hezbollah, in turn allowing Israel's institutions to formulate policies that support the economic and public finance recovery and restore security while dealing with a wide range of policy priorities.

The rating would likely be downgraded if there were growing signs of an escalation into a full-blown conflict with Iran directly or via proxies such as Hezbollah. While Moody's considers such a scenario to be a low probability, it is a non-negligible risk. Such a scenario would expose Israel to much more severe damage to its infrastructure and economy. It would likely also further weaken the government's finances as defense spending would have to be raised even more strongly than under Moody's base case assumptions.

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 Ratings 10.5)

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* 1. JORDAN: IMF Reaches Agreement with Jordan on the First Review under the EFF

A staff team from the [International Monetary Fund (IMF)](http://www.imf.org/) visited Amman during 29 April – 9 May to conduct the first review under the arrangement under the IMF’s Extended Fund Facility (EFF), which was approved by the IMF’s Executive Board on January 10, 2024 (Press Release).

At the conclusion of the mission, the IMF issued the following statement:

“We are pleased to announce that the IMF team and the Jordanian authorities reached a staff-level agreement on the first review of the authorities’ economic reform program supported by the EFF arrangement approved in January of this year. The new program is off to a strong start, despite a challenging external environment. All quantitative performance criteria and structural benchmarks for the first review were met and steady progress is being made toward achieving the program’s overall objectives, including good progress on meeting benchmarks for the next review. The agreement is subject to approval by the IMF’s management and the Executive Board. The completion of this review will make another SDR 97.784 million (about $129 million) available, out of the previously approved program size of SDR 926.370 million (about $1.2 billion).

“Jordan’s economic performance has continued to be strong, building on the success of the previous program and reflecting sound macro-economic policies. Jordan’s economy is proving to be resilient, with economic growth having reached 2.6% in 2023, despite the slowdown in activity in the last quarter of the year following the start of the Hamas assault on Israel. The current account deficit narrowed considerably, to less than 4% of GDP in 2023, and gross usable international reserves increased to over $17 billion. As the Central Bank of Jordan (CBJ) raised its policy rates in tandem with the US Federal Reserve, reflecting its firm commitment to monetary stability, inflation declined to 1.6% (year-on-year) in December 2023. Jordan’s banking system, meanwhile, remains liquid, profitable, and well-capitalized.

“Importantly, by continuing with a gradual fiscal consolidation to place public debt on a downward path, and despite the adverse impact on government revenues from the spillovers from the war on Israel and the disruptions to trade, the central government’s primary deficit (excluding grants and transfers to the utility companies) was reduced to 2.7% of GDP in 2023, down from 3.6% of GDP in 2022. Similarly, by taking measures to contain the operational losses of the utility companies, the combined public sector primary deficit was reduced to 4.5% of GDP in 2023, from 4.8% of GDP in 2022. Together with continued surpluses in the social security system, this resulted in an overall general government primary surplus (including grants) of 0.5% of GDP, and in containing public debt at 89.5% of GDP by end-2023.

“Uncertainty is high, as the war against Israel and regional tensions continue. The continuation of the war and the trade route disruptions in the Red Sea are affecting Jordan’s economy, notably sentiment, trade and tourism. However, barring a significant regional escalation, the Jordanian economy should continue to be able to navigate these headwinds well. Growth is projected at 2.4% this year, and the current account deficit is expected to widen to about 5% of GDP. Supported by continued reform implementation, growth is expected to rebound in 2025, to almost 3%, and the current account deficit to narrow, contingent upon the war ending and its impact fading.

“Importantly, the authorities remain firmly committed to continue with sound macro-economic policies to maintain stability, and to advance structural reforms to further strengthen the resilience of Jordan’s economy and improve people’s living standards, as envisaged also in their Economic Modernization Vision. The CBJ’s monetary policy will continue to be underpinned by its firm commitment to the exchange rate peg to the US dollar and to maintain low inflation. Inflation is projected to remain limited to about 2% in 2024. The CBJ stands ready to undertake policy adjustments as necessary to credibly safeguard monetary and financial stability.

“Moreover, the authorities are continuing with the gradual and equitable fiscal consolidation and improving the financial sustainability of public utilities, aiming to reduce public debt to below 80% of GDP by 2028, while ensuring sufficient support for vulnerable households and creating room for higher public investment. The authorities are on track to reduce this year’s central government primary deficit (excluding grants and transfers to the utility companies) to 2.1% of GDP. Moreover, as reform measures to improve the financial position of the utility companies are starting to yield results, the combined public sector primary deficit is projected to be reduced to 4.0% of GDP, thus achieving an overall general government primary surplus (including grants) of 1.3% of GDP and reducing public debt to just over 89% of GDP by end-2024. (IMF 9.5)

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* 1. JORDAN: Moody's Upgrades Jordan to Ba3; Changes Outlook to Stable from Positive

On 9 May, [Moody's Ratings (Moody's)](http://www.moodys.com/) upgraded the Government of Jordan's long-term local and foreign currency issuer ratings to Ba3 from B1. Moody's has also upgraded Jordan's foreign currency senior unsecured debt and medium-term note program ratings to Ba3 and (P) Ba3 from B1 and (P) B1, respectively. The outlook has been changed to stable from positive.

The upgrade reflects the lengthening track record of effective macroeconomic and fiscal management and risk mitigation measures that Moody's expects will continue to provide a credible buffer against shocks that is consistent with a higher rating level. In particular, proactive policies have shielded Jordan's credit profile from the coronavirus pandemic, high global energy and food prices on the back of the Russia-Ukraine military conflict and global monetary tightening, and are fostering credit resilience to the ongoing geopolitical conflict in the Middle East region. The rating takes into account the implications for Jordan of Moody's baseline scenario which involves a continuation of the conflict between Israel and Hamas and hostilities between Israel, Iran and Iran-backed groups.

The Ba3 rating is underpinned by solid policymaking institutions, strong international financial and technical support, and access to sizeable domestic savings. These strengths are balanced against challenges posed by high debt levels, structural constraints contributing to still relatively low growth, high unemployment and underlying social pressures, as well as a volatile regional geopolitical environment.

The stable outlook balances upside potential from an acceleration in investments encouraged by the government's wide-ranging reform efforts that could further enhance the sovereign's credit resilience, against downside risks related to potentially lower effectiveness of reforms than Moody's assumes, including if ongoing geopolitical tensions curtail the economic and fiscal benefits of reforms. In the event of a severe escalation of the ongoing conflict in the region, Jordan may face a significant and rapid impact on economic activity and government finances. The stable outlook assumes that there is no significant escalation of geopolitical risk from the baseline described above. An intensification of regional geopolitical tensions beyond Moody's baseline that led to a prolonged period of uncertainty or a marked reassessment of safety and security in the Middle East could weaken Jordan's economic prospects and test the sovereign's capacity to respond effectively. In such a scenario, the negative credit impact for Jordan could manifest quickly.

Jordan's local and foreign currency country ceilings have been raised to Baa2 and Baa3, respectively from Ba1. The four-notch gap between the local currency ceiling and the sovereign rating reflects the country's solid institutions with credible and predictable policies and a small footprint of the government in the economy, although underlying social challenges and a volatile regional geopolitical environment may weigh on policymaking. The one-notch gap between the foreign currency ceiling and local currency ceiling balances the credibility of Jordan's dollar peg and open capital account supported by ample foreign exchange reserves, against an external position that relies on financial support from development partners to fund structural current account deficits.

**RATINGS RATIONALE**

**RATIONALE FOR THE UPGRADE TO Ba3**

Jordan's lengthening track record of effective macroeconomic, fiscal and risk management will continue to provide a degree of credit resilience to ongoing and future shocks, consistent with a higher rating level. Moody's baseline assumptions taken into account in Jordan's rating involve a continuation of the conflict between Israel and Hamas and hostilities between Israel, Iran and Iranian proxies.

Geopolitical developments in the Middle East are thus far having limited impact on Jordan's key credit metrics. Growth, external account and fiscal and debt dynamics remain intact.

Moody's expects Jordan's real GDP to grow by 2.8-3.0% over 2024-25, expanding further from the 2.6% growth in 2023 despite the temporary impact of the conflict on tourist arrivals in the fourth quarter. Tourist arrivals and receipts have both rebounded in the first two months of 2024 and are exceeding their corresponding levels over the same period in 2023, thanks to robust growth in visits from Gulf Cooperation Council and other Arab countries, as well as Jordanian expats. Large, long-term investments are ongoing and will support economic activity, such as the university-hospital project that commenced in September 2023 and the Aqaba water desalination and conveyance project which Moody's anticipates will commence in early 2025.

The strength of the tourism sector combined with resilient domestic exports and lower goods imports including fuel have narrowed the current account deficit to around 3.5% of GDP in 2023, compared to an average of more than 7% over 2015-19 when global energy prices were markedly lower than today. Moody's expects the narrower current account deficit to be sustained, helped by a relatively diverse export base and supporting the country's foreign exchange reserve buffer of more than 6.5 months of imports as of the end of 2023.

Jordan's fiscal and debt trajectories are also stable. Moody's expects Jordan's general government deficit to average 1.5-2% of GDP over 2024-25, compared to 2.1% in 2023 and 2% in 2022. Ongoing revenue expansion efforts are supporting the narrower deficit, including the digitalization of tax services and use of artificial intelligence to monitor tax compliance, harmonization of custom duties, unification of tax administration across different bodies and the installation of track and trace systems in selected goods. Recently passed legislation to change electricity billing from net metering to net billing and the implementation of the National Water Strategy including by raising water tariffs over 2014-19 to reach operational cost recovery will also reduce losses in the state-owned power and water sectors that weigh on debt. As such, Moody's expects Jordan's government debt, which includes all of central government and municipality debt, net of holdings by the social security fund (SSIF), plus the guaranteed debt of the state-owned enterprises in the power and water sectors (NEPCO and WAJ), to gradually decline over the next few years from slightly below 90% of GDP at the end of 2023 towards 80% by around 2027-28. The government has demonstrated its commitment to ongoing fiscal reforms by entering into a new four-year Extended Fund Facility (EFF) program with the International Monetary Fund (IMF) that became effective in January and extended the previous, expiring EFF.

Jordan has weathered successive shocks in recent years. The current conflict clouding the outlook for countries in the Middle East was preceded by successive large shocks from the coronavirus pandemic, high global energy and food prices stemming from the Russia-Ukraine military conflict, and global monetary tightening led by the US Federal Reserve. Effective policies that reduced Jordan's exposure and mitigated the impact include prioritizing the largest taxpayers during the pandemic in selectively allowing economic sectors to remain open to avoid significant revenue decline and fiscal deterioration; food security initiatives during the pandemic to stockpile wheat and barley which kept the food price shock in 2022 at bay; and securing long-term gas contracts with Chevron and Egypt to secure Jordan's energy source to reduce the economy's exposure to global energy price fluctuations, when gas supply disruptions emerged a decade ago. Jordan has also invested significantly in renewable energy, which makes up about 30% of power supply, which in combination with other domestic fuel sources, spare energy storage capacity and fuel reserves reduce its exposure to disruptions in gas supply.

Overall, the Ba3 rating is underpinned by solid macroeconomic and fiscal policymaking institutions, strong financial and technical support from a wide range of development partners, and access to sizeable domestic savings including through SSIF. These strengths are balanced against challenges posed by high debt levels, structural constraints that are contributing to still relatively low growth, high unemployment and underlying social pressures, as well as a volatile regional geopolitical environment that weighs on Jordan's long-term development.

**RATIONALE FOR THE STABLE OUTLOOK**

The stable outlook balances upside potential from an acceleration in investments encouraged by the government's wide-ranging reform efforts that could further enhance the sovereign's credit resilience, against downside risks related to potentially lower effectiveness of reforms than Moody's assumes, including if ongoing geopolitical tensions curtail the economic and fiscal benefits of reforms. In the event of a severe escalation of the ongoing conflict in the region, Jordan may face a significant and rapid impact on economic activity and government finances.

The government remains committed to reforms, including the wide-ranging structural reforms under its Economic Modernization Vision and Public Sector Modernization Roadmap, and is actively monitoring progress. The business climate in Jordan is improving with the new investment law that reduces the time taken to approve new investments and protects investors from regulatory changes for seven years, which is further facilitated and complemented by a new Ministry of Investments that identifies investment opportunities and looks after investors. Reforms and investments that raise medium to longer-term growth prospects can strengthen Jordan's credit profile further over time, including through higher incomes and lower unemployment and underlying social risks.

The stable outlook assumes that there is no significant escalation of the conflict between Israel and Hamas and/or exchanges of fire between Israel and Iran into a multi-front military conflict in the region.

However, an escalation of the hostilities into a multi-front military conflict or a full-scale conflict between Israel and Iran with significant economic and human costs – currently a tail risk scenario in Moody's view – may have an impact on Jordan that institutions and policies are unable to offset. Such impact may include a prolonged period of uncertainty or a marked decline in perceptions of safety and security in Jordan and/or the Middle East, a significant deterioration in economic confidence that sharply weakens economic activity, and weak investor appetite that deters long-term investments. Tourism is an industry that is sensitive to safety and security concerns, and tourism arrivals would be affected by any prolonged closure of Jordan's airspace should that occur in a serious escalation. Jordan is also dependent on foreign direct investments and debt inflows that are confidence sensitive. The negative implications of such an adverse downside scenario could manifest quickly in Jordan's credit profile.

**FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS**

Upward pressure on the rating would develop if the ongoing implementation of wide-ranging reforms were to raise economic growth prospects over the medium term, lowering unemployment and underlying social risks and further strengthening the credit profile. A rapid reduction in the government's debt burden and contingent liabilities, particularly from the water and electricity sectors, which significantly increases its ability to spend on longer-term economic and social needs, would also exert upward pressure on the rating. In addition, a sustained improvement in regional geopolitical dynamics that fosters longer-term development may lead to a rating upgrade.

Downward pressure on the rating would emerge if regional geopolitical tensions intensified beyond Moody's baseline assumptions, leading to a prolonged period of uncertainty or a reassessment of the security in the Middle East and weaker investor appetite for and economic confidence in the region with such a significant impact that Jordan's institutions and policies were unable to offset. Indications that the government's debt burden is likely to rise markedly without prospects for reversal, in turn pointing to weaker commitment to and effectiveness of its fiscal consolidation plan would also exert downward pressure on the rating. (Moody's 9.5)

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* 1. IRAQ: IMF Executive Board Concludes 2024 Article IV Consultation with Iraq

On 13 May, the Executive Board of the [International Monetary Fund (IMF)](http://www.imf.org/) concluded the Article IV consultation with Iraq and considered and endorsed the staff appraisal.

Domestic stability has improved since the new government took office in October 2022, facilitating the passage of Iraq’s first three-year budget, which entailed a large fiscal expansion starting in 2023. This supported the strong recovery in Iraq’s non-oil economy after a contraction in 2022, while Iraq was largely unaffected by the ongoing conflict in the region. Domestic inflation declined to 4% by end-2023, reflecting lower international food prices, the currency revaluation as of February 2023, and the normalization in trade finance. However, imbalances have worsened due to the large fiscal expansion and lower oil prices.

The ongoing fiscal expansion is expected to boost growth in 2024, at the expense of a further deterioration of fiscal and external accounts and Iraq’s vulnerability to oil price fluctuations. Without policy adjustment, the risk of medium-term sovereign debt stress is high and external stability risks could emerge. Key downside risks include much lower oil prices or a spread of the conflict in Gaza and Israel.

**Executive Board Assessment**

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the strong economic rebound, declining inflation, and the improved domestic conditions which have resulted in the implementation of the first-ever three-year budget. Noting that risks are tilted to the downside, given regional conflicts and large dependence on volatile oil prices, and that the large fiscal expansion could result in fiscal and external imbalances, Directors underscored the need for sound macroeconomic policies and structural reforms to secure fiscal and debt sustainability, advance economic diversification, and achieve sustainable, inclusive, and private sector-led growth.

Directors emphasized that a gradual, yet sizeable fiscal adjustment is needed to stabilize debt in the medium term and rebuild fiscal buffers. They encouraged the authorities to focus on controlling the public wage bill, phasing out mandatory hiring policies, and mobilizing non-oil revenues, while better targeting social assistance. Directors agreed that prompt implementation of customs and revenue administration reforms, a full implementation of the Treasury Single Account, and a strict control and limit of the use of extra-budgetary funds and government guarantees are key to support fiscal consolidation. Limiting monetary financing and reforming the pension system are also important.

Directors commended the central bank’s efforts to tighten monetary policy and enhance its liquidity management framework. Improving coordination between fiscal and monetary operations would help absorb excess liquidity and enhance monetary policy transmission. Directors concurred that accelerating the restructuring of the large state-owned banks is also essential. They encouraged further modernizing the private banking sector, including by facilitating the establishment of correspondent banking relationships, reducing regulatory uncertainties, and promoting efficiency and competitiveness of private banks.

Directors emphasized the need for structural reforms to unlock private sector development. They encouraged leveling the playing field between public and private jobs, boosting female labor force participation, and reforming education and labor laws. Directors agreed that improving governance and combatting corruption are also key and encouraged further strengthening the AML-CFT framework, enhancing public procurement and business regulations, and addressing electricity sector inefficiencies. Directors welcomed the renewed efforts toward WTO accession. They also encouraged the authorities to improve the coverage and timeliness of statistics.

Directors concurred that close engagement with the Fund, including through continued technical assistance, would be useful, and welcomed the authorities’ request for a Policy Coordination Instrument. The next Article IV consultation with Iraq will be held on the standard 12-month cycle. (IMF 15.5)

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* 1. KUWAIT: IMF Staff Concludes Staff Visit to Kuwait

An [International Monetary Fund (IMF)](http://www.imf.org/) mission held discussions with the Kuwaiti authorities in Kuwait City during 30 April – 7 May. At the conclusion of the mission, the IMF issued the following statement:

“The economic recovery from the pandemic has been disrupted. Real economic activity is estimated to have fallen by 2.2% in 2023, with the oil sector contracting by 4.3% due to an OPEC+ production quota cut in May, and the non-oil sector expanding by only 0.8% amid subdued domestic demand growth. The economy is projected to contract by a further 1.4% in 2024, with oil production falling by another 4.3% due to the OPEC+ quota cut in January. The non-oil sector is expected to expand by 2.0% as domestic demand growth picks up, compared to 3.6% average growth for the GCC.

“Inflation is moderating, while the fiscal balance has weakened and the current account balance remains strong. CPI inflation registered 3.6% in 2023, and is projected to reach 3.2% in 2024. After realizing a surplus of 11.8% of GDP in FY2022/23, the fiscal balance of the budgetary central government swung to a deficit—estimated at 4.3% of GDP in FY2023/24—as oil revenues fell and government expenditures rose across all spending categories. In the absence of fiscal consolidation measures, this deficit is projected to widen further over the medium-term. In parallel, after peaking at 34.5% of GDP in 2022 on the back of high oil exports, the current account surplus moderated to 32.9% of GDP in 2023, as a lower trade surplus more than offset higher international investment income.

“Financial stability has been maintained in spite of tighter financial conditions. Growth in credit to the nonfinancial private sector continued to fall in 2023, to only 1.8% as bank lending rates rose in response to gradual policy rate hikes by the CBK broadly in line with global monetary policy tightening which helped control inflation. Given prudent financial regulation and supervision by the CBK, banks have maintained strong capital and liquidity buffers, while their profitability has rebounded from pandemic lows, and non-performing loans remain low and well provisioned for. It is crucial to preserve the CBK’s independence in implementing its mandate.

“Progress with fiscal and structural reforms has been held back by political gridlock between the government and Parliament. Continued delays in fiscal and structural reforms due to political gridlock could give rise to pro-cyclical fiscal policy and undermine investor confidence, while hindering progress towards diversifying the economy and enhancing its competitiveness. The new Public Debt Law should be passed expeditiously to ensure orderly fiscal financing while promoting local debt market development.

“Elevated external risks surround the economic outlook. Volatility in oil prices and production arising from global factors poses two-sided risks to growth and inflation, as well as to the fiscal and external balances. While the conflicts in the Middle East and shipping disruptions in the Red Sea have had limited impacts on the economy so far, any major shock to the global oil market would have significant effects. (IMF 7.5)

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* 1. BAHRAIN: Moody's Ratings affirms Bahrain's B2 ratings, maintains stable outlook

On 14 May, [Moody's Ratings (Moody's)](http://www.moodys.com/) affirmed the Government of Bahrain's B2 long-term issuer and senior unsecured ratings. The outlook remains stable.

The affirmation of the B2 ratings reflects Bahrain's very weak and deteriorating debt burden and debt affordability metrics, and its elevated government liquidity and external vulnerability risks, which Moody's expects to remain the key features of the government's credit profile in the foreseeable future. These challenges are mitigated by a demonstrated commitment of financial, economic and political support from the governments of Saudi Arabia (A1 positive), Kuwait (A1 stable) and Abu Dhabi (Aa2 stable), which the agency expects to continue to limit downside credit risks for Bahrain despite the government's lack of progress in addressing its structurally large fiscal deficits, including off-budget spending, and the resulting inability to durably arrest its rising debt burden. Moody's estimates that Bahrain's government debt reached more than 130% of GDP at the end of 2023 and will likely increase further in the coming years.

The affirmation also incorporates Bahrain's relatively high per-capita income and its relatively well-diversified economy, which support the sovereign's shock absorption capacity and economic resilience, and the improvements in Bahrain's external sector since 2021, which have supported accumulation of its official foreign-currency buffers, albeit from a very low base.

The stable outlook reflects the balance of risks at the B2 rating level. The risk that over the next several years Bahrain's fiscal metrics deteriorate more than Moody's currently expects, in particular if oil prices decline more rapidly and more significantly than the agency currently assumes, is balanced by the high likelihood that, if required, the neighboring Gulf Cooperation Council (GCC) governments will extend additional financial support to the government of Bahrain in order to ensure the country's financial, economic and political stability. The longer-term prospect that Bahrain's hydrocarbon production, revenue and exports increase due to the development of the large hydrocarbon reservoirs discovered in 2018 is dampened by a high degree of uncertainty about the size and the timing of the eventual economic and fiscal impact and the risk that future output from the new fields will be offset by declining production from the existing ones. It is also dampened by downside credit risks related to an accelerating global carbon transition. The stable outlook also assumes no escalation of the ongoing tensions in the Middle East into an all-out military conflict between Israel (A2 negative) and Hezbollah or Iran directly that could durably disrupt maritime traffic through the Strait of Hormuz and lead to a sharp tightening of financing conditions facing Bahrain.

The rating affirmation at B2 also applies to the backed senior unsecured foreign currency rating of the drawdowns from the sukuk (trust certificate) issuance program of the CBB International Sukuk Programme, a special purpose vehicle whose debt is in Moody's view ultimately an obligation of the Government of Bahrain. The CBB International Sukuk Programme's outlook is stable.

Moody's has raised Bahrain's local-currency (LC) country ceiling to Ba2 from Ba3 and its foreign-currency (FC) ceiling to Ba3 from B1. The LC country ceiling at Ba2, three notches above the sovereign issuer rating, incorporates Bahrain's relatively robust and predictable institutions, including the agency's assessment of how policy has been conducted in recent years, and moderate political risk, set against the country's heavy reliance on a common revenue source and a track record of high external imbalances. The FC country ceiling at Ba3, one notch below the LC ceiling, reflects a moderate level of transfer and convertibility risks, informed by a weak track record of fiscal policy effectiveness and a high level of external indebtedness.

**RATINGS RATIONALE**

**Rationale for Affirming the B2 Rating**

The B2 issuer rating reflects Bahrain's very weak fiscal and debt metrics and its elevated government liquidity and external vulnerability risks. Moody's estimates that government debt burden increased to nearly 131% of GDP (648% of revenue) at the end of 2023, above the all-time peak in 2020, from 127% of GDP (610% of revenue) in 2021 and the temporary dip to 117% of GDP (499% of revenue) in 2022. Meanwhile, Bahrain's debt affordability weakened, with government interest payments rising to nearly 26% of government revenue in 2023 from 19% in 2022 and 23% in 2021. This deterioration resulted from lower oil prices compared to 2022 and a further increase in government spending, which has widened the fiscal deficit (including debt-creating off-budget transactions) to 10.7% of GDP in 2023 from 5.4% of GDP in 2022.

Based on the assumption that oil prices average $75-80/barrel during 2024-2025 and then decline to the $55-$75/barrel range in the medium term, Moody's expects Bahrain's debt metrics to continue to weaken in the next few years, with its debt likely exceeding 140% of GDP (715% of revenue) in 2025 and interest payments consuming 29% of revenue. The absence of government plans for new significant fiscal adjustment measures underpins this expectation of further fiscal deterioration.

These key credit challenges are mitigated by the continuing financial, economic and political support committed to Bahrain by the three higher-rated neighboring GCC sovereigns. The track record of such support includes disbursements from the $10.3 billion package of highly-concessional loans agreed in 2018 and the $7.5 billion package of housing and infrastructure development grants announced in 2011. The support also reflects sustained demand for Bahrain's government debt and other assets from the GCC neighbors' state-controlled financial institutions, including banks, sovereign wealth funds and social security institutions. As of the end of 2023, Moody's estimates that around $3 billion of the committed loans remained available for disbursement. The GCC support has been a critical factor in preserving Bahrain's access to the international capital markets, limiting government liquidity and external vulnerability risks. During 2023, the government raised $5.5 billion (12.4% of GDP) in foreign-currency funding, mostly through private placements of Eurobonds and sukuk.

The strong commitment from the fellow GCC governments to support Bahrain reflects its geopolitical importance in the context of lingering, albeit recently eased, tensions between the GCC and Iran; strong intra-GCC solidarity based on ethnic, cultural, religious, tribal, and political ties between the GCC people and the region's monarchies; and close financial and economic linkages, in particular with Saudi Arabia and Kuwait through large investments in Bahrain's financial and broader corporate sector.

Bahrain's B2 issuer rating is also supported by high income per capita and a relatively diverse economy compared to the rest of the GCC, which are a source of economic resilience and strengthen Bahrain's shock absorption capacity. The B2 issuer rating also takes into account Bahrain's large, well-capitalized and liquid domestic banking system, which supports a large portion of government liquidity needs through the annual rollover of domestic debt equivalent to nearly 21% of GDP in 2023.

The lack of progress in arresting the rising government debt burden balances the positive credit impact of the recent years' improvements in Bahrain's external sector metrics. During 2021-23 Bahrain's current account balance returned into a robust surplus averaging 8.8% of GDP, after being in deficit averaging 4.8% of GDP during 2015-20. The improvement has been a result of higher commodity prices, but also benefitted from a large increase in aluminum production following the completion of a multi-year expansion project at Aluminium Bahrain. Bahrain's non-oil exports increased by 22% when comparing the average physical volume during 2017-19 and the average volume during 2021-22. Moody's expects structurally higher non-hydrocarbon exports to continue to support Bahrain's balance of payments in the coming years, offering a further opportunity to the central bank to strengthen its foreign-currency buffers, albeit from a very low level. Bahrain's official foreign-currency reserves increased to $4.1 billion (1.8 months of estimated non-oil imports of goods and services) in February 2024 from an average of less than $2 billion (or 1.1 months of imports) in 2020.

**Rationale for Maintaining the Stable Outlook**

The stable outlook is underpinned by the balance of risks at the B2 rating level. In the longer term, increased hydrocarbon production from the new very large oil and gas reservoir discovery in the Khaleej Al-Bahrain Basin, which was announced in April 2018, could structurally improve Bahrain's fiscal and external balances. However, there remains a high degree of uncertainty about how significantly and durably could Bahrain's hydrocarbon production, exports and fiscal revenue increase from these new discoveries, and to what extent will such increase be offset by a decline in output from the existing, mature on-shore Awali field, which contains relatively limited reserves compared to most other GCC oil and gas producers. Higher hydrocarbon output and government revenue would also further increase Bahrain's exposure to long-term global carbon transition risks if not accompanied by significant progress on economic and fiscal diversification.

The stable outlook also incorporates Moody's view that the fellow GCC governments will likely augment their existing financial support package extended to Bahrain if the need arises, including in a scenario where oil prices decline more than in the agency's current baseline, weakening Bahrain's government revenue and exports, or if the government's rising debt burden weakens investor appetite for Bahrain's government debt.

The stable outlook assumes that the Hamas war against Israel in Gaza does not escalate into a full-scale military conflict between Israel and Hezbollah or Iran directly that could lead to a disruption of maritime traffic through the Strait of Hormuz. Such a conflict would likely weaken investor appetite for Bahrain's debt, increasing government liquidity and external vulnerability risks, while the closure of the Strait of Hormuz would undermine Bahrain's and its GCC neighbors' capacity to export, with potentially negative credit implications for the region and Bahrain. However, such an escalation is not Moody's baseline assumption.

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

A significant reversal of the upward trend in Bahrain's government debt burden and the weakening of its debt affordability metrics would exert upward pressure on the rating, in particular if the underlying fiscal improvement resulted from the implementation of new fiscal adjustment measures, making it durable and more resilient to future oil price fluctuations. Positive pressure on Bahrain's creditworthiness would also be supported by further durable rebuilding of central bank foreign-currency buffers, reducing Bahrain's external vulnerability risks.

Signs that the GCC neighbors' support for Bahrain is eroding would put downward pressure on the rating, in particular if pointing to a loss of investor confidence and, in turn, a diminished capacity of the sovereign to access international capital markets at sustainable rates and maturities. Such erosion would likely manifest in rising government liquidity and external vulnerability pressures, possibly quite rapidly, especially in an event of another large external shock. A significant escalation of the Middle East geopolitical tensions leading to a multi-front regional military conflict and, in that context, a potential closure of the Strait of Hormuz and a sharp tightening financing conditions facing Bahrain, would also exert a negative pressure on the rating. (Moody's 14.5)

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

An [International Monetary Fund (IMF)](http://www.imf.org/) team visited Doha during 30 April – 9 May to gather facts on recent economic and financial sector developments, the outlook and the authorities’ policy actions and plans. At the end of the visit, the IMF issued the following statement:

“Capitalizing on the recent reform momentum and visibility brought by the 2022 FIFA World Cup, Qatar launched the Third National Development Strategy (NDS3) in January 2024 to accelerate its transformation journey toward Qatar National Vision 2030. NDS3 provides a blueprint identifying the strategic priorities and reforms needed in the years ahead (2024–30). The strategy is based on a candid assessment of past progress and lessons, highlighting the need to shift from a costly government-funded growth model to a more dynamic private sector-led one, with the state becoming an enabler. Bold initiatives are proposed to accelerate diversification, boost productivity and competitiveness, and strengthen climate sustainability. This comprehensive and ambitious strategy is welcome, and its strategic emphasis is in line with past IMF advice.

“Qatar continues to demonstrate significant resilience against global uncertainty and geopolitical tensions. The attacks on Israel from Gaza have had no visible impact on Qatar, and the tension in the Red Sea had delayed Qatar’s LNG export only temporarily due to re-routing. Qatar stands out as one of the few countries where the sovereign credit rating was upgraded by all three rating agencies over the past months. High frequency financial market indicators have confirmed Qatar’s resilience.

“The post-World Cup growth normalization continued, with the 2023 real GDP growth estimated at 1.3%. Growth is likely to bottom out in the near term and gradually pick up to 1¾% in 2024–25, with non-hydrocarbon output growth supported by public sector investment, spillovers from the ongoing LNG expansion project, and strong tourism. The medium-term outlook is more favorable, with average growth expected to reach around 4½%, on the back of significant LNG production expansion as the North Field East and South projects complete, as well as more buoyant non-hydrocarbon growth as the implementation of NDS3 starts to bear fruit. The recently announced North Field West project will increase LNG production by another 20% by 2030, further improving the medium-term growth outlook. Headline inflation is expected to ease to 2½% in 2024 and gradually converge to 2% over the medium term. The external and fiscal accounts will likely remain in surpluses over the medium term, assuming elevated hydrocarbon prices and sustained fiscal prudence. Risks to the outlook are broadly balanced.

“Broad fiscal discipline has been maintained, and numerous fiscal structural reforms are underway. The 2023 fiscal surplus is estimated at 5½% of GDP, with the non-hydrocarbon primary balance improving by more than 2% of non-hydrocarbon GDP, indicating continued fiscal consolidation. Central government debt is estimated to have fallen by 3% to below 40% of GDP by end-2023. The 2024 budget envisages further spending cuts from the 2023 outturn, driven by capital expenditure. The medium-term budget (2024–26) has been updated to reflect financing for reform initiatives under NDS3. Moreover, a number of fiscal reforms are ongoing, including to improve the budgeting process, enhance spending efficiency and foster public-private partnership.

“Monetary policy has been consistent with the currency peg to the U.S. dollar. The Qatar Central Bank (QCB) has improved liquidity management through carefully calibrated T-bill issuance, contributing to greater monetary policy transmission. Supported by IMF technical assistance, the QCB is looking to further upgrade its liquidity management framework. Banks remain well-capitalized, liquid and profitable. The non-performing loans (NPLs) edged up to 3.8% in Q2/23 (from 3.6% at end-2022) but they are well provisioned. The liquidity coverage and net stable funding ratios were high (at 174% and 140%, respectively, inQ1/24). The QCB measures to reduce banks' short-term foreign asset-liability mismatches have encouraged longer-maturity domestic funding. The recently launched Third Financial Sector Strategy aims to deepen financial markets, promote savings, offer greater borrowing and investment opportunities, develop the insurance sector, foster fintech, and achieve greater financial inclusion.

“Structural reforms have continued to advance. Qatar aims to attract talent and bolster a more dynamic labor market by introducing new visa programs, adopting flexible working hours, and launching re-skilling programs. Various initiatives are underway to foster innovation, support start-ups and encourage private sector participation. The launch of the Qatar National Renewable Energy Strategy highlights Qatar’s ambition in investing in and utilizing renewable energy. The recently released Digital Agenda 2030 sets out ambitious targets and strategic priorities to achieve further digital transformation of the nation, aligned with NDS3 goals. The establishment of the National Planning Council and the National Statistics Center are welcome steps to enhance strategic planning and monitoring, supported by more comprehensive data. The IMF stands ready to support Qatar’s effort to upgrade macroeconomic and financial sector data collection and dissemination. (IMF 17.5)

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* 1. OMAN: IMF Staff Concludes Staff Visit to Oman

A staff team from the [International Monetary Fund (IMF)](http://www.imf.org/) visited Muscat, Oman, during 30 April – 8 May to discuss economic and financial developments, the outlook, and the country’s policy priorities. At the conclusion of the mission, the IMF following statement:

“Oman’s economic activity continues to expand, while inflation is low. Notwithstanding OPEC+ oil production cuts, real GDP grew at 1.3% in 2023, driven by the expansion of nonhydrocarbon activities. Economic growth is expected to remain moderate at 0.9% in 2024, on the back of extended oil production cuts to the first half of this year before accelerating to 4.1% in 2025 supported by a rebound in hydrocarbon activity following the expected relaxation of OPEC+ quotas. Nonhydrocarbon growth is projected to increase to 2.6% in 2024 and 3.2% in 2025—from 2.1% in 2023—on continued reforms and investment projects. Average headline inflation decelerated further from 0.9% in 2023 to nil during January-March 2024 (year-over-year), reflecting continued easing of core, food and transport inflation.

“Favorable oil prices and sustained reform efforts continue to shore up fiscal and external positions. The fiscal balance turned out at a surplus of 6.6% of GDP in 2023 and is forecast to remain in surplus over the medium term, supported by comfortable hydrocarbon receipts, increasing nonhydrocarbon revenues, and continued fiscal discipline. Central government debt as a share of GDP was reduced further to 36.5% in 2023 from 40.9% in 2022, as the government continued to use part of the fiscal surplus to prepay its debt (a net debt reduction of $6.1 billion). State-owned enterprises (SOEs) debt stabilized at around 31% of GDP and Oman Investment Authority’s SOEs reform agenda proceeded as planned (9 divestments were completed in 2023 with proceeds amounting to about $3 billion). The current account balance recorded a surplus of 1.4% of GDP and is set to remain in surplus over the medium term. Despite public deleveraging, gross international reserves held by the Central Bank of Oman stood at $17.5 billion in 2023 (4.1 months of prospective goods and services imports), supported by a surge in Foreign Direct Investment.

“The banking sector remains resilient. Bank capital and liquidity ratios and profitability continue at comfortable levels amid strong asset quality. Banks’ net foreign asset position turned positive in December 2023 for the first time since 2014 due to rising investments in foreign securities, while credit to the private sector continued to expand.

“The near- to medium-term outlook is favorable and risks to the outlook are broadly balanced. On the upside, growth and fiscal and external positions would be strengthened by a surge in oil prices, which could be driven by supply and demand imbalances, and accelerated reforms under Oman Vision 2040 and committed investments from regional partners. Downside risks to the outlook stem from further intensification of geo-political tensions in the region, an abrupt global slowdown, particularly in China, and higher-for-longer global interest rates.

“Implementation of structural reforms is underway, with the social protection and labor laws being rolled out, SOEs divestment, deleveraging, and other SOEs reforms progressing as planned, and climate-related investments on track to achieve renewable energy and green hydrogen targets over the medium term. Going forward, the authorities’ priorities include enhancing tax administration, continuing rationalizing fiscal expenditures, strengthening the medium-term fiscal framework, modernizing the monetary policy toolkit, deepening financial markets and supporting small and medium enterprises funding, and accelerating digitalization. These reforms are aligned with Oman Vision 2040 to achieve a greener, more inclusive, and knowledge-based economy. (IMF 13.5)

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* 1. SAUDI ARABIA: Saudi Arabia’s 60-Year Battle for Food Security

The climate crisis has shifted the Saudi approach to agriculture from rent distribution and coalition building to strategic investment to ensure Saudis have enough to eat.

Marie van den Bosch posted on 13 May in [AGSIW](https://agsiw.org/) that for over half a century, food security has been a strategic issue for Saudi Arabia. More recently, the 2008 food price crisis and the 2020 food supply disruptions gave Saudi decision makers a taste of what the future might look like in a climate-changing world, as two of the most salient issues will be access to drinking water and food – essential resources the kingdom sorely lacks. With 90% of its land unfit for agriculture and 70% of its water coming from desalination plants, water and food security can look like an unwinnable battle for Saudi Arabia.

Yet, over the past few years, with billions of government dollars invested into its agricultural ‎sector, Saudi Arabia has seen an increase in food production, reaching self-sufficiency in ‎various food products. Through a series of technological innovations, improved water ‎management, and foreign land-buying programs, a goal that even 15 years ago seemed like an ‎unreasonable dream, is suddenly becoming feasible.‎

**A Long History of State-Led Agricultural Programs**

Agricultural development programs in Saudi Arabia have not always been effective, and the country’s long history of state-led agricultural policies showed policy planners the limits of public subsidies in creating a viable path to food production.

From 1970 to the early 2000s, the agricultural sector’s transformation from small-scale, subsistence-based farms to large-scale, industrialized farms ended up costing more than it was worth: It dried up critical nonrenewable groundwater reserves and consumed massive state resources in the form of land distribution, subsidies, and loans.

The objective of the first development plan (1970-74) was to increase agricultural output by 27% over five years. The establishment of large farms, the importation of farming technology, and the mechanization of a factory-style farming industry brought about the expected results. By the 1980s, Saudi Arabia had become the fifth-largest wheat producer in the world.

**Saudi Arabia’s Wheat Production, in Metric Tons and Percentage Growth, 1960-2022**





*Source:* [*Index Mundi*](https://www.indexmundi.com/agriculture/)

Subsidies played a key role in this outcome. The Saudi government established the Grain Silos and Flour Mills Organization in 1972 to develop agricultural industries and hold a six-month wheat reserve as a strategic food security objective. Not only did the organization subsidize the acquisition of seeds, fertilizers, and irrigation systems and other new technology, it also guaranteed buying back crops at a price far above global market price. Between 1975 and 1980, the Saudi government was offering Saudi farmers $1,000 per ton of wheat, while the international market price at the time oscillated between $99 and $180 per ton. While in 1972 the organization was buying back about 12% of national wheat production, by 1984 it was purchasing 90% of national production, which remained the case up until the 2000s.

**Share of Wheat Production Purchased by the Grain Silos and Flour Mills Organization, 1974-99**



Based on the projected expenditures of the development plans over multiple years and Saudi government budget data, the buy-back subsidies disbursed for the wheat program amounted to an estimated $15 billion between 1980 and 1994. Buying the same amount of wheat on international markets would have cost less than $3 billion over the same period. The incentive structure for large farmers was so skewed toward selling increasingly more wheat to the government that some farmers started purchasing wheat on international markets to sell it back to the government as if it had been produced locally.

Over time, even as a significant increase in agricultural output ensued, the programs remained heavily dependent on public funding. In an effort to try and rein in wheat production in the early 1990s, the government started imposing quotas on wheat purchased by the Grain Silos and Flour Mills Organization from the largest farms. But the well-organized agricultural lobby managed to get the decision overturned. In 2005, the guaranteed purchase price by the organization was still $500 per ton, while it was sold at around $120 on international markets. It was only in 2008 that, to save water and money, the government announced its decision to ‎wean the sector off wheat production subsidies, with a continuous 12% annual decrease until ‎the subsidies completely disappeared.‎

**From Rent-Distribution to Feeding People**

Saudi political priorities have radically changed since the wheat program days. In the early decades of state formation, state-society relations in Saudi Arabia were initially transformed and redefined by what the government could provide to various powerful interest groups whose support was necessary in the nation-building enterprise. Coalition building through rent distribution was a priority to ensure political stability through the process of establishing a modern state. The continuous massive influx of foreign reserves meant old elite groups on which the king’s power initially relied lost their influence, while new economic groups became prominent. As old elites lost their economic prerogatives, they were sometimes compensated for their loss. Saudi Arabia’s land distribution program in the 1970s and 1980s served that purpose. The program facilitated the distribution of formidable rents to a group of merchant families that were struggling to adjust to the new oil-based economic order.

Though the initial intention was to increase Saudi Arabia’s self-reliance in food production, the agricultural subsidies actually displaced traditional farming populations and were captured by merchant families who had lost their economic power. Over the years, thanks to the powerful wheat lobby created by those families who had received large parcels of land from the government’s land distribution program, the allocation of subsidies was increasingly directed toward those large landowners who had formed farming companies. In fact, the agricultural sector was so dependent on public subsidies that, when the government announced the end of the wheat program subsidies, over 40% of farming companies closed.

**Land Distribution**



Following the 2007-08 food price crisis and the Saudi government’s wheat subsidy cut ‎announcement, King Abdullah bin Abdulaziz launched the Initiative for Saudi Agricultural ‎Investment Abroad. While, for decades, the wheat program enriched small interest groups to the ‎detriment of its larger goal, the king’s new plan reclaimed the initial objective of ensuring the ‎country’s food security through new means. The central idea was to encourage buying farmland ‎in the United States, Asia and Africa, with subsidies for irrigation systems, seed buying, and ‎machinery to be brought to those Saudi farms abroad. If interest groups were capturing the ‎agricultural sector at home, then developing food production abroad was the answer.‎

However, this plan encountered many unexpected obstacles. International organizations ‎denounced this strategy as a speculative land grab and raised concerns over whether poor ‎countries would still have enough farmland left to feed themselves in the future. Local ‎populations, labor laws, the Saudi farms’ use of vital groundwater reserves in Arizona, and even ‎riots all made the initiative hard to implement. Then, with the Russian invasion of Ukraine and ‎the effects of the war on wheat exports, it became obvious again that the kingdom’s food ‎security could only be secured on its own territory.‎

**On the Road to Innovative Farming**

Food security has become an even more pressing issue for the Gulf. According to the United ‎Nations, over the next 30 years, climate change will increasingly endanger the world’s food ‎supply, and countries that will not be able to rely on their own production to feed their ‎populations will be most exposed to international food supply chain disruptions and dramatic ‎price shocks. When crops start failing due to extreme weather events, net food importers are ‎fearing large food-producing countries will impose bans on food exports, thus making food ‎largely unavailable to importers, even those with enough money to purchase food at exorbitant ‎prices. This will leave countries like Saudi Arabia (and the Middle East more generally), ‎severely exposed to food shortages, as it currently relies on food imports for up to 80% of its ‎national food consumption. Due to rapid population growth, the kingdom’s overall food imports ‎have also rapidly grown. While the government has kept import sources diversified and ‎relatively balanced, the sheer amount of food required to support the growing population is ‎driving the urgent necessity to produce food locally.‎

**Saudi Arabia Food Imports, 1995-2021**



*Source: “*[*The Atlas of Economic Complexity*](https://atlas.cid.harvard.edu/explore/)*,” Growth Lab, Harvard University*

Over the past few years, Saudi Arabia has achieved some important milestones in food production. Saudi production of dates, eggs, dairy, and other products has exceeded local demand, and the country has started exporting food products, mostly to its neighbors. The challenge remains, of course, the production of fruits and vegetables that cannot grow in severe weather conditions, and the country is actively working on addressing those limitations.

Though the wheat program was deemed inefficient in terms of cost and unsustainable in its drain on water, it led to important lessons learned and a push for technological advances to make food production feasible without depleting nonrenewable water supplies. Since 2017, Saudi Arabia has invested billions of dollars in next generation farming technologies, including vertical farming, hydroponics and artificial intelligence.

For example, Saudi startup Mishkat Agritech Farms, established in 2017, has teamed up with ‎Schaduf, an Egyptian urban farming company, to develop the first hydroponic, vertical farm in ‎Jeddah, with plans to expand to other cities around the country. Using bumblebees to pollinate ‎plants inside its greenhouse, and staying away from pesticides, it aims to reduce water use by ‎‎80% and bring to zero the current 40% rate of food waste that comes with food imports.‎

On the Naeem farms website, another innovative agricultural project, Saudi customers can build ‎their farm-to-table fruit and veggie basket produced locally and get them delivered to their ‎doorstep.‎

Many other similar partnerships are being established through the Saudi Public Investment Fund ‎with U.S. and European firms to develop indoor vertical farming in the kingdom and across the ‎region. For example, on the outskirts of Neom, the high-tech Dutch greenhouse company Van ‎Der Hoeven was awarded a $120 million contract to create two test facilities to grow crops in ‎the desert. It is using AI technology developed by research centers, such as the University of ‎Bonn’s PhenoRob, to monitor crop disease, weeds, and water needs.‎

**Saudi Food Export Partners, 2021**



*Source: “*[*The Atlas of Economic Complexity*](https://atlas.cid.harvard.edu/explore/)*,” Growth Lab, Harvard University*

Vision 2030 works as a guide to achieve the leadership’s stated ambition to transform Saudi Arabia into a regional food hub. Institutions such as the Agricultural Development Fund, National Development Fund, Saudi Agricultural and Livestock Investment Company, Ministry of Environment, Water and Agriculture, and General Food Security Authority are all working together to implement the agricultural plan of Vision 2030.

Chances are that, for the foreseeable future, large amounts of public funding will be necessary to support the development of the agricultural sector in Saudi Arabia. Yet the Saudi authorities’ choice is much clearer than it was back in the wheat program days: It is not about coalition building, rent distribution, or state formation anymore. It is now about ensuring that Saudi Arabia’s rapidly growing population will be able to consistently access food in the coming decades.

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* 1. LIBYA: Staff Concluding Statement of the 2024 Article IV Mission

A staff team from the [International Monetary Fund (IMF)](http://www.imf.org/) visited Tunis, Tunisia, during 1-10 May to discuss Libya’s economic and financial developments, the macroeconomic outlook, and the country’s policy and reform priorities. At the conclusion of the visit, the IMF issued the following statement:

**Several shocks have hit Libya, but their impact on GDP growth has been muted.** Tropical storm Daniel struck Eastern Libya in September 2023, leading to devastating floods, catastrophic damage and a tragic loss of life. The disaster, however, had only a small impact on economic growth, since Libya’s GDP is mainly based on energy exports. Similarly, the economy remained shielded from the impact of the conflict in Gaza and the Red Sea shipping disruptions. In 2023, real GDP is estimated to have expanded by 10%, largely owing to a rebound from the oil production stoppages of 2022.

**The year 2023 saw a fiscal expansion**. Owing to a fall in hydrocarbon prices, government revenues declined, despite the concurrent boost to oil production. Fiscal expenditures nevertheless surged, driven by an increase in the wage bill and higher-than-expected energy subsidies (the latter despite the lower oil prices). Reflecting this expansion, money supply has grown at its fastest pace since the fall of the Ghaddafi regime.

**The authorities have been trying to reduce the use of foreign exchange**. In January 2024, responding to pressure on foreign reserves, the Central Bank of Libya (CBL) tightened the restrictions on the issuance of letters of credit and lowered the limits on individuals’ foreign exchange purchases, resulting in the widening gap between the parallel and the official exchange rates. In early 2024, a temporary 27% tax on all foreign exchange purchases was announced, together with the relaxation of some of the previously enacted restrictions. The tax is to be applied until end-2024, although the rate could be adjusted earlier if deemed necessary.

**Reported inflation stayed low despite the depreciation of the parallel exchange rate.** With prices of most goods and services either subsidized or administered, reported inflation tends not to track exchange rate movements, even though imports are estimated to constitute around one half of the consumption basket. Moreover, the reported CPI has limited product and geographic coverage. The authorities are already working on expanding coverage and updating the CPI basket, with the new index expected to be available in 2025.

**In 2023, the current account surplus is estimated to have declined in line with the fall in oil prices.** Libya’s external position was broadly in line with fundamentals and desirable policy settings, and the CBL has maintained the reserves at a comfortably high level.

**The outlook is dominated by the dynamics of hydrocarbon production,** which is projected to reach 1.5 million barrels per day by 2026. GDP is estimated to grow by close to 8% in 2024 and continue to expand at lower rates in the outer years. The baseline projection is for declining fiscal and external balances over the coming years in line with a projected decline in global oil prices.

**Avoiding the pro-cyclical spending bias and strengthening Libya’s fiscal framework would enhance macroeconomic resilience and reduce volatility in activity and output.** Proper budgeting—based on macroeconomic forecasts, fiscal policy objectives and spending priorities—would assist in delinking spending from revenue volatility and improve the management of Libya’s resource wealth. In this regard, improving costing tools and developing a fiscal framework for resource management would be a critical first step. This could be followed by payroll analysis, harmonization of public investment and recurrent budget processes, and production of more complete budget-related reports. Reducing distortions due to high public sector wages and subsidies is vital to improve incentives and resource allocation, fostering capital formation and employment opportunities outside the public sector. Spending should be reprioritized to enhance growth and efficiency and support intergenerational equity, while tax policy should aim to diversify sources of revenue away from oil.

**Full reunification of the central bank remains a key objective,** and it requires integration of the payment system and unification of the accounting procedures. Limiting monetary financing by the CBL’s Eastern branch would alleviate pressure on the exchange rate and on banking sector liquidity and facilitate policy coordination. Implementing the CBL’s regulatory and governance reforms in the banking sector would strengthen the banks and help to maintain financial stability.

**The authorities should address the underlying pressures on the exchange rate.** The central bank should preserve the efficient functioning of the foreign exchange market, since the exchange rate is the key macroeconomic anchor, given the lack of other policy instruments. Measures to influence the demand for foreign exchange should be carefully assessed and weighed against the potential impact on the parallel market, inflation and reserves. In the absence of conventional monetary policy tools, controlling fiscal expenditure would be the preferred response consistent with Libya’s macroeconomic policy framework. Furthermore, the central bank should maintain the integrity of the means of payment, and the recent steps to withdraw the compromised banknotes from circulation are welcome.

**Promoting financial stability and strengthening monetary policy requires a comprehensive reform of the banking sector.** Staff outlined a roadmap for such a reform in the 2023 Article IV Consultation, with suggestions in various areas: structural (central bank reunification, banks’ disclosure requirements); banking law (establishment of a financial stability committee; development of Islamic finance); governance (fit and proper requirements; separation between CBL’s ownership and supervisory functions); the anti-money laundering and combating financing terrorism (AML/CFT) supervision (address AML/CFT control failures and poor reporting of suspicious activities); and others. The CBL has been proactive in strengthening the prudential framework, including issuing guidance for banks to increase capital, reinforcing the Financial Information Unit, and promoting financial inclusion through enhancements in electronic payments. Further work is needed to ensure compliance and to strengthen the banking sector.

**Governance reforms throughout the public sector are necessary.** Despite recent progress on some governance indicators, corruption is perceived to be an important concern in Libya and further reforms for improving governance, the rule of law, anticorruption institutions and the legal framework would be essential. The enhancement of anticorruption strategies and their effective implementation is also needed. In compliance with the 2018 Policy for Enhanced Engagement on Governance, the 2025 Article IV consultation is expected to undertake a comprehensive review of governance, anticorruption, and the rule of law.

**The IMF will continue to provide capacity development assistance but better coordination on the authorities’ part is needed**. Significant data gaps continue to affect IMF staff’s ability to conduct analysis and provide policy advice. Capacity development is needed for compiling national accounts and an expanded list of financial soundness indicators. Public financial management (PFM) framework reforms, including strengthening macro-fiscal and budget preparation functions, are needed to improve cash management controls and oversight. Given that capacity development is being delivered by multiple providers (the International finance Institutions, including the International Monetary Fund, and other organizations), there is a need for the authorities to set up a coordinating body to facilitate CD provision and implementation, and to avoid duplication.

**Libya’s longer-term economic strategy should aim to diversify away from hydrocarbons and to foster stronger and more inclusive private sector-led growth.** Structural reform efforts should focus on strengthening institutions and the rule of law and developing a clear economic vision for the country. A plan is needed to scale up development spending to alleviate growth bottlenecks and reduce fiscal costs associated with high spending on public sector wages and subsidies. The authorities should capitalize on Libya’s comparative advantages (location, landmass, natural resources, and access to energy and labor) to promote development of labor-intensive non-oil economic activity.

The next Article IV mission is expected in the Spring of 2025. (IMF 13.05)

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