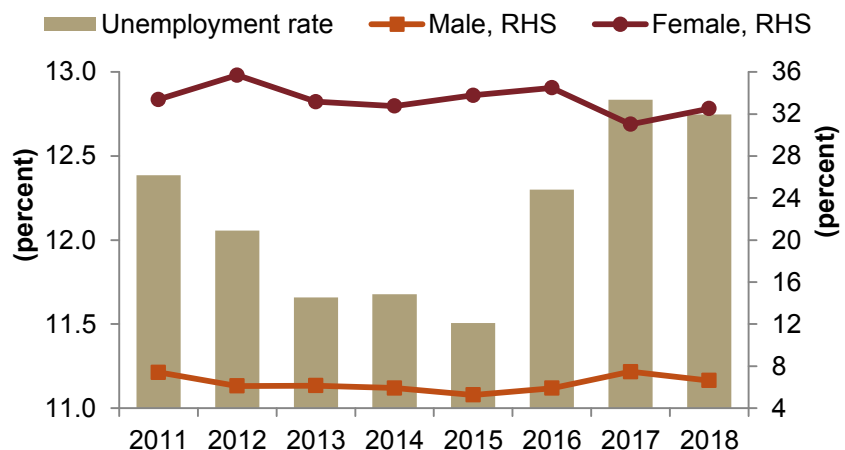




Rising participation with more challenges

- The latest General Authority for Statistics (GaStat) labor market release for Q4 2018 shows that unemployment declined slightly to 12.7 percent by the end of 2018, from 12.8 percent in 2017.
- Total youth unemployment (20-24 years old) has declined notably, from 42.7 percent in 2017 to 36.6 percent in 2018.
- Female labor force participation continued to rise, reaching 20.2 percent in 2018, up from 19.4 percent in 2017.
- Saudization in the private sector rose in 2018 to 21.8 percent, up from 19.9 percent in 2017.
- The data shows that the total number of foreigners in the Saudi labor market declined by around 1.6 million since the start of 2017, with around one million leaving the market during 2018.
- Looking at sectorial employment, data shows that all sectors saw a drop in the number of foreign workers. The largest declines were seen in construction which saw 910 thousand foreign and 41 thousand Saudi departures.
- At the same time, five sectors saw an increase in the number of Saudi workers during 2018, compared to 2017.
- In 2018, the Ministry of Labor (MLSD), in collaboration with the Human Resource Development Fund (HRDF), laid out three stages of Saudization relating specifically to the retail (or trade) sector, added to a number of new initiatives during 2019, which are likely to have had a positive impact on the labor market.

Figure 1: Saudi unemployment rates



Saudi Unemployment Rate (percent)

	2017	2018
Males	7.5	6.6
Females	31	32.5
Youth (20-24)	42.7	36.6
Total	12.8	12.7

Saudi Labor Force Participation Rate (percent)

	2017	2018
Males	63.4	63
Females	19.4	20.2
Youth (20-24)	25.7	29.8
Total	41.9	42

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Main Developments in 2018

Unemployment declined slightly to 12.7 percent, from 12.8 percent a year ago.

Female labor force participation continued to see more rises reaching 20.2 percent in 2018...

...marking the highest rate in more than two years.

Saudization in the private sector rose in 2018 to 21.8 percent, up from 19.9 percent in 2017.

GaStat's latest labor market release shows that unemployment declined slightly to 12.7 percent, and ended the year on a marginally lower rate than 2017 when the rate was 12.8 percent. Whilst male unemployment was down from 7.5 percent in 2017 to 6.6 percent in 2018, female unemployment inched up from 31 percent to 32.5 percent (Figure 2). However, total youth unemployment (20-24 years old) has declined notably, from 42.7 percent in 2017 to 36.6 percent in 2018 (Figure 3).

At the same time, whilst male labor force participation rate declined marginally during the year, female labor force participation continued to see rises, reaching 20.2 percent in 2018, the highest rate in more than two years (Figure 4). We believe that the rise in female labor force participation has likely contributed to higher unemployment rate among females towards the end of the year. Higher female labor force participation came as a result of the MLSD introducing several measures to support hiring females in the private sector, as previously discussed in our [Labor Market Update - Q1](#) published in July 2018. For example, the MLSD has enforced quotas for hiring females in certain jobs within the retail sector, and provided a number of initiatives to facilitate joining the labor force, such as Qurrah, a child care program, and Wusool, to facilitate transportation to work. In a recent statement, the HRDF indicated that around 24 thousand female workers, or 4.4 percent of total female workers in the private sector, had registered in these two programs. Despite all of these developments, the female labor force participation rate remains well below the MLSD's National Transformation Program's (NTP) target of 25 percent by 2020.

Saudization in the rise

According to GaStat's latest labor market release, Saudization in the private sector rose in 2018 to 21.8 percent, up from 19.9 percent in 2017, with mining, manufacturing and social services showing the highest rises in the share of Saudis. During 2018, the MLSD, in collaboration with the HRDF, implemented three stages of Saudization in the retail sector. The three stages target nationalizing 70 percent of sales jobs in the wholesale and retail sector, which replaced the previous target of 100 percent nationalization. To support this structural change, MLSD is offering a number of training

Figure 2: Unemployment rates, by gender

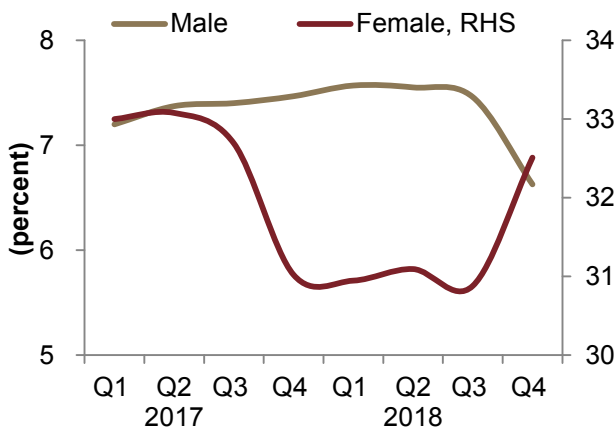
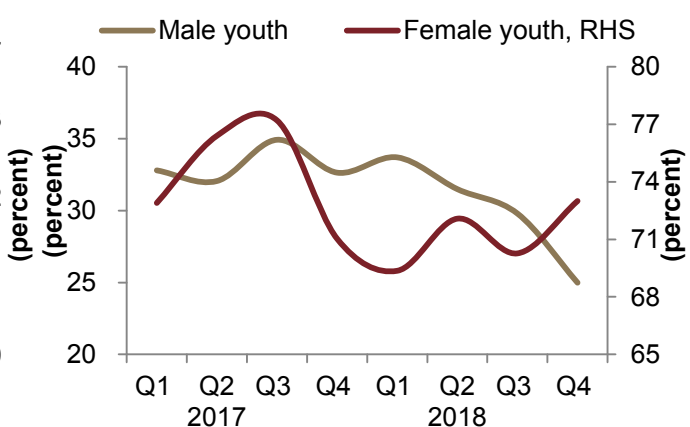


Figure 3: Youth unemployment rates, by gender





During 2018, a total of 1 million foreign workers left the labor market, pushing total expat departures to 1.6 million during the past two years.

In 2018, all sectors saw a drop in the number of foreign workers, with the largest declines in construction.

Five sectors saw an increase in the number of Saudi workers during 2018, including trade and social services.

programs, and subsidizing up to 30 percent of total salaries during the first three years, and additional supporting measures for hiring females.

Higher number of expats leaving the labor market

During 2018, a total of 1 million foreign workers left the labor market, pushing total expat departures to 1.6 million during the past two years. The departures are mostly correlated with the expat levies, which were first implemented in January 2018, six months after the implementation of expat dependent fees in July 2017.

At the same time, the number of new expat work visas issued during 2018 declined on an annual basis as well. In fact, and in-line with the slowdown seen in the construction sector during the last three years, the share of new visas for workers in the construction sector fell from 56 percent of total visas in 2014 to 36 percent in 2018, according to GaStat data (Figure 5).

Employment by kind of economic activity

On a sectorial basis, data shows that all sectors saw a drop in the number of foreign workers in 2018 (Figure 6). The largest declines were seen in the construction sector, with around 910 thousand foreign and 41 thousand Saudi departures. Trade, which includes wholesale and retail activities, lost around 340 thousand foreign workers, but was able to hire 43 thousand Saudis.

In addition to trade, four other sectors saw an increase in the number of Saudi workers during 2018. Social services hired 52 thousand Saudis, mining and quarrying hired 10 thousand, whilst financial services and post & communication together hired around 20 thousand Saudis. During 2018, these sectors saw a rise in GDP growth rates by 3.2, 3 and 3.5 percent respectively, year-on-year.

In terms of employment by gender, both male and female employment saw the same trend, however, some sectors showed higher employment of females than others. For example, whilst female workers accounted around 33 percent of total new hires in collective and social services, they accounted for almost 50 percent of total new hires in financial and business services (Figure 7).

Figure 4: Labor force participation rates, by gender

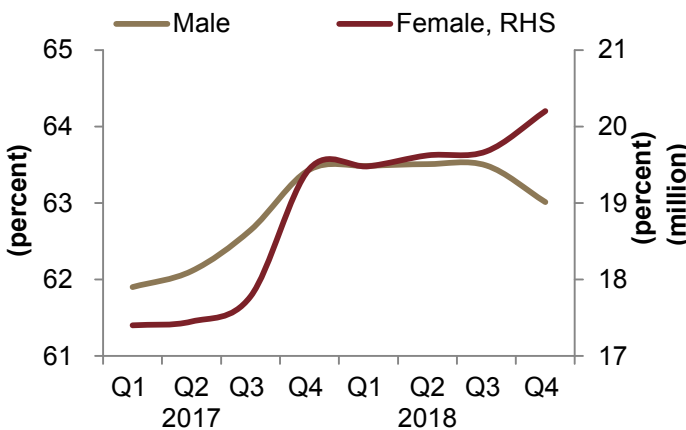
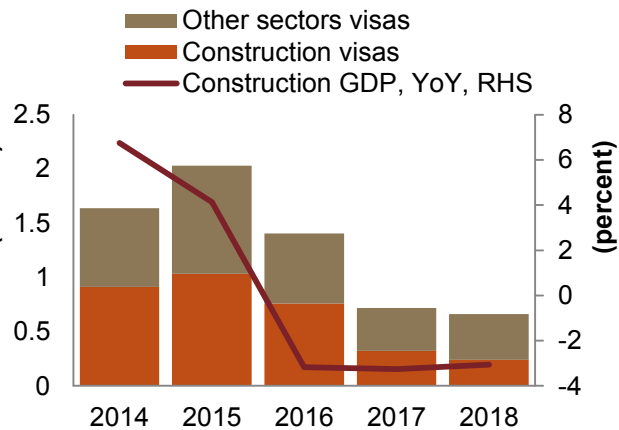


Figure 5: New work visas for foreign workers (excluding domestic workers)





Looking ahead, we expect a gradual rise in employment of Saudis in certain sectors.

Looking ahead, we do expect a gradual rise in employment of Saudis in a number of sectors, such as trade, which witnessed a large Saudization wave over three stages between September 2018 and January 2019. In addition, we expect the National Industrial Development and Logistics Program (NIDLP) to contribute to the creation of more jobs in a number of sectors, such as manufacturing, mining, and trade, through focusing on local logistics and export oriented initiatives, as outlined in the [Saudi Economy in 2019](#) report. Moreover, the MLSD has recently introduced a new initiative to nationalize jobs in a number of sectors, which have witnessed high demand by applicants, such as real estate, health, IT, restaurants, pharmaceutical sales, and accountant positions.

Figure 6: Net employment by kind of economic activity (2018 - 2017 net change in employment)

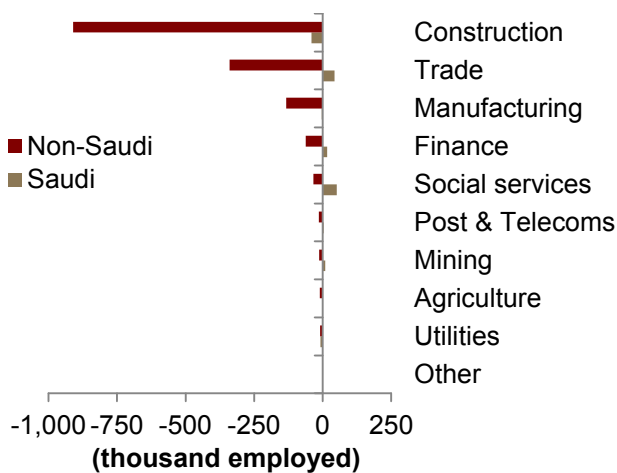
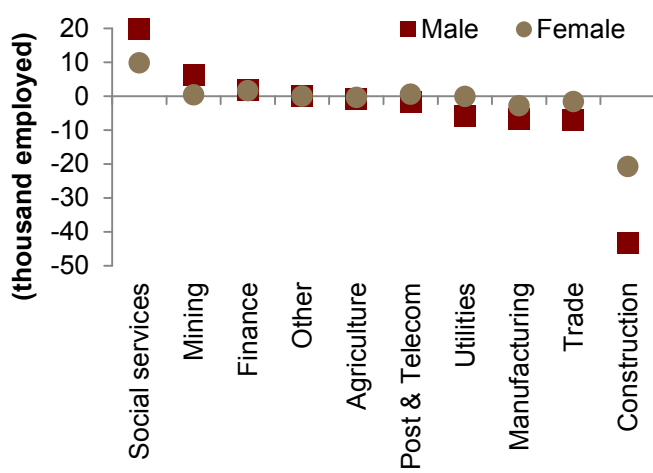


Figure 7: Net employment by gender (2018 - 2017 net change in employment)





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