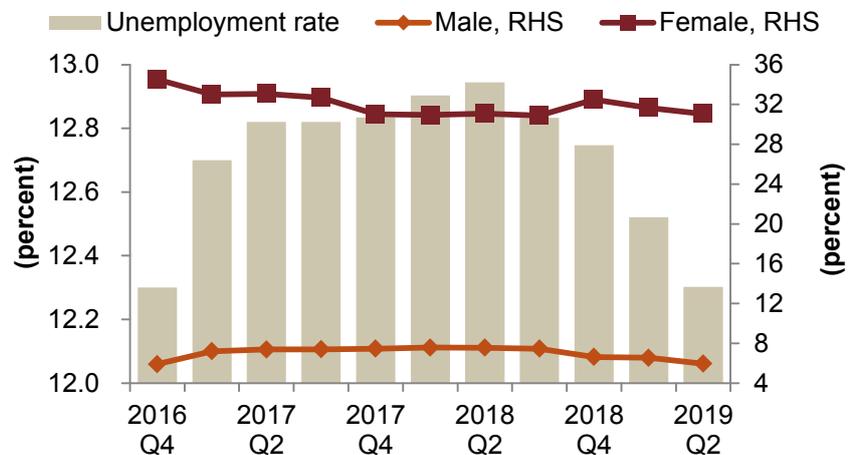




### Unemployment continues to decline

- The latest General Authority for Statistics (GaStat) labor market release for Q2 2019 shows that unemployment declined to 12.3 percent, down from 12.5 percent in Q1 2019 (Figure 1).
- A significant drop in youth unemployment for both male and female participants (20-24) had the biggest impact on unemployment in Q2 2019.
- Both male and female labor force participation rates increased during Q2 2019. Male labor force participation was up to 66 percent, and female labor force participation rose to 23.2 percent.
- The data showed that the total number of expats in the Saudi labor market declined by around 1.9 million since the start of 2017, with around 132 thousand workers leaving the market during Q2 2019.
- Looking at sectorial employment, the largest declines in the number of expat workers were seen in the construction sector, followed by wholesale & retail, during Q2 2019.
- At the same time, several sectors saw an increase in the number of Saudi workers during Q2 2019, such as public administration, mining and accommodation and food.
- 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 rates



#### Saudi Unemployment Rate (percent)

	Q1 2019	Q2 2019
Male	6.6	6
Female	31.7	31.1
Youth (20-24)	36.3	30.8
<b>Total</b>	<b>12.5</b>	<b>12.3</b>

#### Saudi Labor Force Participation Rate (percent)

	Q1 2019	Q2 2019
Male	63.3	66
Female	20.5	23.2
Youth (20-24)	27.8	29
<b>Total</b>	<b>42.3</b>	<b>45</b>

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## Main Developments in Q2 2019

*Unemployment declined to 12.3 percent, from 12.5 percent in the previous quarter.*

GaStat's latest labor market release for Q2 2019 shows that unemployment declined to 12.3 percent, down from 12.5 percent in Q1 2019. Male unemployment declined to 6 percent, down from 6.6 percent in Q1 2019, and female unemployment was also down from 31.7 to 31.1 percent. In addition, total youth unemployment (20-24 years old) continued declining, from 36.3 percent in Q1 2019 to 30.8 percent in Q2 2019.

*Both male and female labor force participation rates increased during Q2 2019.*

A significant drop in youth unemployment for both male and female participants (20-24) had the biggest impact on the latest unemployment rate decline in Q2 2019. Male youth unemployment dropped to 21.4 percent, whilst female youth unemployment was down to 58.5 percent, both reaching the lowest rate in more than two years (Figure 2).

At the same time, both male and female labor force participation rates increased during Q2 2019 (Figure 3). Male labor force participation was up from 63.3 percent to 66 percent, and female labor force participation rose from 20.5 percent to 23.2 percent, compared to the Ministry of Labor's target of 25 percent by 2020, as per the National Transformation Program (NTP). Higher labor force participation is likely due to the Ministry of Labor's (MoL) measures to support the hiring of Saudis in the private sector, especially so Saudi females (please refer to our [Labor market update](#) published in April 2019).

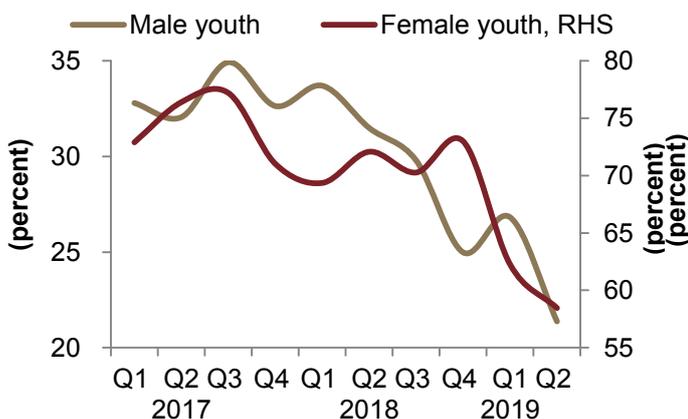
*During Q2 2019, a total of 132 thousand expats left the labor market.*

### Slowing number of expats leaving the labor market

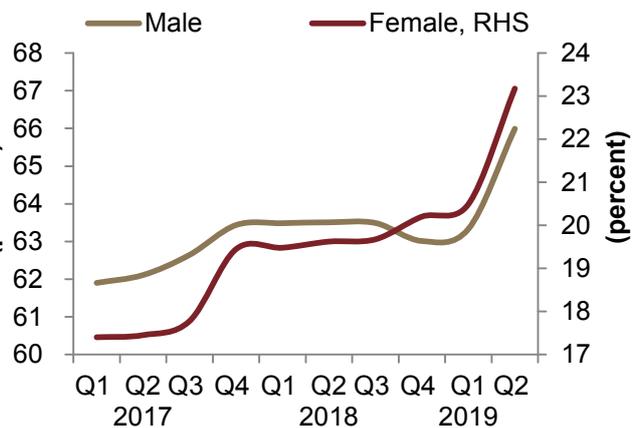
During Q2 2019, a total of 132 thousand expat workers left the labor market, pushing total expat departures to 1.9 million since the start of 2017. Meanwhile, the number of departures on a quarterly basis has slowed to its lowest level since Q3 2017, with the number of departures having seemingly peaked in Q2 2018.

At the same time, the number of expat household workers rose by 28 percent year-on-year in Q2 2019, with similar growth levels seen in Q1 (Figure 4), and in both cases supported by a significant rise in male private household drivers. A rise in expat drivers seems counterintuitive considering the almost 40,000 females have obtained driving licenses (in the period between June 2018 to January 2019) and that there has been a declining trend in the

**Figure 2: Youth unemployment rates by gender**



**Figure 3: Participation rates**





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

*Most sectors saw a drop in the number of expats, with the largest declines seen in construction.*

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

*Looking ahead, we see a rise in part-time jobs in tourism and entertainment...*

number of imported personal cars and jeeps in the last few years (Figure 5). It is also worth noting that expat private household workers are exempted from the expat levies, which are currently charged to corporates at a range of SR500-600 per employee per month, and are scheduled to rise to a range of SR700-800 per employee per month, in January 2020.

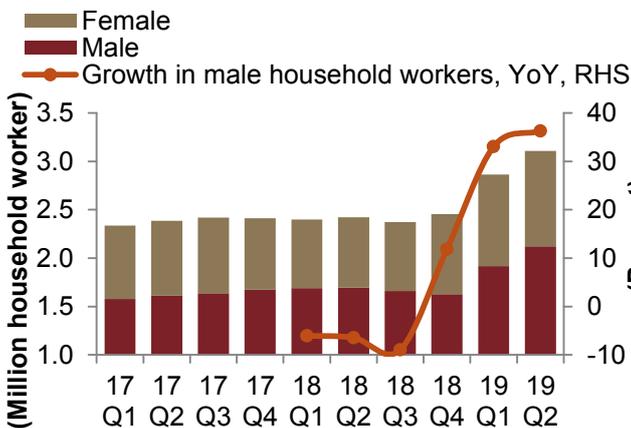
### Employment by kind of economic activity

On a sectorial basis, data shows that most sectors saw a drop in the number of expats in Q2 2019 (Figure 6). The largest declines were seen in the construction sector, with around 109 thousand expat and 8 thousand Saudi departures. Wholesale and retail activities came second, having lost around 44 thousand expat workers, as well as 5 thousand Saudis, compared to Q1 2019. However, only one sector showed a significant rise in the number of expats during the quarter, administrative and support service activities, which saw an increase by about 40 thousand expat workers in Q2 2019.

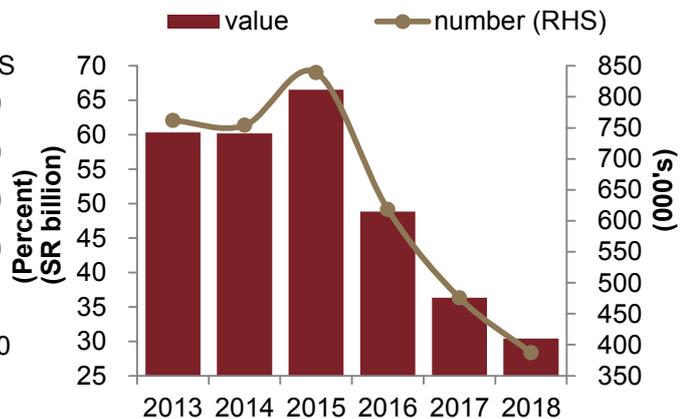
At the same time, several sectors saw an increase in the number of Saudi workers during Q2 2019, reversing the trend seen in the previous quarter. Public administration hired 6 thousand Saudis, and mining hired 800 Saudis, whilst accommodation and food services hired around 700 Saudis, and entertainment hired 174 Saudis. A number of new regulations will help boost hiring in these sectors in the coming quarters. For example, we believe that allowing retail shops and businesses to operate 24 hours will help in creating more jobs, even if part time roles, in the accommodation and food services sector. In addition, the rising attention to tourism and entertainment around the Kingdom through the new tourism initiatives, such as the "Saudi Seasons", would also contribute in creating more jobs around the Kingdom in the related sectors, especially after expected introduction of tourist visas for international visitors by the end of September.

Looking ahead, we 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 July 2019), stronger than previously forecasted non-oil private sector GDP for 2019, reflecting a general improvement in a number of high frequency indicators, such as improvements in POS transactions, credit to the private sector and money supply. In addition, the consolidation in

**Figure 4: Total expat household workers**



**Figure 5: Imports of personal cars and jeeps in the Kingdom**

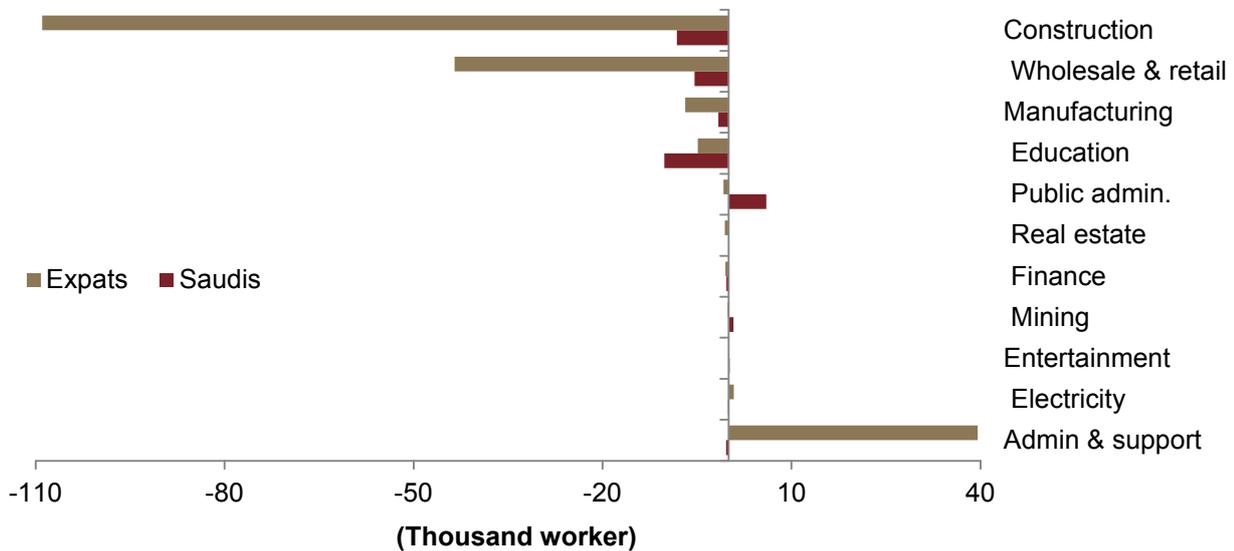




*...and a rise in total employment, driven by a pick-up in non-oil activity.*

efforts towards achieving the goals of Vision 2030, through the implementation of numerous Vision Realization Programs during the year, are helping to raise overall momentum in the Saudi economy. All of this together should lead to higher demand for employment in the medium term for Saudis.

**Figure 6: Employment by kind of economic activity**  
(Q2 2019 - Q1 2019 net change)





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