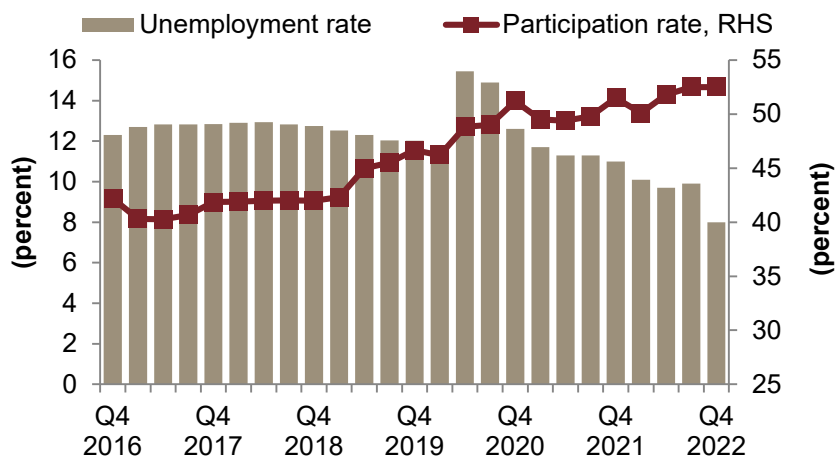




Unemployment drops to historical levels

- The General Authority for Statistics' (GaStat) latest labor market release shows that unemployment dropped to 8 percent at the end of 2022, down from 11 percent in 2021 (Figure 1).
- The decline was largely a result of a significant drop in female unemployment, which was down to 15.4 percent in 2022 versus 22.5 percent in the previous year.
- Total labor force participation edged up to 52.5 percent in 2022, with both genders witnessing higher rates.
- There was also a healthy rise in the number of Saudi workers in the private sector, which rose by 15 percent, from 1.9 million in 2021 to 2.2 million in 2022.
- On a sectorial basis, GaStat data showed the largest annual rise in the hiring of Saudis took place in three sectors: administrative and support services, professional and technical services, and construction. The three sectors accounted for 56 percent of total new Saudi hires in 2022.
- In addition, the number of expatriates in the labor market rebounded in 2022 to pre-Covid-19 levels, with the majority of the new joiners seen in two sectors: construction and agriculture.
- Overall, the significant decline in unemployment reflects the broader growth seen in the Saudi economy. As such, with further growth expected, we expect unemployment rates to continue declining in 2023 and in 2024.

Figure 1: Saudi Unemployment and Participation Rates



Saudi Unemployment Rate (percent – end of year)

	2022	2021
Male	4.2	5.2
Female	15.4	22.5
Youth (15-24)	16.8	15.9
Total	8	11

Saudi Labor Force Participation Rate (percent – end of year)

	2022	2021
Male	68.5	66.8
Female	36	35.6
Youth (15-24)	29	26.7
Total	52.5	51.5

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Main Developments in 2022

GaStat's latest labor market release shows that unemployment dropped to 8 percent at the end of 2022.

The number of Saudi workers in the private sector rose by 15 percent in 2022.

We believe this improving trend in the labor market will continue during the coming years.

Female labor force participation has seen tremendous improvements in recent years.

The number of expats in the labor market rebounded in 2022, with the majority joining 'construction' and 'agriculture'.

GaStat's latest labor market release shows that unemployment dropped to 8 percent at the end of 2022, down from 11 percent a year earlier (Figure 1). The decline was largely a result of female unemployment falling to 15.4 percent in 2022 compared to 22.5 percent in the previous year. At the same time, male unemployment was also down to 4.2 percent versus 5.2 percent (Figure 2). However, youth unemployment (15-24 years) edged up to 16.8 percent in 2022, from 15.9 percent in 2021.

Another major development is the healthy rise in the number of Saudi workers in the private sector, which rose by 15 percent, from 1.9 million in 2021 to 2.2 million in 2022 (Figure 3).

The overall improvement of the labor market in 2022 was better than our expectations. More specifically, unemployment dropped by 3 percentage points during 2022, and we believe this improving trend will continue during the coming years. In light of this, we expect unemployment to see further declines and reach 7.8 percent by end of 2023.

Labor force participation

Labor force participation also rose during the year, from 51.5 percent to 52.5 percent, with higher participation among both genders and the youth. During the past three years, female labor force participation has seen tremendous improvement, rising from 20 percent to 36 percent, reflecting the overall improvement in labor policies, such as expanding childcare and transportation services, added to the new job opportunities provided by the developing sectors such as tourism, which have incentivized more females to join the labor market. However, there is still more room for improvement in the labor force participation for both genders, especially for females, as the current rate of 36 percent is still below the G20 average of 50 percent. Accordingly, we expect female participation rate to continue rising in the years ahead.

Expatriates numbers rebounded to pre-Covid-19 levels

GaStat data shows that the number of expats in the labor market rebounded in 2022 to pre-Covid-19 levels to reach 7.3 million, up from 6.4 million at the end of 2020. The majority of the new joiners (55 percent of new hires - on a net basis) are seen in two sectors: 'construction' and 'agriculture', where growth rates saw impressive rises in 2022, by 4.5 and 4 percent year-on-year respectively, mainly

Figure 2: Unemployment Rate, by Gender

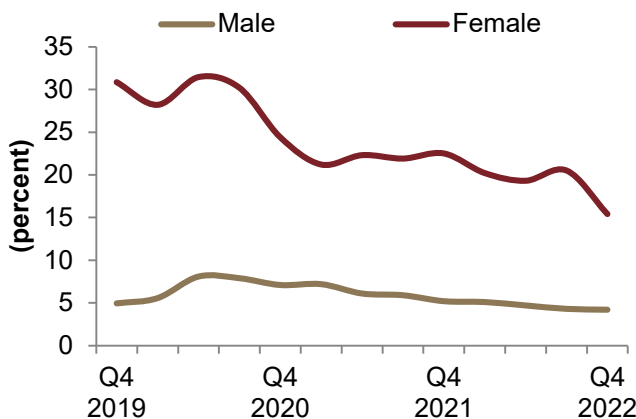
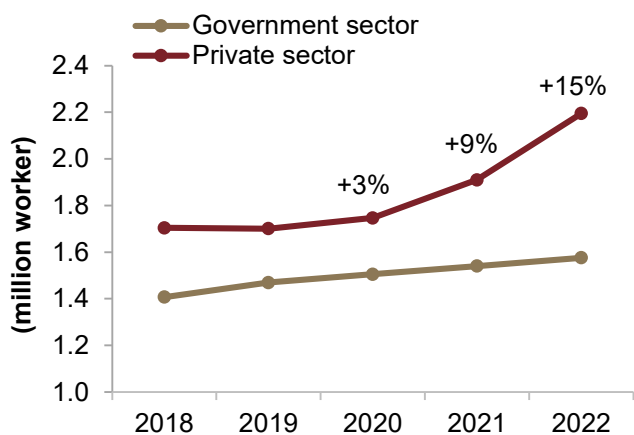


Figure 3: The Number of Saudi Workers, by Sector



* The government sector excludes workers in the military and the national security sectors.



The largest annual rise in the hiring of Saudis took place in three sectors.

Saudi workers in 'accommodation & food services' rose by 30 percent year-on-year in 2022.

The significant improvement in the labor market during the last few years is associated with the overall healthy growth in the Saudi economy...

...which we expect to continue during the coming years.

driven by construction developments in the giga-projects, and various Vision 2030 initiatives. Meanwhile, 'wholesale and retail' saw the largest expat departures during the year, which is likely affected by the Ministry of Human Resources (MHRSD) localization initiatives in recent years in related sectors, such as cinemas, shopping malls, and jewelry shops.

Sectorial Employment

GaStat data showed the largest annual rise in the hiring of Saudis took place in three sectors: 'administrative and support services' (which mainly includes rental and leasing services, travel agencies, landscape and building services); 'professional and technical services' (which includes legal services, accounting, architecture and engineering, marketing, and others); and construction. The three sectors accounted for 56 percent of total new Saudi hires in 2022, on a net basis.

Moreover, 'accommodation and food services' accounted for 10 percent of new Saudi hires in 2022, on a net basis, with the total number of Saudi workers in this sector rising by 30 percent year-on-year. Meanwhile, 'wholesale and retail' saw the largest decline in the number of workers. While expats accounted for 75 percent of net departures in 2022, the net hires of Saudi females saw a rise during the year by 4 thousand workers, but the larger net decline within male workers in the sector (by 44 thousand workers) led the sector to net decline in 2022 (Figure 4).

Outlook

The significant improvement in the labor market during the last few years is associated with the overall healthy growth in the Saudi economy, with non-oil sector GDP in 2022 rising by 5.4 percent year-on-year. Since we expect the non-oil sector to continue growing at 5.5 and 5.6 percent in 2023 and 2024 respectively, we believe this improving trend is likely to continue. Looking ahead, we expect more employment opportunities for Saudis as a result of the growth in several sectors. For example, the continuous growth in tourism activities around the Kingdom have attracted many Saudi job seekers to work in various venues such as hotels, restaurants, entertainment companies, museums and others. In addition, expanding sectors such as transport would also add more opportunities, whether in new projects or expanding ones (Figure 5). Intensified localization efforts will also add support to Saudi employment in sectors such as 'wholesale and retail'.

Figure 4: Net Change in the Number of Saudi Workers, by Gender and Sector (2022 – 2021)

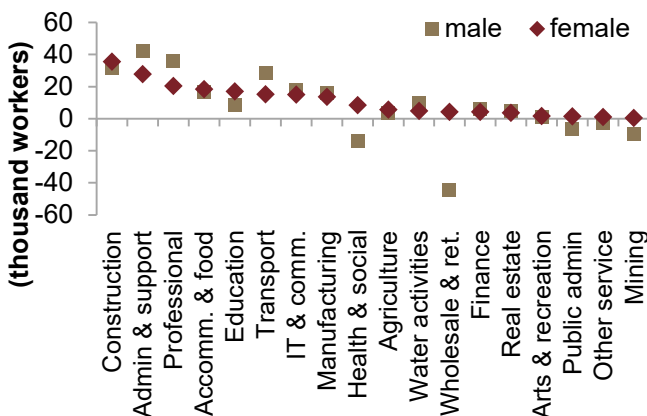
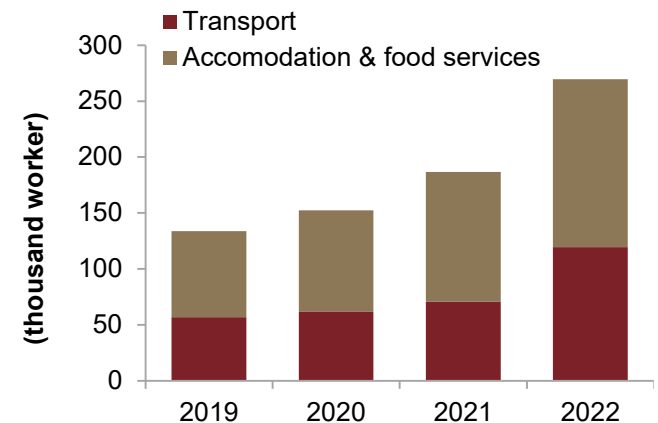


Figure 5: The Number of Saudi Workers in 'Transport' and 'Accommodation & Food services'





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