Saudi Labor Market Update

JUNE 2026

جدوى للاستثمار
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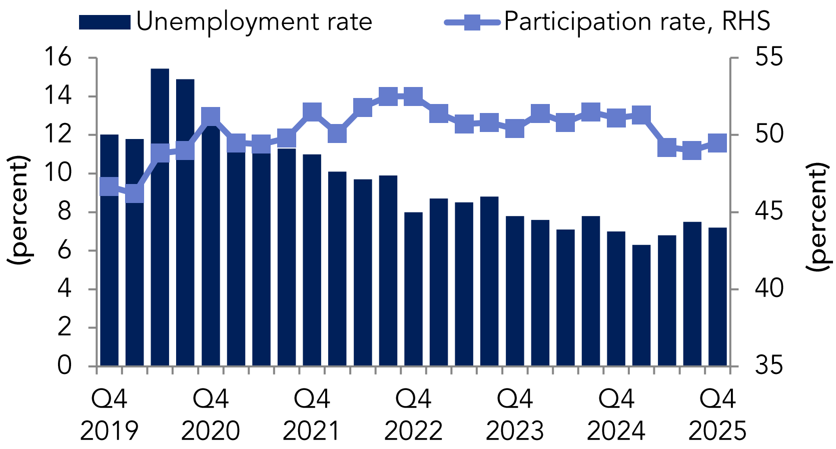
The Saudi Private Sector Keeps Expanding

- Saudi Arabia's labor market showed continued growth through the end of 2025.
- The Saudi unemployment stood at 7.2% at year-end (Q4 2025), a slight uptick from 7.0% in Q4 2024 but a recovery from 7.5% in Q3 2025.
- Year-on-year, male unemployment rose from 4.3% to 5.6%, while female unemployment dropped from 11.9% to 10.3%.
- Positively, the number of Saudi nationals employed in the private sector continued to rise, up 5.8% to 2.55 million, a notable leap from fewer than 2 million in 2021.
- In 2025, the largest annual gains in Saudi employment came in 'administrative and support services', 'education', and 'human health and social work'.
- The Ministry of Human Resources and Social Development (MHRSD) implemented a number of localization policies across 269 professions, which mostly explain the significant employment gains within these sectors.
- In January 2026, the MHRSD launched a new phase of the Nitaqat program, aiming to add 340,000 private-sector jobs for Saudi nationals over the next three years.
- Labor market gains over the past few years have been closely linked to the healthy expansion of the Saudi economy, with non-oil GDP rising by an average of 6% between 2023 and 2025.
- We expect non-oil real GDP growth to slow to 2.7% in 2026 due to the disruptions from the conflict, followed by a rebound in 2027 to around 5% as trade flows recover. The Kingdom's strong sovereign balance sheet and structural reforms will cushion the non-oil economy against external shocks.

Fig 1: Saudi unemployment and participation rates



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Main developments

Saudi unemployment closed 2025 at 7.2%, recovering from a 7.5% peak in Q3.

Saudi Arabia's labor market showed continued growth through the end of 2025. According to GaStat's latest release, the Saudi unemployment stood at 7.2% at year-end. While this represents a slight uptick from the 7.0% recorded a year earlier, it marks a recovery from the 7.5% seen in Q3 2025 (Figure 1). The year-on-year data shows that male unemployment rose from 4.3% to 5.6%, while female unemployment dropped from 11.9% to 10.3% (Figure 2).

Positively, the number of Saudi nationals employed in the private sector continued to increase, up by 5.8%, reaching 2.55 million. This is a significant leap from fewer than 2 million in 2021 (Figure 3). At the same time, expatriate employment rose by 1 million in 2025, driven largely by intensified investment and business activity. The rise was mainly within 'construction' and 'administrative and support services' sectors.

Saudis employed in the private sector was up 5.8% in 2025.

In 2025, the data showed higher numbers for Saudi employment in 'administrative and support services', 'education', and 'human health and social work'. The Ministry of Human Resources and Social Development (MHRSD) implemented a number of localization policies across 269 professions. These sectors include specialized fields like technical engineering, dentistry, pharmacy, radiology, nutrition, physiotherapy, and medical laboratories, which mostly explains the significant employment gains within these sectors.

Labor force participation softened slightly to 49.5% in 2025 from 51.1% in 2024.

While labor force participation softened slightly to 49.5% over the year from 51.1% a year earlier, Q4 showed the highest participation rate in three quarters.

The data highlights the positive momentum in the labor market through the end of 2025, linked to strong non-oil GDP growth. High frequency indicators pointed to slower but ongoing expansion in the non-oil economy and sustained job creation in H1 despite the US-Iran conflict.

In mid-June, the US and Iran signed an initial agreement to end the war and further negotiations will take place over the coming weeks and months. We expect non-oil real GDP growth to slow to 2.7% this year due to the disruptions from the conflict, followed by a rebound in 2027, to around 5% as trade flows recover. The Kingdom's strong sovereign balance sheet and structural reforms will help cushion the non-oil economy against these external shocks. Proactive labor market policies are also likely to remain supportive of further job creation for Saudis.

Sectoral employment

Most sectors saw an increase in net hiring during 2025.

GaStat data revealed that most sectors saw an increase in net hiring during 2025. The sectors with the largest annual gains in Saudi employment were 'administrative and support services', 'Information and technology', 'education' and 'human health and social work''. For expatriates, the largest growth was concentrated in 'construction' and 'administrative and support services'. Looking ahead, expatriate employment is not expected to continue increasing at the same rate seen over the last few years.

Fig. 2: Unemployment rate, by gender

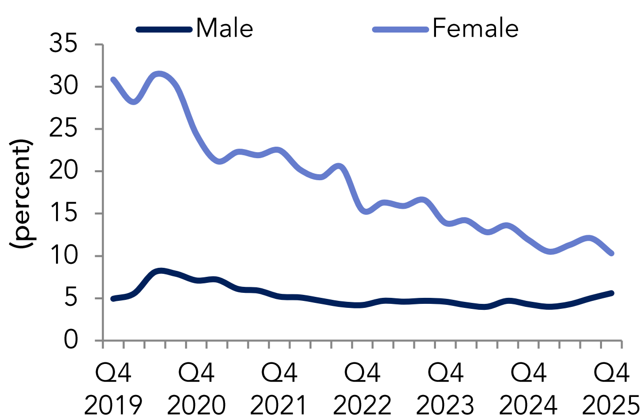
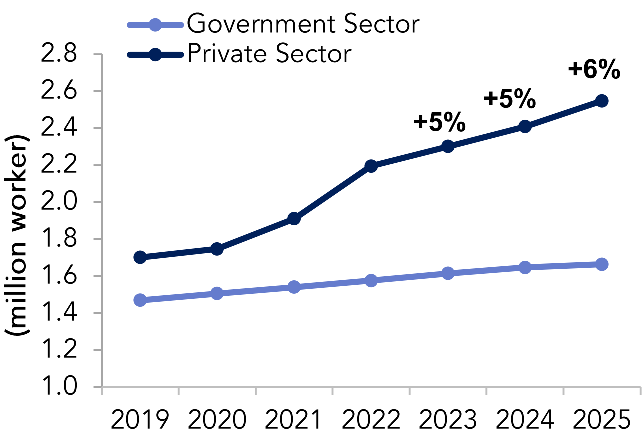


Fig. 3: The number of Saudi workers, by sector



The rise in employment activity has also increased demand for housing and related services.

The expansion in total employment across most of these sectors likely reflected higher demand in services related to the Kingdom's population growth. This is particularly evident in education and healthcare, as well as varied services under 'administrative and support services', such as rental and leasing entities, employment activities, and travel agencies. This general rise in employment activity has also increased demand for housing and related services (Figure 4).

Sectors varied in their gender distribution of new hires. The data shows that the highest percentages of new female hires were in 'wholesale and retail', 'public administration', and 'human health and social work', where women averaged 60% of total new hires. This trend has been instrumental in raising the total number of Saudis within these sectors (Figure 5).

Several localization policies for 269 professions came into effect during 2025.

Furthermore, the MHRSD confirmed that several localization policies for 269 professions came into effect during 2025. These sectors include technical engineering, dentistry, pharmacy, radiology, nutrition, physiotherapy, and medical laboratories, which largely explain the significant rise in Saudi employment within 'administrative and support services' and "human health and social development'.

Box 1: Nitaqat, localization and job creation

In January 2026, the MHRSD launched a new phase of the Nitaqat program…

In January 2026, the MHRSD launched a new phase of the Nitaqat program, aiming to add 340,000 private sector jobs for Saudi nationals over the next three years. This follows a successful first phase, which helped in adding around 353,000 Saudi workers to the private sector over the previous three years, particularly within targeted industries.

The program's implementation is tailored by sector and sub-sector, factoring in the size and total workforce of each entity. In general, smaller establishments are asked for lower shares of Saudi employment. However, some functions are required to have 100% localization regardless of the size of the entity—namely, client services, administrative services and HR.

…aiming to add 340,000 private sector jobs for Saudi nationals over the next three years.

The sectors expected to see the highest increase in localization in this phase include hydrocarbon manufacturing, energy and water, construction services, accommodation and tourism, IT, and wholesale and retail sub-sectors.

In April 2026, the MHRSD began implementing a localization policy to increase Saudi workers up to 60% across several sales and marketing roles. By June 2026, two additional localization policies announced late last year are expected to take full effect following a six-month preparation period. These policies aim to raise Saudi workers to 30% in engineering-related fields such as architecture, energy, industrial, and transport, and up to 70% in jobs related to sales in the private sector, such as sales managers, sales representatives, and market research specialists.

Collectively, these policies are expected to have a positive impact on jobs for Saudis by year-end, specifically within 'wholesale and retail' 'administrative and support services', 'transport', and 'professional, scientific and technical activities' sectors.

Fig. 4: Sectors with largest increases in Saudi workers in 2025 (on a net basis)

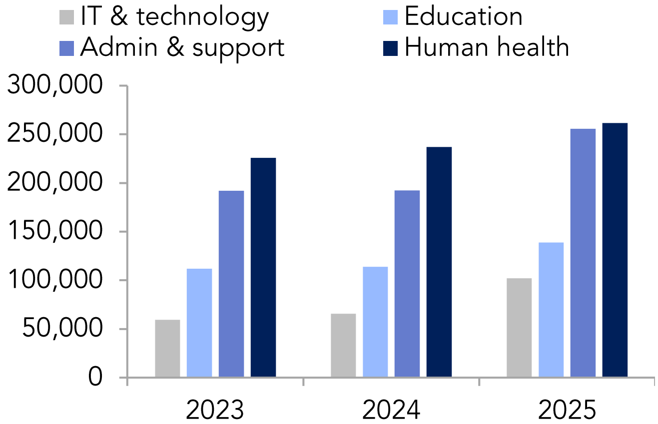
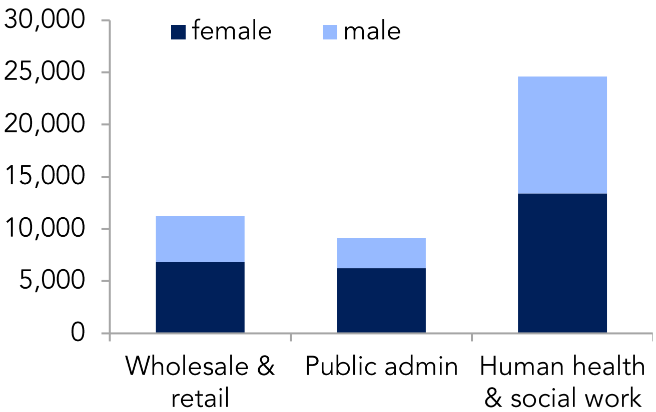


Fig. 5: Number of Saudi net new hires by gender (sectors with >60% share of female new hires)



Outlook

The expansion in the labor market was associated with the healthy growth of the Saudi economy.

The significant improvement in the labor market over the past few years has been closely linked to the healthy expansion of the Saudi economy, with non-oil GDP rising by an average of 6% between 2023 and 2025. However, the growth outlook for 2026 was clouded earlier in the year by geopolitical tensions and the fallout of the closure of the Strait of Hormuz.

Data for Q1 2026 showed real GDP growth slowing to 3% year-on-year. Non-oil activities decelerated to 2.9%, down from 4.6% in Q4 2025, while oil activities slowed to 2.9% growth from 10.8% over the same period.

However, the growth outlook for 2026 is currently shadowed by the geopolitical tensions.

In March 2026, many private-sector firms captured in the Non-oil Purchasing Managers' Index (PMI) survey reported slower demand for new orders and a decline in exports as a result of the conflict and the closure of the Strait of Hormuz, which disrupted global trade and supply chains. Businesses also flagged rising global inflation risks driven by higher energy prices, increased shipping costs, and elevated input prices, all of which could weigh on local activity.

In April and May, the non-oil PMI index improved, as firms increased output in response to a recovery in new business volumes, improving domestic demand, stabilizing supply chains and an uplift in activity expectations for the year ahead. Nonetheless, the PMI remained at low levels compared to recent years and input costs rose at a fast rate. Despite these pressures, surveyed businesses noted that job creation was sustained (Figure 6).

The latest domestic data indicate that consumer spending remained resilient between March and June despite the regional instability. Overall, consumer spending (point of sale transactions) continues to show solid activity across most industries (Figure 7).

We expect the Kingdom's strong structural reforms to help cushion the non-oil economy against these external shocks.

We expect non-oil real GDP growth to slow to 2.7% this year due to the disruptions from the conflict, followed by a rebound in 2027, to around 5% as trade flows recover. However, we expect the Kingdom's strong sovereign balance sheet, ongoing investment spending, sectoral developments, and structural reforms to help cushion the non-oil economy against these external shocks. While the pace of normalization in trade flows is still to be seen, the underlying strength of the non-oil economy and proactive labor market policies are likely to remain supportive of further job creation for Saudis.

Fig. 6: Non-oil PMI

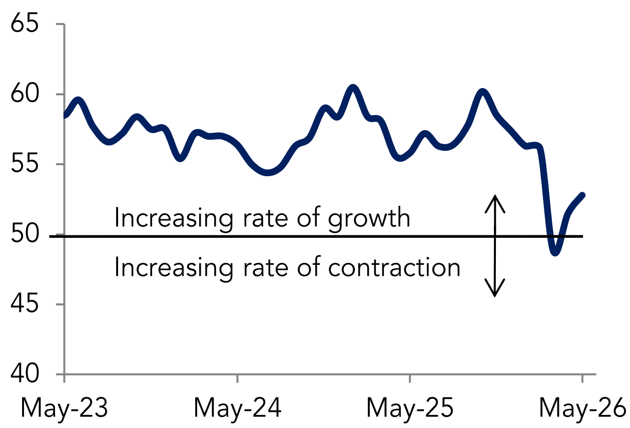
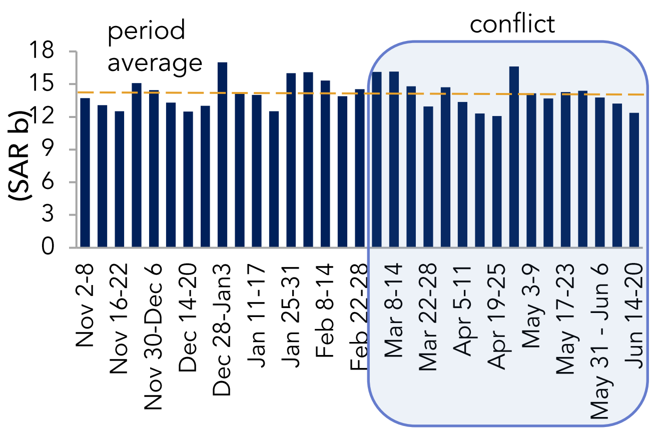


Fig. 7: POS transactions
(weekly SAR billion)



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