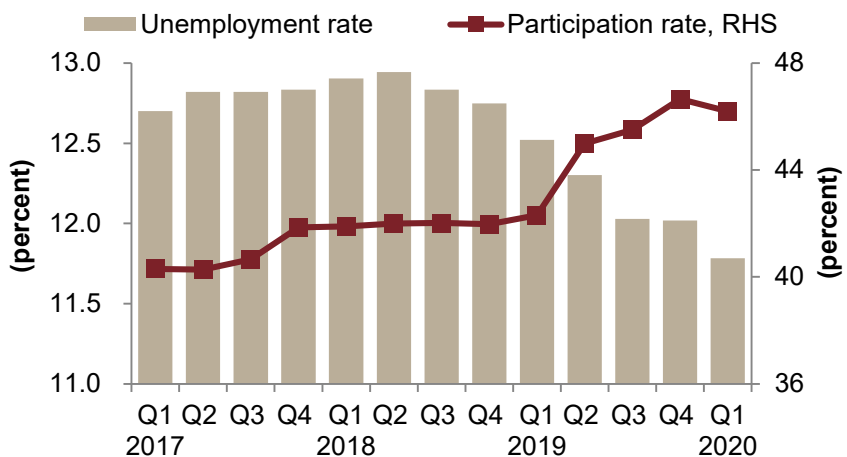




Lower Unemployment in Q1 2020

- The General Authority for Statistics' (GaStat) latest labor market release shows that unemployment amongst Saudi nationals declined to 11.8 percent in Q1 2020, down from 12 percent in Q4 2019.
- Whilst overall female unemployment saw a significant decline in Q1, down to 28.2 percent versus 30.8 percent in Q4 2019, youth (20-24 years old) unemployment rose during the quarter.
- Another notable trend was a 243 thousand quarter-on-quarter rise in number of expats in the labor market during Q1 2020, the first such rise in three years.
- Wholesale & retail, health and social work were the sectors that saw the highest number of new jobs for Saudis in the private sector. Meanwhile, construction saw the largest number of expat hires.
- It is important to highlight that the GaStat Q1 2020 survey was conducted very early in Q1 2020, in January to be precise, and thus does not reflect any of the economic damage related to the impact of the COVID-19 pandemic on the local economy from March onwards.
- Bearing this mind, when looking ahead, we expect to see some movement in the Saudi unemployment rate during Q2, but this should reverse in the final quarter of the year, as economic activity picks up, bringing unemployment broadly in-line with Q1 2020 levels. Also, despite the rise in expat workers during Q1, we still expect a total of 1.2 million expat departures by year end.

Figure 1: Saudi unemployment rates and participation rate



Saudi Unemployment Rate (percent)

	Q1 2020	Q4 2019
Male	5.6	4.9
Female	28.2	30.8
Youth (20-24)	31.3	30.1
Total	11.8	12

Saudi Labor Force Participation Rate (percent)

	Q1 2020	Q4 2019
Male	65.8	66.6
Female	25.9	26
Youth (20-24)	32.6	32.5
Total	46.2	46.7

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Main Developments in Q1 2020

Unemployment declined to 11.8 percent, down from 12 percent in Q4 2019.

GaStat's latest labor market release shows that unemployment declined to 11.8 percent, down from 12 percent in Q4 2019 (Figure 1). Female unemployment saw a significant decline in Q1, down to 28.2 percent versus 30.8 percent in Q4 2019. Meanwhile, male unemployment rose during the quarter (Figure 2), with total youth unemployment (20-24 years old) also rising, from 30.1 percent in Q4 2019 to 31.3 percent in Q1 2020.

Labor force participation declined slightly in Q1 2020 to 46.2 percent.

It is important to highlight that the GaStat Q1 2020 survey was conducted very early in Q1 2020, in January to be precise, and thus does not reflect any of the economic damage related to the impact of the COVID-19 pandemic on the local economy from March onwards.

Labor force participation

Labor force participation declined slightly in Q1 2020 to 46.2 percent, versus 46.7 percent in Q4 2019, after witnessing an upward trend during 2019.

Another notable trend was a 243 thousand quarter-on-quarter rise in number of expats in the labor market during Q1 2020.

New expats entering the labor market

Another notable trend was a 243 thousand quarter-on-quarter rise in number of expats in the labor market during Q1 2020, the first such rise in three years (Figure 3). At the same time, GaStat data shows that the number of new expat work visas issued in Q1 2020 totaled 342 thousand, however, only 6 percent of these visas were actually utilized during the quarter, whilst the remaining visas were either canceled (5 percent) or not used (89 percent).

Most sectors saw a rise in the number of both Saudi and expat workers in Q1 2020 compared to Q4 2019.

Despite the rise in expat workers during Q1, we still expect a total of 1.2 million expat departures by year end, as outlined in our previous [labor report](#). In fact, based on latest health insurance data, around 467 thousand workers have left the labor market since the start of the year.

Employment by Kind of Economic Activity

On a sectorial basis, most sectors saw a rise in the number of both Saudi and expat workers in Q1 2020 compared to Q4 2019 (Figure 4). The sectors that saw the highest number of new jobs in the private sector for Saudis were wholesale & retail, health and social work, and professional activities (which includes consultancy,

Figure 2: Unemployment rates by gender

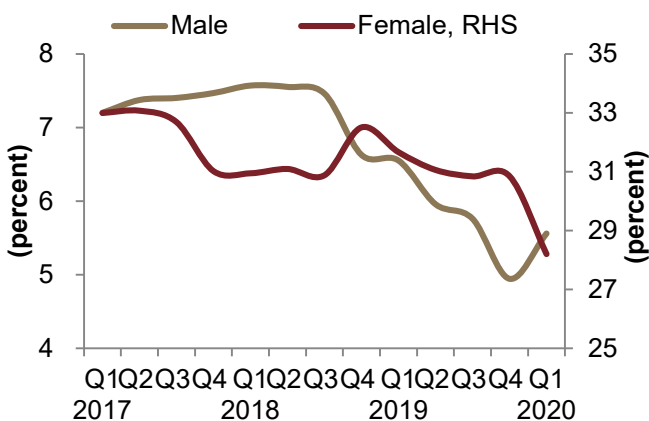
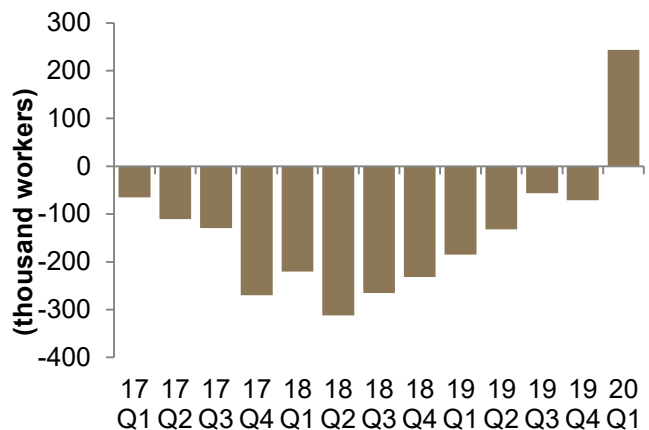


Figure 3: Net change in the number of expats in the labor market (quarter-on-quarter)





Accommodation and food services continued to show higher numbers of new jobs for Saudis.

Meanwhile, construction saw the largest number of expat hires on a quarter-on-quarter basis.

Q2 is likely have seen a seasonal rise in entrance of a new batch of graduates into the labor market.

marketing, engineering and design, amongst others). At the same time, accommodation and food services continued to show higher numbers of new jobs to Saudis. As we discussed in our previous [labor report](#), we think that this sector has the potential of hiring more Saudis going forward, especially so as the economy begins to recover towards the end of the year (Box 1).

Box 1: Employment in Food and Accommodation

According to recently published SAMA annual statistics for 2019, the number of Saudis working in food services and accommodation services rose from 45,211 and 11,683 in 2014 to 60,846 and 15,845 in 2019 (Figure 5). Over the same period, the level of Saudization in the two sectors rose at reasonable rate, from 14 to 17 percent in food services, and 21 to 28 percent in accommodation services. Looking ahead, we see the possibility of a sharper rise in Saudization in these two sectors as a large departure of expats during 2020 presents an opportunity for substitution by citizens, especially as these segments recover towards the end of the year.

Meanwhile, construction saw the largest number of expat hires on a quarter-on-quarter basis, with 51 thousand net new hires, reversing the downward trend in hiring seen in the sector for the last three years. Notable rises in expat employment were also seen in support services, agriculture and accommodation.

Outlook

During Q2 2020, the economy faced multiple challenges as a result of measures related to limiting the spread of COVID-19. More specifically, business uncertainty, disrupted supply chains and lockdowns/curfews, had a significant negative impact on economic activity in the private sector, which will of course have a knock-on effect on employment. In addition to this, Q2 is likely to have seen a seasonal rise in entrance of a new batch of graduates into the labor market, in turn raising the participation rate and the number of job seekers. Despite exceptional circumstances faced by the labor market in Q2 during the lockdown, we believe that Saned scheme will have helped minimise job losses in the labor market. In fact, and as we anticipated, the Saned scheme was recently extended for a further three more months (till end of September), which will help support employment of Saudis in the most vulnerable sectors (such as travel and entertainment) during Q3.

Figure 4: Net change in employment* by sector (Q1 2020– Q4 2019)**

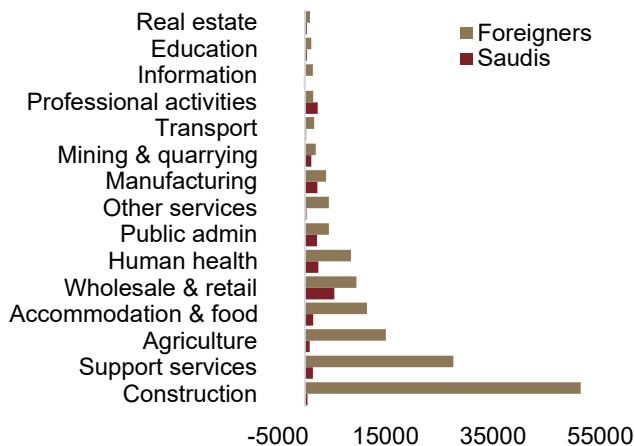
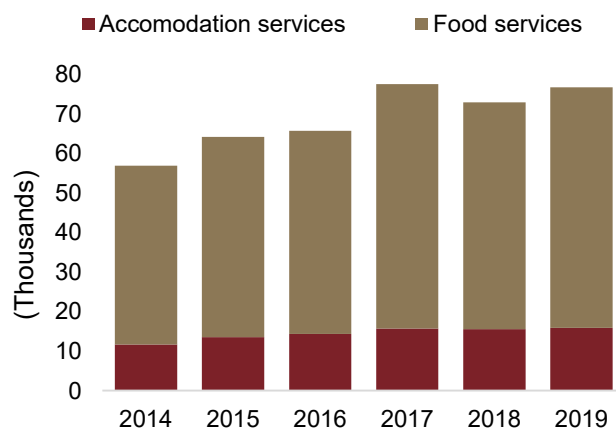


Figure 5: Saudi employment in food services and accommodation services



*Employees registered with GOSI

**Excluded sectors: water supply, arts & entertainment, finance, and electricity & gas, due to insignificant changes.



The HRDF announced a SR5.3 billion package to support employment in the private sector.

Looking ahead, we expect to see more initiatives for new entrants in H2 2020.

In addition, the Human Resource Development Fund (HRDF) announced a SR5.3 billion package to support employment in the private sector, as part of a number of stimulus packages rolled out in March by the National Development Fund (Figure 6). So far, the HRDF has spent SR511 million, covering up to 50 percent of salaries for about 53 thousand employees and new employment during Q2 in the private sector, which represents around 10 percent of the total package. HRDF's employment support scheme runs for 24 months, and covers all sectors, meanwhile, Saned covers furloughed Saudi employees in most sectors, for up to 6 months.

Looking ahead, we expect to see more initiatives for the new entrants in H2 2020, which may focus on providing medium term training programs (6-8 months), or temporary job programs during the summer as part of newly announced domestic tourism initiative "Explore Saudi" by the Ministry of Tourism.

Overall, whilst we expect to see an upward movement in the Saudi unemployment rate during Q2, we believe that the Saned scheme and other initiatives by the HRDF and the Ministry of Human Resource and Social Development (MHRSD) will help stabilise unemployment levels during Q3. Furthermore, the combination of a large departure of expats (Figure 7) plus a sharper economic recovery towards the end of the year should help bring the unemployment rate back closer to levels seen in Q1 2020.

Figure 6: Breakdown of HRDF's SR5.3 stimulus package

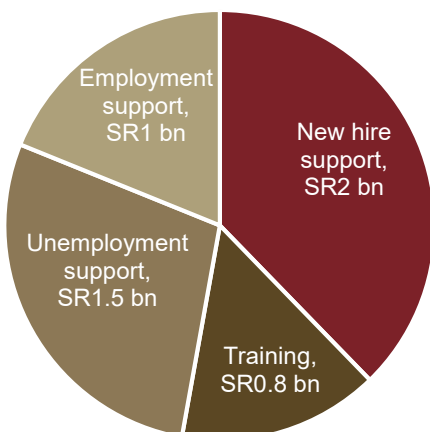
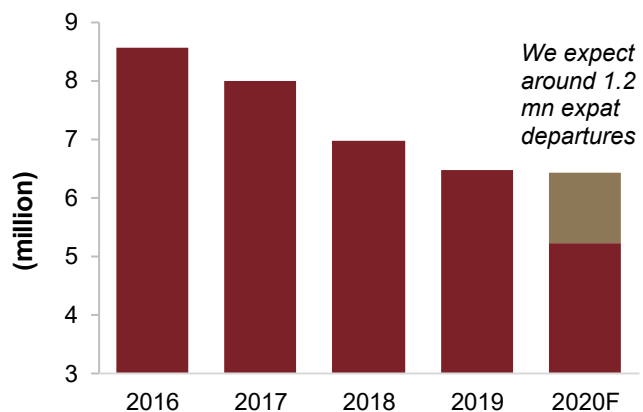


Figure 7: Number of foreign workers in the labor market





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