

## Market Insights & Strategy

### Global Markets

### Saudi King Orders Cabinet Reshuffle & Restores Allowances

The King of Saudi Arabia, Salman bin Abdulaziz, issued a number of decrees this past weekend including a reversal of certain austerity measures and a minor cabinet reshuffle all of which we detail below. The most prominent announcement was the move to restore public sector bonuses and allowances, a decision which the government said was taken after a better than expected budgetary performance during the first quarter of this year, but which probably also highlights how sensitive the general population is towards austerity cuts and the delicate path the authorities need to tread in their management of this issue.

“The government has conducted a review of the measures initiated in the fall in relation to the public-sector employees’ allowances. A number of fiscal adjustment measures were taken over the last two years which led to a strong improvement in the government’s fiscal position. As a result, the actual deficit for the first quarter of 2017 is about 50% of the projected deficit in the budget due to increases on revenue side and decreases on expense side,” the Saudi Minister of State, Mohammad Al Shaikh was quoted as saying in the press. Meanwhile the local equity market has reacted positively to the move on the back of expectations that these salary adjustments would naturally lead to an increase in consumer spending.

On the political front the King appointed two of his sons\* to key posts within the government, while a number of younger members of the Al Saud family were given deputy governorships across the country. These moves further identify and solidify the next generation of Saudi leadership which we believe is positive for stability, while the decision to replace the current ambassador to the US with Prince Khaled, an American trained fighter pilot who also attended Harvard and Georgetown universities, is seen as an attempt by the Kingdom to strengthen its relations with the new administration in Washington. Another interesting announcement was the dismissal of the current Civil Service Minister, who according to various media outlets is also reportedly set to be investigated by a special commission over allegations of nepotism. Domestic commentators suggest that this underlines the governments’ commitment to improving service delivery and making officials more accountable. It “heralds a new era of transparency,” a local scholar was quoted as saying by the Arab News website.

#### Areas affected by the latest Royal Decrees:

##### Financial adjustments

- The civil service salary freeze and benefits reduction implemented in September last year has been reversed.
- Military personnel serving on the frontlines in Yemen will receive a two-month salary bonus.
- Domestic banks to maintain their current “soft” terms for personal loans and mortgages.

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### Senior administrative appointees

- Essam bin Saaed replaces Khaled Al Arj as Civil Service Minister.
- Abdullah bin Amer Al Sawaha replaces Mohammed Al Suwaiyel as Telecommunications Minister.
- Prince Abdulaziz bin Salman\* appointed as State Minister of Energy Affairs.
- Prince Khaled bin Salman\* is the new ambassador to the United States.
- Lt General Fahad bin Turki succeeds Lt General Eid Al Shalwi as head of the army.
- General Ahmad Asir appointed as the new deputy head of General Intelligence.
- Prince Abdulaziz bin Saad replaces Prince Saud bin Abdul Mohsin as Governor of Hail province.
- Prince Hossam bin Saud replaces Prince Mushari bin Saud as Governor of Al Baha.
- Prince Faisal bin Khalid bin Sultan replaces Mishal bin Abdullah as Governor of the Northern Border region.
- Prince Mohammad bin Abdul Rahman becomes Deputy Governor of Riyadh.
- Prince Abdullah bin Bandar becomes Deputy Governor of Makkah.
- Prince Saud bin Khalid bin Faisal becomes Deputy Governor of Madinah.
- Prince Mohammad bin Abdul Aziz becomes Deputy Governor of Jazan.
- Prince Mansour bin Muqrin becomes Deputy Governor of Asir.
- Prince Fahad bin Turki becomes Deputy Governor of Al Qassim.
- Prince Turki bin Hathloul becomes Deputy Governor of Najran.
- Prince Abdulrahman bin Mohammad bin Abdul Aziz becomes Secretary General of the Council of Ministers.
- Dr Awwad Al Awwad replaces Adel Al Toraifi as Minister of Information and Culture.
- Ibrahim Al Omar appointed as Governor of Saudi Arabia's General Investment Authority.
- Khalil Al Thaqafi put in charge of Meteorology and the Environment.
- Mohammed Abdul Maik Al Sheikh replaces Prince Abdullah bin Musaed as head of the General Sports Authority.
- Ali Al Hazmi becomes chief of the Saline Water Conversion Corporation.

### Other changes

- A National Security Council linked directly to the Royal Court was formed.
- All school exams will be held earlier than usual this year and ahead of the start of Ramadan.

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