

Saudi Arabia – All Change

This past Saturday Saudi Arabia's King Salman bin Abdulaziz Al Saud announced via Royal Decree a raft of ministerial changes including the appointment of a new Oil Minister and Central Bank Governor. These changes, which we list in detail below, have initially been greeted with a mixed response by some outside the region who have expressed their concern that the departure of such well-known and respected personalities such as Ali Al Naimi, the Kingdom's long-serving oil minister, could create further uncertainty over country's near-term direction especially with regards to the energy market.

From our point of view this latest announcement by the King is good news; firstly the departure of Al Naimi was not really unexpected, and while he has been viewed as a steady and reliable hand at the tiller of the Kingdom's oil policy for many years and indeed successfully guided the country through a number of past market crises, he is aging and given the major challenges Saudi Arabia now faces he may not have been quite the right man to take it into the future, especially the one which was recently outlined in the Deputy Crown Prince, Mohammed bin Salman's 2030 vision. His replacement is another capable but younger individual named Khaled al Falih, who although not as well known by the international media, is very experienced and well respected by other global energy officials and is (like Al Naimi) a career Aramco man. More importantly he has been recognized in the past few years as one of the main drivers of modernization within the state-owned oil firm in his role of company president and CEO. He is also considered to be an insider who apparently gets on well with the Deputy Crown Prince and shares his view that the country must push forward with diversifying its economy at a much faster pace than has been the case up till now.

Secondly most of the other posts are also being filled by experienced technocrats and this, combined with the decision to streamline some ministries, is a key step towards the implementation of further necessary reforms, such as cutting subsidies, reducing wastage and improving government efficiency. Finally compared to previous initiatives, such major changes suggest that the Kingdom is now very serious in proceeding with its latest diversification plan.

In conclusion and as stressed above, we believe that this announcement is significant and another step in the right direction, at the same time however we do not think the appointment of the new Oil Minister and CB Governor will trigger a near-term change in the Kingdom's current policy towards its oil production levels, nor will it result in any move towards an adjustment of its FX regime. Of course there are many other hurdles to overcome and the road ahead will need to be navigated carefully especially as the reforms promised are unprecedented and will likely have a long-lasting economic and social effect on the country's citizens, but what cannot be disputed is that one way or another change had to come.

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List of important changes as published in the Saudi Gazette:

1. The Minister of Petroleum and Mineral Resources Ali Al-Naimi was replaced by Khaled Al-Falih.
2. Tawfiq Al-Rabiah has been named as the new Minister of Health.
3. Majed Al-Qassabi has been named as the new Minister of Commerce.
4. Solayman Al-Hamdan has been named as the new Minister of Transport.
5. Muhammad Bantan has been named as the Minister of Hajj & Umrah.
6. Muhammad Al-Tuwaijri has been named as the Deputy Minister of Economy and Planning.
7. The Ministry of Commerce and Industry was renamed the Ministry of Commerce and Investment.
8. The Ministries of Petroleum and Mineral Resources have been consolidated and renamed the Ministry of Energy, Industry & Mineral Resources.
9. The Ministry of Hajj was renamed the Ministry of Hajj and Umrah.
10. The Ministry of Water and Electricity has been dissolved.
11. The Ministry of Agriculture becomes the Ministry of Environment, Water and Agriculture.
12. The Ministry of Islamic Affairs, Endowments, Call and Guidance becomes the Ministry of Islamic Affairs, Call and Guidance.
13. The Ministries of Labour and Social Affairs have been consolidated to become the Ministry of Labor and Social Development.
14. The Presidency for Meteorology and Environment has been renamed the General Commission for Meteorology and Environmental Protection.
15. The General Presidency for Youth Welfare has been renamed the General Commission for Sports.
16. The Commission of the Evaluation of General Education has been renamed the Commission for Evaluating Education.
17. The Governor of the Saudi Arabian Monetary Agency, Fahd Al-Mubarak, has been replaced by his deputy Ahmad Khulaifi.
18. Prince Abdullah Bin Mosaed Bin Abdul Aziz has been appointed as head of the newly formed General Commission for Sports.
19. Ahmad Al-Khatib has been named as head of newly formed Commission for Recreation.
20. Prince Turki Bin Muhammad Bin Saud Al-Kabeer has been named adviser to the Custodian of the Two Holy Mosques.
21. Prince Khaled Bin Saud Al-Saud has been made the adviser to the Royal Court.
22. Ahmad Al-Ajlan has been appointed as a private secretary to the Crown Prince.

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