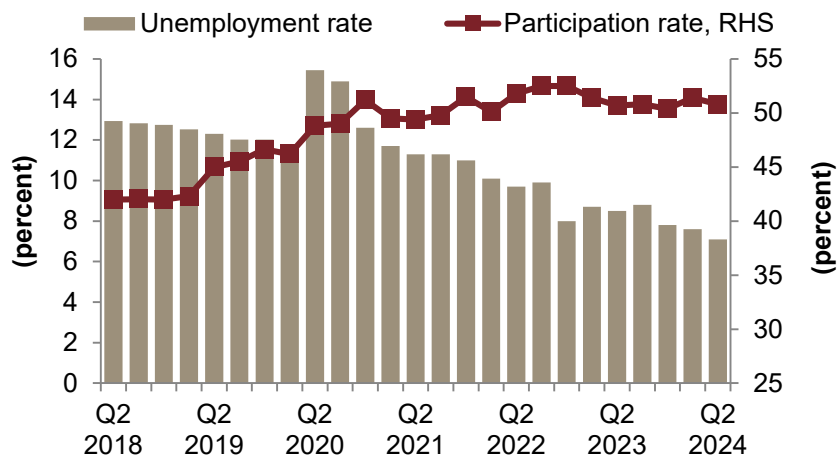




Unemployment approaches Vision 2030 target

- The General Authority for Statistics' (GaStat) latest labor market release shows that unemployment dropped to 7.1 percent at the end of H1 2024, down from 8.5 percent a year earlier (Figure 1).
- The decline was largely a result of female unemployment falling to 12.8 percent in Q2 2024 compared to almost 16 percent in the previous year. At the same time, male unemployment was also down to 4 percent versus 4.6 percent.
- Another major development is the rise in the number of Saudi workers in the private sector, up by 4.1 percent, from 2.2 million in Q2 2023 to 2.3 million in Q2 2024.
- Labor force participation also rose during H1, from 50.4 percent at end of 2023 to 50.8 percent at end of H1 2024, with higher participation among both genders.
- On a sectorial basis, GaStat data showed the largest rise in the hiring of Saudis during H1 took place in two sectors: 'manufacturing' and 'construction'.
- The number of expats in the labor market rose significantly in H1 to reach almost 9 million, up from 8.1 million at the end of 2023. Around a third of the new joiners were seen in 'construction'.
- Total employment has increased strongly in recent years, by 1.4 million in 2022, 0.9 million in 2023 and 0.8 million in H1-24.
- Looking forward, we expect an increase in job opportunities for Saudis due to robust growth levels across various sectors. The notable progress in the labor market over recent years is linked to the brisk expansion of the Saudi non-oil economy, and ongoing localization efforts in various sectors.

Figure 1: Saudi Unemployment and Participation Rates



Saudi Unemployment Rate (percent – end of period)

	2024 H1	2023
Male	4.0	4.6
Female	12.8	13.9
Youth (15-24)	15.5	16.8
Total	7.1	7.8

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

	2024 H1	2023
Male	66.3	65.4
Female	35.4	35.0
Youth (15-24)	25.3	24.9
Total	50.8	50.4

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Main Developments in H1 2024

GaStat's latest labor market release shows that unemployment dropped to 7.1 percent at the end of Q2 2024.

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

Labor force participation also rose during H1 2024, with higher participation among both genders.

The number of expats in the labor market rose in H1 to reach almost 9 million, with around a third of the new joiners were seen in 'construction'.

GaStat's latest labor market release shows that unemployment dropped to 7.1 percent at the end of Q2 2024, down from 8.5 percent a year earlier (Figure 1). The decline was largely a result of female unemployment falling to 12.8 percent in Q2 2024 compared to almost 16 percent in the previous year. At the same time, male unemployment was also down to 4 percent versus 4.6 percent (Figure 2). Youth unemployment (15-24 years) went down as well to 15.5 percent in Q2 2024, from 17 percent a year earlier. Another major development is the healthy rise in the number of Saudi workers in the private sector, which rose by 4.1 percent, from 2.2 million in Q2 2023 to 2.3 million in Q2 2024 (Figure 3).

The overall improvement of the labor market in 2024 so far was better than our expectations. More specifically, unemployment dropped by 0.7 percentage points during H1 2024, 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 6.8 percent by end of 2025.

Labor force participation

Labor force participation also rose during H1, from 50.4 percent at end of 2023 to 50.8 percent at end of H1 2024, with higher participation among both genders. During the past year, female labor force participation went through an upward trend, rising from 34.8 percent to 35.4 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 manufacturing and IT. Moreover, the GaStat survey data show that more females are now considering jobs with longer working hours, than they did before (72 percent of female job applicants in Q2 2024 vs 63 percent in Q2 2022). Accordingly, we expect female participation rate to continue rising in the years ahead, with more job growth in various sectors.

Expatriates numbers on the rise

GaStat data shows that the number of expats in the labor market rose in H1 to reach almost 9 million, up from 8.1 million at the end of 2023. While the number rose in almost all sectors, around a third of the new joiners (31 percent of new hires - on a net basis) were seen in 'construction', where growth rates saw robust rises in H1 2024, by 4 percent year-on-year, boosted by ongoing construction developments in the giga-projects. Meanwhile, expat numbers also

Figure 2: Unemployment Rate, by Gender

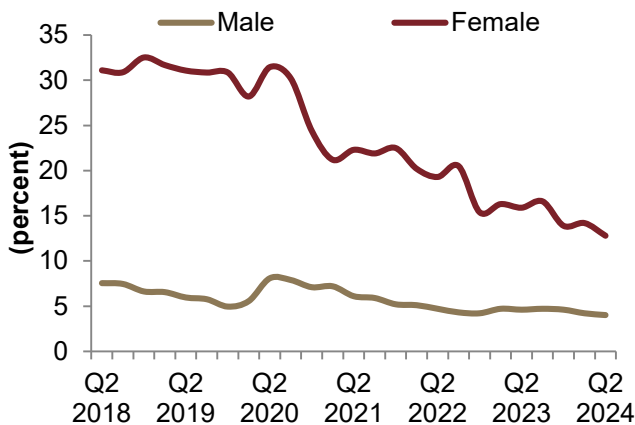
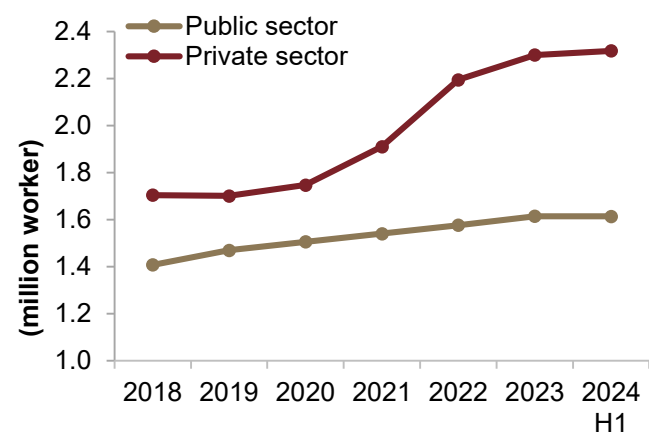


Figure 3: The Number of Saudi Workers, by Sector



* The public sector includes workers in the government registered with both GOSI and civil services, and excludes workers in the military and the national security sectors.



The largest rise in the hiring of Saudis during H1 took place in 'manufacturing' and 'construction'.

'Transport' and 'mining' also witnessed rises in the number of Saudi workers.

We expect an increase in job opportunities for Saudis due to growth across various sectors.

rose in other sectors such as 'administrative and support services' and 'manufacturing', supported by the expansion of the manufacturing sector (despite sluggish non-oil export growth in the early part of the year) and various Vision 2030 initiatives.

More Saudis in various sectors

GaStat data showed the largest rise in the hiring of Saudis during H1 took place in two sectors: 'manufacturing' and 'construction', which is also in line with the rise in the number of expat new hires during the same time. The two sectors accounted for 52 percent of total new Saudi hires in H1 2024, on a net basis (Figure 4).

Moreover, 'transportation' and 'mining' accounted for 6 percent and 5 percent respectively of new Saudi hires in H1 2024 on a net basis, with the total number of Saudi workers in the two sectors rising by 8 percent year-on-year.

Meanwhile, 'wholesale and retail' continued to see large declines in the number of Saudi workers. The latest decline was seen in both genders in the sector.

Outlook

The notable progress in the labor market over recent years is linked to the robust growth of the Saudi economy, with non-oil sector GDP increasing by 4.2 percent year-on-year in H1 2024. We anticipate that the non-oil sector will continue to grow at around 4-5 percent in the medium term, suggesting that this positive trend is set to persist. In addition, the continuous localization efforts should also help in lifting the number of jobs held by Saudis.

Looking forward, we expect an increase in job opportunities for Saudis due to growth across various sectors. For instance, the ongoing expansion of the manufacturing sector has drawn many Saudi job seekers, particularly women (Figure 5). Additionally, growing sectors such as tourism and transportation will provide more opportunities through new and expanding projects.

Figure 4: Sectors with the Largest Net Increase in the Number of Saudi Workers (H1 2024)

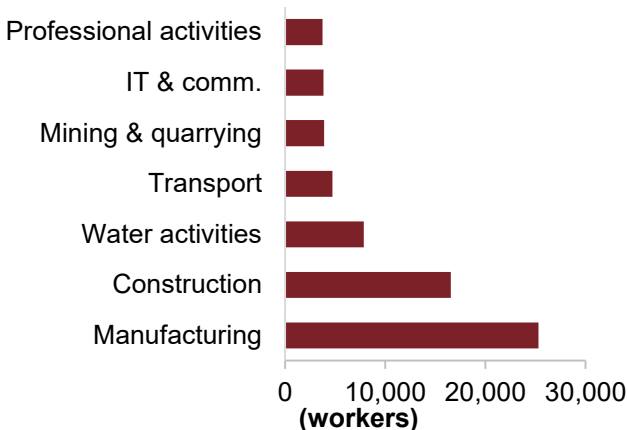
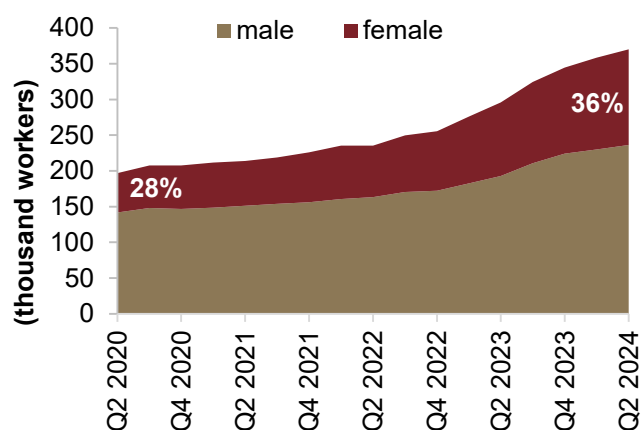


Figure 5: Rising Number of Saudi Females in the Manufacturing Sector





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