



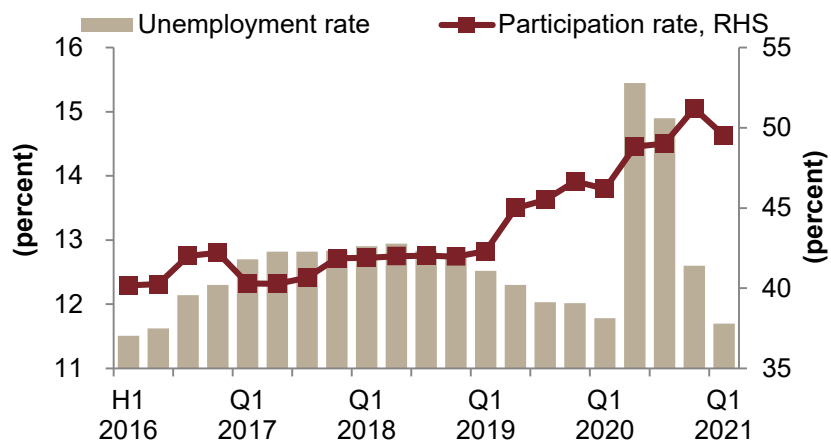
July 2021

Saudi Labor Market Update

Unemployment back to pre-pandemic levels

- The General Authority for Statistics' (GaStat) latest labor market release shows that unemployment declined to 11.7 percent in Q1 2021, down from 12.6 percent in Q4 2020, marking the lowest rate since 2016 (Figure 1).
- Youth unemployment (20-24 years old) also declined remarkably, falling from 28 percent in Q4 2020 to 23.6 percent in Q1 2021.
- Labor force participation declined slightly to 49.5 percent in Q1, down from the record high of 51.2 percent in Q4 2020. Lower participation was seen amongst both genders.
- Data from the General Organization of Social Insurance (GOSI) showed that the number of expatriates in the labor market declined by 18.7 thousand quarter-on-quarter in Q1. Meanwhile, the number of Saudi workers rose by around 92 thousand over the same period.
- On a sectorial basis, GaStat data showed that in Q1 around 54 percent of Saudis held jobs in the public sector versus 44 percent in the private sector.
- Overall, the recovery in the labor market over the last few quarters has proceeded quicker than we originally anticipated. More specifically, unemployment has dropped by 3.7 percentage points since Q2 of last year.
- In light of this, we have revised our unemployment forecast to 10.5 percent for end of 2021, compared to 12.1 percent previously.

Figure 1: Saudi unemployment rate



Saudi Unemployment Rate (percent)

	Q1 2021	Q4 2020
Male	7.2	7.1
Female	21.2	24.4
Youth (20-24)	23.6	28
Total	11.7	12.6

Saudi Labor Force Participation Rate (percent)

	Q1 2021	Q4 2020
Male	66.2	68.5
Female	32.3	33.2
Youth (20-24)	36.7	41.8
Total	49.5	51.2

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GaStat's latest labor market release shows that unemployment declined to 11.7 percent in Q1 2021.

Labor force participation declined to 49.5 percent in Q1 2021, with lower participation by both genders.

The number of expats in the labor market declined by 18.7 thousand on a net basis, quarter-on-quarter in Q1 2021.

Main Developments in Q1 2021

GaStat's latest labor market release shows that unemployment dropped to 11.7 percent in Q1 2021 (down from 12.6 percent in Q4 2020), its lowest rate since 2016 (Figure 1). The decline was largely a result of a continued improvement in female unemployment, which was down to 21.2 percent in Q1 versus 24.4 percent in the previous quarter, whilst male unemployment inched up to 7.2 percent (Figure 2). Moreover, youth unemployment (20-24 years old) also declined remarkably, falling from 28 percent in Q4 2020 to 23.6 percent in Q1 2021. Lastly, it is worth highlighting that the improvement in the labor market during Q1 came about despite the Saudi authorities decision to suspend recreational events for part of the quarter (as a result of precautionary measures related to Covid-19).

The overall recovery in the labor market in the last few quarters has proceeded much quicker than we originally anticipated. More specifically, unemployment has dropped by 3.7 percentage points since Q2 of last year and we believe this improving trend is likely to continue during the remainder of this year. In light of this, we have revised our unemployment forecast to 10.5 percent for end of 2021, compared to 12.1 percent previously.

Labor force participation

Labor force participation declined slightly to 49.5 percent in Q1, down from a record high of 51.2 percent in Q4 2020. Lower participation was seen amongst females (down from 33.2 to 32.3 percent quarter-on-quarter) and males (down from 68.5 to 66.2 percent quarter-on-quarter).

Expatriates leaving the labor market

Latest data from the General Organization of Social Insurance (GOSI) shows that net declines in the number of expats in the labor is narrowing. More specifically, in Q1, expats in the labor market declined by 18.7 thousand quarter-on-quarter, the lowest level of declines in a year (Figure 3), with these departures concentrated amongst the "less than SR1500" salary band. At the same time, GOSI data indicated that the number of Saudis rose by around 92 thousand workers over the same period. Whilst the number of Saudi workers amongst the "SR3000" salary band declined in Q1, a larger number joined the "SR3001 to SR4,999" and "SR5000 to 9,999" salary bands during the quarter.

Figure 2: Unemployment rates, by gender

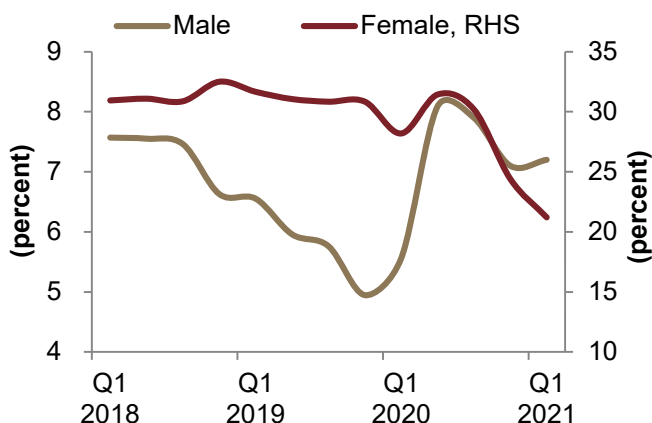
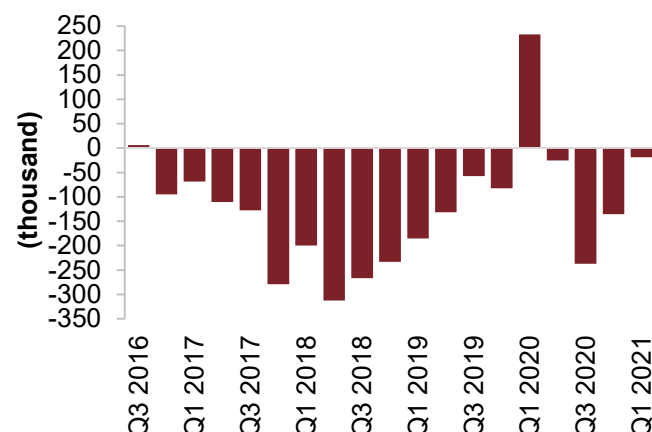


Figure 3: Net change in the number of expatriate workers* (Q4 2020– Q3 2020)



* Excluding household workers



GaStat data shows that almost 54 percent of Saudis worked in the public sector in Q1.

'Public administration' and 'education' employed the largest shares of Saudis in Q1 2021.

The improvement in the labor market has proceeded quicker than we anticipated.

We expect a rise in seasonal and permanent employment in H2 2021.

Looking ahead, whilst we expect to see some marginal rises in the number of expatriates in the labor market in H2 2021, in-line with a sustained rebound in the non-oil economy, this maybe hampered by ongoing issues related to Covid-19 in countries where a large numbers of expats are traditionally recruited from.

Sectorial Employment

On a sectorial basis, GaStat data showed that in Q1 around 54 percent of Saudis held jobs in the public sector versus 44 percent in the private sector. Within this, almost 60 percent of males worked in the public sector, whilst almost 60 percent of females worked in the private sector (Figure 4). We note that the latest GaStat data release does not provide the absolute number of workers in each sector, as has been the case previously.

Looking at sectorial data in more detail, the largest employer of Saudis was the 'public administration' sector, at 26 percent of all Saudis. The second largest employer was the 'education' sector, accounting for almost 17 percent of total citizen workers (Figure 5). Looking at the data by gender, whilst 35 percent of all Saudi males worked in 'public administration', the 'education' sector was the largest employer of Saudi females (at 30 percent of total Saudi females in the labor market). Meanwhile, only 5 percent of Saudi females worked in the 'public administration'. Meanwhile, the three largest sectors for expatriate workers (when excluding household workers) were 'wholesale and retail' (employing 16 percent of all expatriate workers), followed by 'construction' (12 percent) and 'manufacturing' (11 percent).

Outlook

The overall recovery in the labor market in the last few quarters has proceeded much quicker than we originally anticipated. More specifically, unemployment has dropped by 3.7 percentage points since Q2 of last year and we believe this improving trend is likely to continue during the remainder of this year.

In general, the ongoing roll-out of vaccines in the Kingdom will fuel further recovery in the non-oil economy in H2 2021, which will lend support to employment growth. More specifically, firstly, a pick-up in summer tourism activity in Q3 should help boost seasonal employment around the Kingdom. Secondly, rises in employment will also be helped by ongoing localization efforts, with the Ministry of Human Resources and Social Development recently enforcing new

Figure 4: Saudi workers in the labor market (by gender)

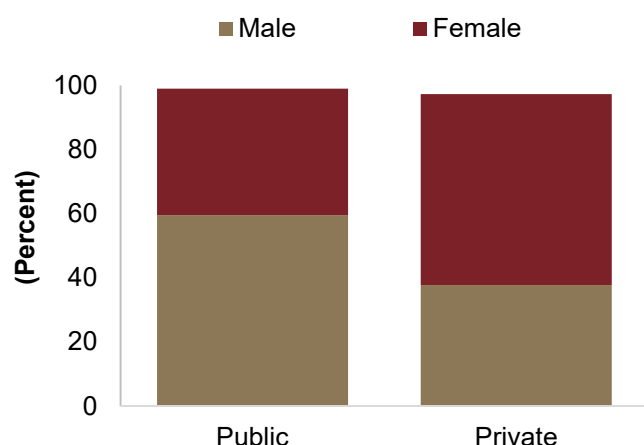
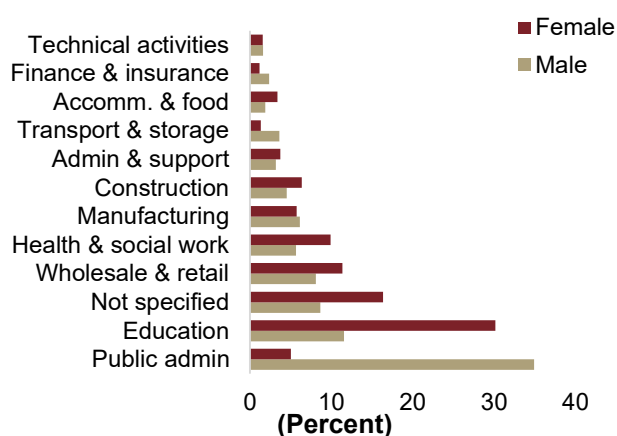


Figure 5: Sectorial shares of Saudi workers*, (percentage of gender total in the labor market)



* Largest 12 sectors, remaining sectors include: mining, IT, agriculture, real estate, entertainment, and others.



Saudization targets in certain activities within accounting, IT, law, real estate and education. Lastly, the return of a large scale leisure and entertainment festival (or 'Saudi Seasons') in Q4, and with schools gradually getting back to in-person attendance over the coming academic year, will all contribute to raising the level of employment.

In light of this, we have revised our unemployment forecast to 10.5 percent for end of 2021, compared to 12.1 percent previously.

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