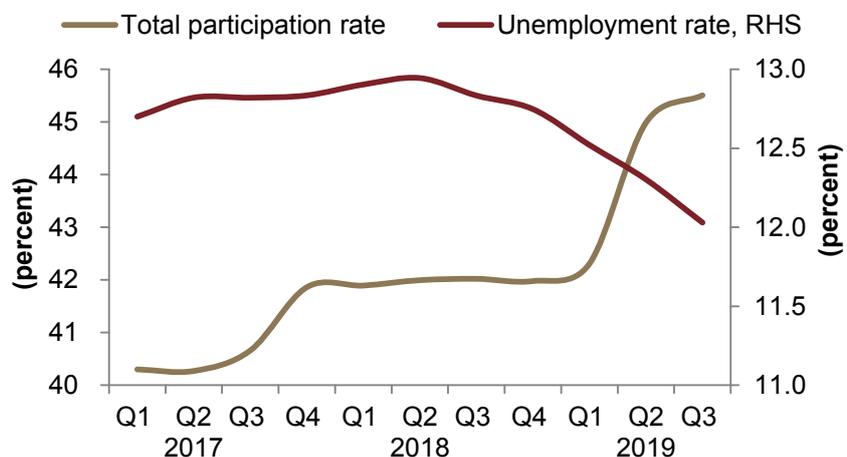




Higher labor force participation

- The latest General Authority for Statistics (GaStat) labor market release for Q3 2019 shows that unemployment declined to 12 percent, down from 12.3 percent in Q2 2019 (Figure 1).
- Q3 witnessed a higher participation rate amongst the youth (20-24 years old), rising from 29 percent in Q2 to 31.4 percent in Q3, the highest since Q1 2017.
- The data showed that the total number of expats in the Saudi labor market declined by around 1,978 million since the start of 2017, with around 56 thousand workers leaving the market during Q3 2019, on a net basis.
- Looking at sectorial employment, the largest declines in the number of expat workers were seen in the construction sector, followed by wholesale & retail, during Q3 2019.
- Meanwhile, Q3 2019 witnessed a notable growth in employment in a number of sectors, for both Saudis and expats. Whilst the number of Saudi workers declined in three sectors, with the remaining sectors seeing a varying level of rises in hiring amongst locals.
- However, declines in three sectors: construction, wholesale and retail, and manufacturing, have had a negative impact on total net hiring for Saudis during Q3 2019.
- Looking ahead, we believe a pick-up in the non-oil private sector growth (*please refer to our recent [macroeconomic update](#)*) should translate to a continued improvement in employment levels.

Figure 1: Saudi Unemployment Rate and Participation Rate



Saudi Unemployment Rate (percent)

| | Q2 2019 | Q3 2019 |
|---------------|-------------|-----------|
| Male | 6 | 5.8 |
| Female | 31.1 | 30.8 |
| Youth (20-24) | 30.8 | 34.9 |
| Total | 12.3 | 12 |

Saudi Labor Force Participation Rate (percent)

| | Q2 2019 | Q3 2019 |
|---------------|-----------|-------------|
| Male | 66 | 67 |
| Female | 23.2 | 23.2 |
| Youth (20-24) | 29 | 31.4 |
| Total | 45 | 45.5 |

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Main Developments in Q3 2019

Unemployment declined to 12 percent, from 12.3 percent in the previous quarter.

Q3 2019 witnessed a higher participation rate amongst the youth (20-24 years old)

During Q3 2019, a total of 56 thousand expats left the labor market, on a net basis

GaStat's latest labor market release for Q3 2019 shows that unemployment declined to 12 percent, down from 12.3 percent in Q2 2019. Male unemployment declined to 5.8 percent, down from 6 percent in Q2 2019, and female unemployment was also down from 31.1 to 30.8 percent, the lowest in 3 years (Figure 2). However, total youth unemployment (20-24 years old) was up from 30.8 percent in Q2 2019 to 34.9 percent in Q3 2019.

Meanwhile, Q3 2019 witnessed a higher participation rate amongst the youth (20-24 years old), rising from 29 percent in Q2 to 31.4 percent in Q3, the highest since Q1 2017 (Figure 3). The rise in participation rates is likely indicative of graduates seeking jobs, having recently completed their university degrees. For example, during Q3, female youth participation rate rose from 15.4 percent in Q2 to 18.6 percent, whereas male youth participation rate rose from 41.4 percent in Q2 to 43.1 percent in Q3.

According to the Human Resource Development Fund (HRDF), a total of 9,382 Saudis found employment through the Hafiz program during Q3 (compared to 11,452 in Q2 2019), equivalent to around 2.7 percent of total Hafiz program subscribers, which is a program that provides financial support to job seekers (Figure 4).

Slowing number of expats leaving the labor market

During Q3 2019, a total of 56 thousand expat workers left the labor market, pushing total cumulative net expat departures to 1,978 million since the start of 2017. Meanwhile, the number of departures on a quarterly basis has continued slowing to reach its lowest level since Q2 2018 (Figure 5).

At the same time, in-line with a trend we have seen in previous two quarters and highlighted in our [labor market report for Q2 2019](#), the number of expat household workers rose by 36 percent year-on-year in Q3 2019, with similar growth levels seen in Q1 and Q2. As was the case in previous quarters, the rise was supported by a significant rise in male private household drivers.

Thus, in Q3, when looking at the total number of expats (including domestic workers) there was a net rise of 60 thousand, compared to

Figure 2: Unemployment Rates by Gender

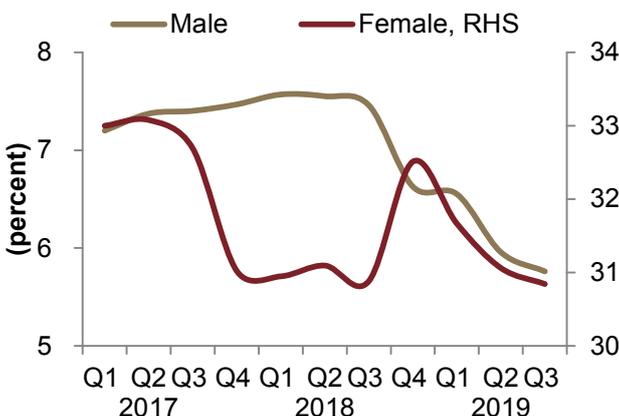
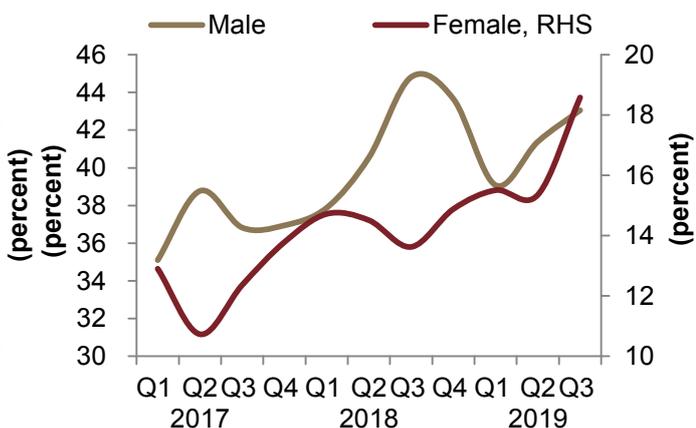


Figure 3: Youth (20-24 years old) Participation Rates





The number of household workers shows a notable rise, especially for male workers.

Q3 2019 witnessed a notable growth in employment in a number of sectors, for both Saudis and expats.

Several sectors saw an increase in the number of Saudi workers, such as public administration, education and health.

Looking ahead, we see a rise in jobs in tourism and entertainment...

net departures of 56 thousand workers when excluding such workers.

Employment by kind of economic activity

On a sectorial basis, Q3 2019 witnessed a notable growth in employment in a number of sectors, for both Saudis and expats. Whilst the number of Saudi workers declined in three sectors, with the remaining sectors seeing a varying level of rises in hiring amongst locals (Figure 6).

However, the declines in three sectors were sizable enough to have a negative impact on total net hiring during Q3 2019. The largest declines were seen in the construction sector, with around 41 thousand expat and 8 thousand Saudi net departures. Wholesale and retail activities came second, having lost around 28 thousand expat workers, as well as 7 thousand Saudis on a net basis. In addition, manufacturing lost around 1.6 thousand Saudis and 7 thousand expat workers on a net basis during Q3, compared to Q2 2019. Looking ahead, we expect hiring in the manufacturing sector to gradually improve following the royal decree to waive expat levies for workers in the registered factories until 2023.

At the same time, several sectors saw an increase in the number of Saudi workers during Q3 2019, reversing the trend seen in the previous quarter. Public administration hired 7 thousand Saudis, and education hired 8 thousand Saudis, whilst professional activities (which includes jobs related to law firms, engineering and consultancy) hired around 3.7 thousand Saudis, and health hired 3.7 thousand Saudis as well.

As we discussed in our previous [labor market update](#), the development of tourism and entertainment around the Kingdom through new initiatives, such as the “Saudi Seasons”, would contribute in creating jobs around the Kingdom in related sectors. In line with this, the General Entertainment Authority (GEA) disclosed that Riyadh Season has hosted around 10 million visitors, (both local and international) to date, which, in turn, has helped create more than 50 thousand temporary and permanent jobs.

Looking ahead, we think that the Ministry of Labor’s new decision to cancel the yellow category in the Nitaqat system (effective from

Figure 4: Hafiz Subscribers and the Number of Hiring through Hafiz

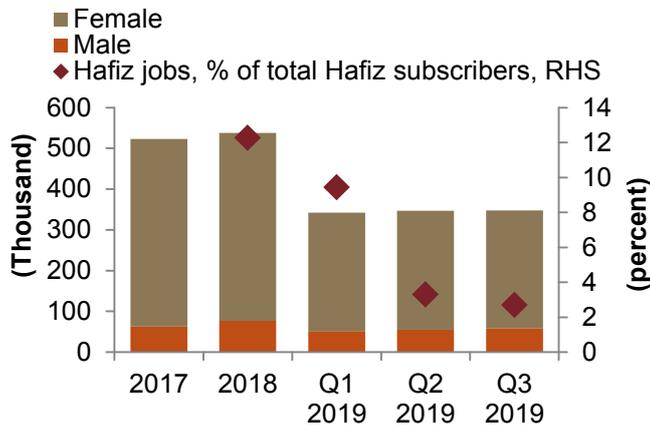
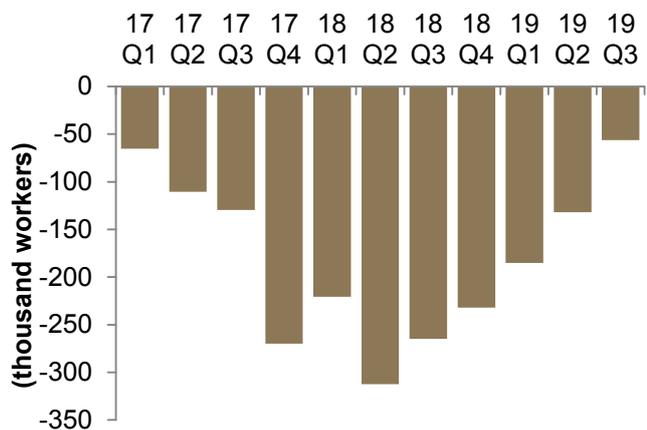


Figure 5: Net Number of Expats Departures in the Labor Market



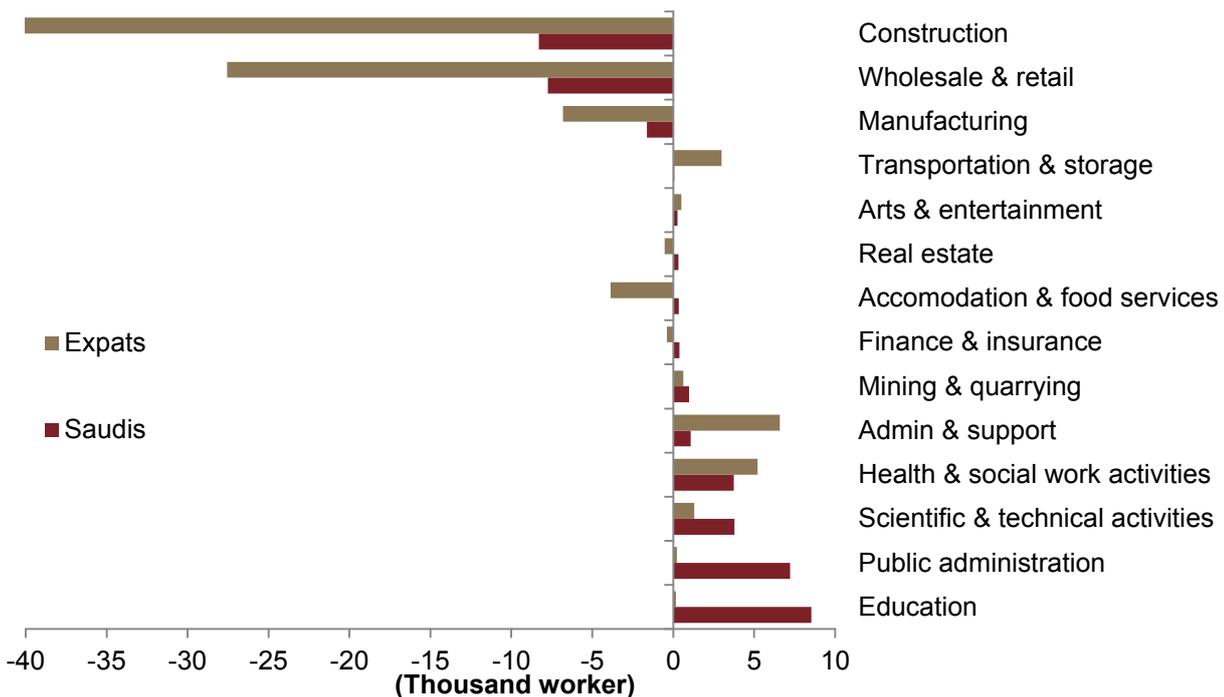


...and a rise in total employment, driven by a pick-up in non-oil activity.

January 2020), will have a positive impact on the labor market. The decision will encourage private sector companies classified in the red (and previously yellow) categories to hire more Saudis in order to be able to move up to the green category, which, in turn, provides more benefits to the companies in question.

We also see a gradual rise in the private sector growth as contributing to rising levels of job opportunities. As we indicated in our latest [macroeconomic](#) update, (published in November 2019), despite recent downward revisions in budgeted government expenditure, we still expect growth to improve. More specifically, we see progress under various Vision Realization Programs directly contributing to growth in numerous sectors next year, and some additional uplift in the non-oil private sector as a result of Saudi Arabia hosting the G20 summit next year.

Figure 6: Employment by Kind of Economic Activity
(Q3 2019 - Q2 2019 net change)





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