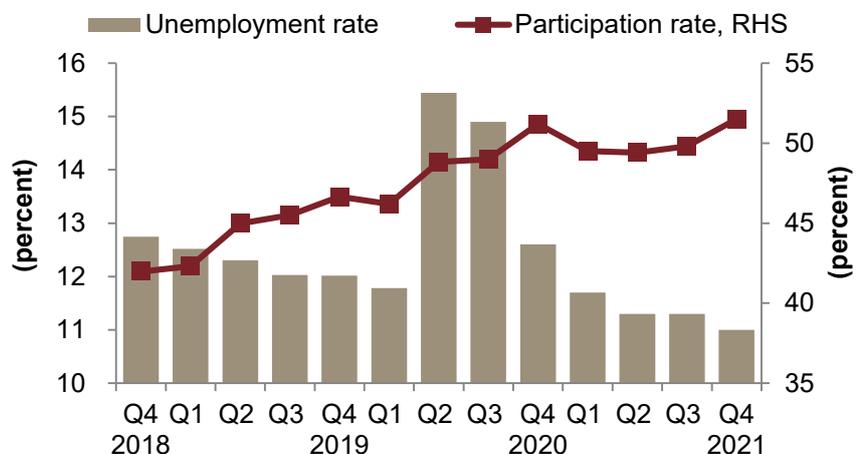




More jobs in the private sector

- The General Authority for Statistics' (GaStat) latest labor market release showed that unemployment amongst Saudis declined to 11 percent in Q4 2021 versus 11.3 percent in Q3 2021 and 12.6 percent at the end of 2020 (Figure 1).
- Saudi labor force participation rose to 51.5 percent by the end of 2021, up marginally from 51.2 percent in 2020, despite lower participation amongst males.
- The number of expatriate workers in the labor market continued to decline in 2021 as a whole, with a net decline of circa 66 thousand recorded year-on-year. That said, latest data shows a quarterly net rise of 267 thousand expats during Q4 2021, the first quarterly rise since Q1 2020.
- Meanwhile, the private sector saw a significant rise in the number of Saudi workers during 2021 (by 163 thousand on a net basis), pushing the total number of Saudis employed in the private sector to 1.91 million.
- On a sectorial basis, GaStat data showed that there was a rise in the hiring of Saudis across all sectors in the labor market last year, with the largest yearly rises seen in 'public administration', 'human health & social work', and 'accommodation & food services'.
- Looking ahead, with robust levels of non-oil activities growth anticipated in 2022, we expect further declines in unemployment in 2022 and 2023 to 10.7 and 10.4 percent, respectively.

Figure 1: Saudi unemployment and participation rates



Saudi Unemployment Rate (percent)

	2021	2020
Male	5.2	7.1
Female	22.5	24.4
Total	11	12.6

Saudi Labor Force Participation Rate (percent)

	2021	2020
Male	66.8	68.5
Female	35.6	33.2
Total	51.5	51.2

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Main Developments in 2021

Unemployment amongst Saudis declined to 11 percent by the end of 2021.

GaStat's latest labor market release for Q4 2021 showed that unemployment amongst Saudis declined to 11 percent by the end of 2021 (down from 12.6 percent in 2020) (Figure 1). The decline was largely a result of male unemployment which declined to 5.2 percent at the end of 2021 (compared to 7.1 percent in 2020), whilst female unemployment dropped to 22.5 percent (versus 24.4 percent by the end of 2020).

Saudi labor force participation rose to 51.5 percent in 2021, up from 51.2 percent in 2020, despite lower participation amongst males

Labor force participation

up from 51.2 percent in 2020, despite lower participation amongst males (down from 68.5 to 66.8 percent year-on-year). Meanwhile, female labor force participation saw a notable rise, up from 33.2 percent in 2020 to 35.6 percent in 2021. Higher participation from Saudi females is being driven by a larger number of first time job seekers. More specifically, Gastat's labor market survey showed that the share of unemployed females with no previous work experience rose rapidly during the year, from 72 percent in Q1 2021, to 81 percent in Q4 2021, amongst total unemployed females (Figure 2).

Expatriates leaving the labor market

The number of expatriate workers in the labor market continued to decline in 2021 as a whole, with a net decline of circa 66 thousand recorded year-on-year. That said, latest data shows a quarterly net rise of 267 thousand expats during Q4 2021, the first quarterly rise since Q1 2020 (Figure 3). We believe that the rebound in expats likely reflects i) higher global vaccination rates against Covid-19 ii) a loosening of Covid-19 related restrictions for entry into the Kingdom and iii) a significant rebound in the Kingdom's non-oil economy (with non-oil activities GDP rising by 6.1 percent year-on-year in full year 2021).

Latest data shows a quarterly net rise of 267 thousand expats during Q4 2021, the first quarterly rise since Q1 2020.

Looking ahead, with robust levels of non-oil activities growth anticipated in 2022 (at 3.4 percent according to our forecasts), we expect further rises in the number of expat workers.

Sectorial Employment

The labor market saw a remarkable rise by almost 200 thousand Saudi workers during last year. The rise in employment seems to

Figure 2: Share of unemployed persons with no previous work experience, by gender*

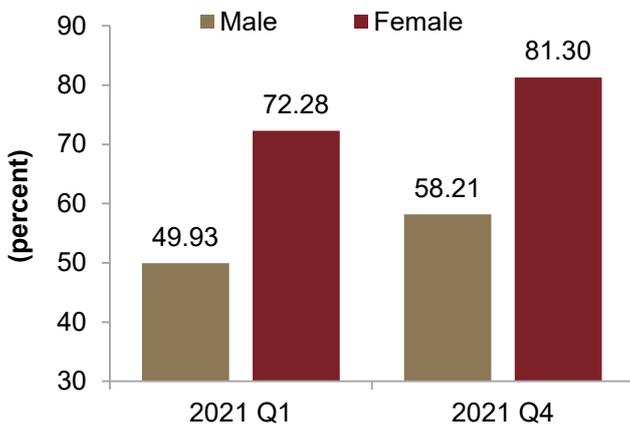
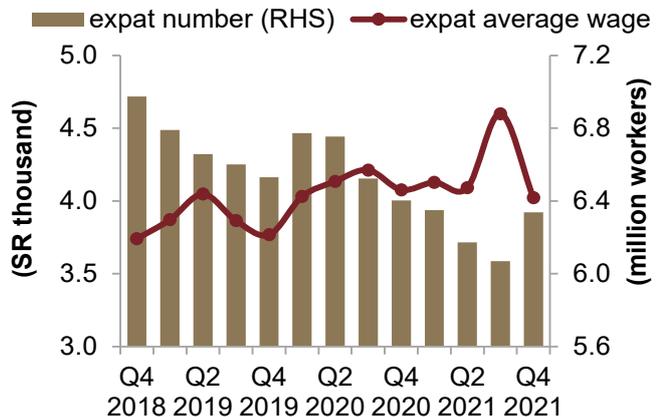


Figure 3: Net change in the number of expatriate workers and average wage* (quarter-on-quarter)



* GaStat labor market survey

* Excluding household workers



The rise in employment seems to have been driven by the private sector.

Higher levels of localization in the private sector as being aided by decisions implemented by the Ministry of Human Resources.

Full year 2021 saw an almost equal net rise in the number of Saudi male and female workers.

The recovery in the labor market during 2021 was associated with a significant rebound in the Kingdom's non-oil economy.

have been driven by the private sector which saw a significant rise in the number of Saudi workers (by 163 thousand on a net basis in 2021), in turn, pushing the total number of Saudis employed in the private sector to 1.91 million (Figure 4). More specifically, on a sectorial basis, GaStat data showed that there was a rise in the hiring of Saudis across all sectors in the labor market last year, with the largest yearly rises seen in 'public administration', 'human health & social work', and 'accommodation & food services' (Figure 5).

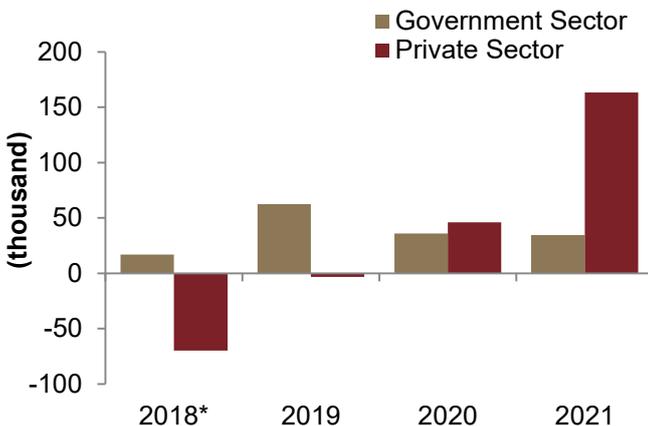
As mentioned in our previous update ([labor market update Q2 2021](#)) we see higher levels of localization in the private sector as being aided by decisions implemented by the Ministry of Human Resources (MHRSD) during the last few years. More specifically, 'accommodation & food services' saw a 28 percent increase in Saudi workers year-on-year, and 'wholesale & retail' seeing rises of around 5 percent year-on-year, with both rises being associated with the MHRSD's decision to raise localization in shopping malls, restaurants, coffee shops and pharmacies. Separately, there have been decisions to raise localization in dental clinics, radiology, physiotherapy and medical laboratories, which have helped push up the number of Saudis in 'health and social work' sector by 22 percent year-on-year.

In terms of employment by gender, the data showed that 2021 saw an almost equal net rise in the number of Saudi male and female workers, by 101 thousand and 97 thousand, respectively. Looking at sectorial performance, a number of sectors registered higher number of female workers (compared with male workers) during the year including 'wholesale & retail', 'health & social work', 'information & communication', and 'finance & insurance services', with all of these sectors associated with a number of localization efforts during 2021 (Figure 6).

Outlook

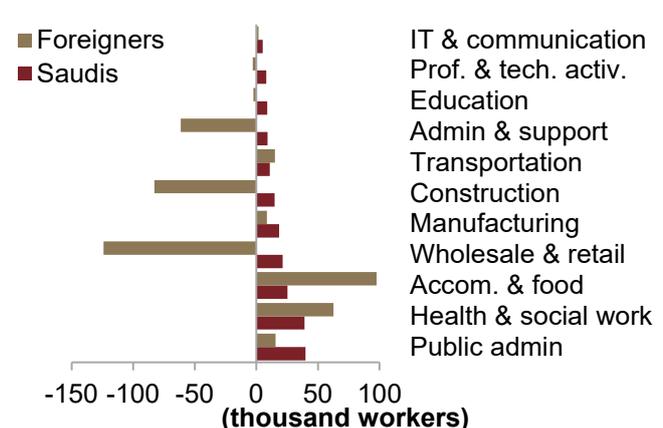
The recovery in the labor market during 2021 was associated with a significant rebound in the Kingdom's non-oil economy (with non-oil activities GDP rising by 6.1 percent year-on-year in full year 2021). Looking ahead, with robust levels of non-oil activities growth anticipated in 2022 (at 3.4 percent according to our forecasts), we expect further rises in the number of Saudi and expat workers in many sectors. However, we see lower number of expats within sectors that are targeted with localization, such as 'wholesale & retail' and 'professional activities'. Also, despite rising significantly in

Figure 4: Net change in the number of Saudi workers, by sector**



* 2018 = Jadwa's estimates
 ** government sector excludes workers in national security, defense and others (GaStat).

Figure 5: Net change in the number of workers, by sector* (2021– 2020)



* Remaining sectors were excluded for non-significant changes in labor during 2021, including: agriculture, real estate, entertainment, finance, and others.



We think that unemployment will fall to 10.7 percent by the end of 2022.

2021, we see more further room for growth in the Saudi workers within 'accommodation & food services', with the sector expanding through various tourism and leisure activities around the Kingdom (Figure 7).

Taking all the mentioned developments into consideration, we think that unemployment will fall to 10.7 percent by the end of 2022.

Figure 6: Net change in the number of Saudi workers, by gender (2021– 2020)

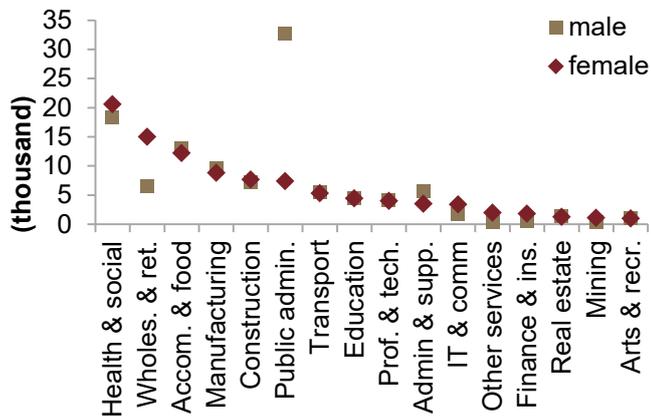
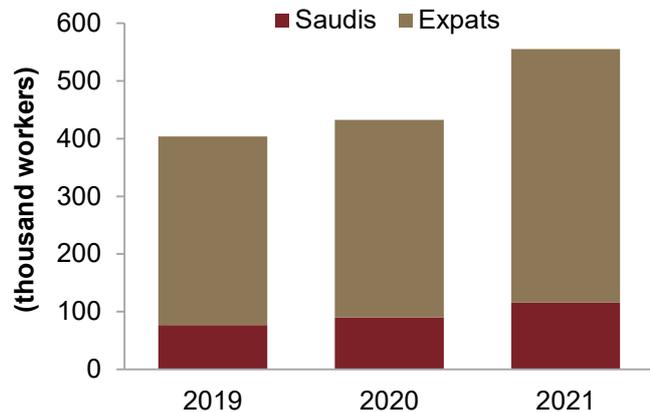


Figure 7: Number of workers within 'accommodation and food services'





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