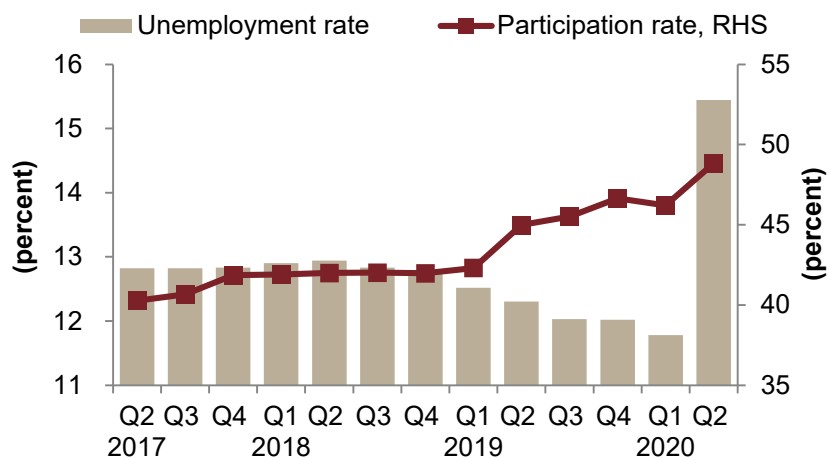




Unemployment soars in Q2 2020

- The General Authority for Statistics' (GaStat) latest labor market release shows that unemployment jumped to 15.4 percent in Q2 2020, up from 11.8 percent in Q1 2020 (Figure 1), reflecting the economic damage related to the impact of the COVID-19 lockdowns on the local economy during the quarter.
- Labor force participation was up significantly in Q2 2020 to 48.8 percent, versus 46.2 percent in Q1 2020, with a sizable rise in female participation being observed.
- The number of expats in the labor market declined by 19 thousand, on a net basis, in Q2, quarter-on-quarter.
- On a sectorial basis, most sectors saw a decline in the number of both Saudi and expat workers in Q2 2020. The highest number of Saudi job losses in the private sector were seen in education, wholesale & retail and professional activities, similar to trends observed on an international level.
- Looking ahead into H2 2020, we expect the opening up of the economy, and continued lifting of restrictions related to the pandemic, to improve jobs prospects in the local market.
- Overall, we expect to see a gradual improvement in Saudi unemployment rate during H2, with the extension of Saned scheme, as well as other initiatives by the Human Resources Development Fund (HRDF) and the Ministry of Human Resources and Social Development (MHRSD), all playing their part in this improvement going forward.

Figure 1: Saudi unemployment rates and participation rate



Saudi Unemployment Rate (percent)

	Q2 2020	Q1 2020
Male	8.1	5.6
Female	31.4	28.2
Youth (20-24)	35.4	31.3
Total	15.4	11.8

Saudi Labor Force Participation Rate (percent)

	Q2 2020	Q1 2020
Male	65.6	65.8
Female	31.4	25.9
Youth (20-24)	39.2	32.6
Total	48.8	46.2

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Main Developments in Q2 2020

GaStat's latest labor market release shows that unemployment jumped to 15.4 percent in Q2 2020.

Labor force participation was up significantly in Q2 2020, to 48.8 percent, affected by higher participation rate by females.

The number of expats in the labor market declined by 19 thousand on a net basis, quarter-on-quarter in Q2 2020.

Most sectors saw a decline in the number of both Saudi and expat workers in Q2 2020, quarter-on-quarter.

GaStat's latest labor market release shows that unemployment jumped to 15.4 percent in Q2 2020, up from 11.8 percent in Q1 2020 (Figure 1), reflecting the economic damage related to the impact of the COVID-19 lockdowns on the local economy during the quarter. Both male and female unemployment saw a significant rise in Q2, (Figure 2), with total youth unemployment (20-24 years old) rising from 31.3 percent in Q1 2020 to 35.4 percent in Q2 2020.

Labor force participation

Labor force participation was up significantly in Q2 2020, to 48.8 percent versus 46.2 percent in Q1 2020, affected by higher participation by females (which rose from 25.9 to 31.4 percent quarter-on-quarter). More specifically, higher levels of participation are likely reflective of seasonal trends related to graduates entering the labor market for the first time, something we had anticipated in our previous [labor update](#) (Figure 3).

Expats leaving the labor market

GaStat data also showed the number of expats in the labor market declined by 19 thousand on a net basis, quarter-on-quarter in Q2 2020. At the same time, GaStat data shows that the number of new private sector expat work visas issued in Q2 2020 totaled 32 thousand, significantly lower than the 342 thousand issued during Q1. Despite this, the data also shows that 97 percent of issued visas were unused, whilst the remaining 3 percent were cancelled. This comes as no surprise considering that pandemic induced travel restrictions were also imposed during the quarter.

Employment by Kind of Economic Activity

On a sectorial basis, most sectors saw a decline in the number of both Saudi and expat workers in Q2 2020, quarter-on-quarter (Figure 4). The sectors which saw the highest number of job losses in the private sector for Saudis were education, wholesale & retail and professional activities (which includes consultancy, marketing, engineering and design, amongst others). This trend correlates with the trend observed on an international level, with these vocations

Figure 2: Unemployment rates, by gender

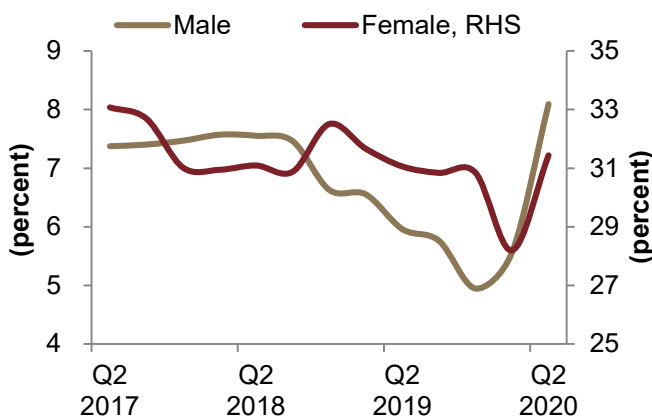
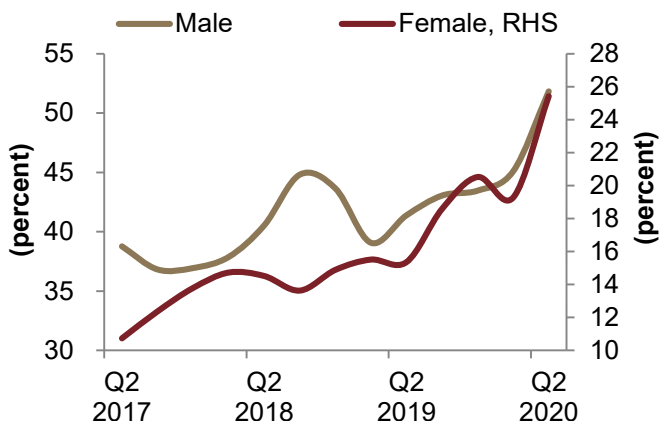


Figure 3: Youth labor force participation, by gender





Construction saw the largest number of expat job reductions, quarter-on-quarter.

More Saudi female workers lost their jobs during Q2 vis-à-vis their male counterparts.

According to the ILO, almost 50 percent of women working in high-income countries are concentrated in three sectors with higher vulnerability to the pandemic.

being the highest exposed sectors during the pandemic, as we highlighted in our special report on the Saudi [labor market](#) in June 2020. At the same time, other vulnerable sectors were also affected, such as accommodation and food services, manufacturing and construction showed job losses amongst Saudis. Meanwhile, construction saw the largest number of expat job reduction on a quarter-on-quarter basis, followed by administrative services and utilities services.

On a gender basis, the data showed that more Saudi female workers lost their jobs during Q2 vis-à-vis their male counterparts (Figure 5), which is also similar to a trend observed globally, with the International Labor Organization (ILO) previously warning that women in the labor market were disproportionately affected by the impact of COVID-19, especially in high-income countries (Box 1).

Box 1: Female workers and COVID-19

According to a recent report by the ILO, economic downturns usually affect male employment more than female employment, with data across a range of countries showing that men often work in industries that are more closely correlated to economic cycles (such as construction and manufacturing), whilst women predominantly occupy more roles in the service sector, especially in high-income countries. However, the COVID-19 economic crisis is having an altogether different impact, when compared to more 'conventional' crises of the past.

According to the ILO, almost 50 percent of women working in high-income countries are concentrated in three sectors that have higher vulnerability to the pandemic: accommodation and food services, wholesale and retail and professional activities. The Kingdom seems to be no different, with almost 53 percent of job losses amongst female workers in Q2 in the education sector, followed by wholesale and retail, and professional services, respectively (Figure 6).

Outlook

Despite exceptional circumstances faced by the labor market in Q2, we believe the HRDF's employment support scheme, together with the Saned scheme, have helped mitigate the level of job losses in the labor market. In fact, and as we anticipated, the Saned scheme was recently extended for a further three months (till the end of December), which will help support employment of Saudis in the

Figure 4: Net change in employment* by sector (Q2 2020– Q1 2020)**

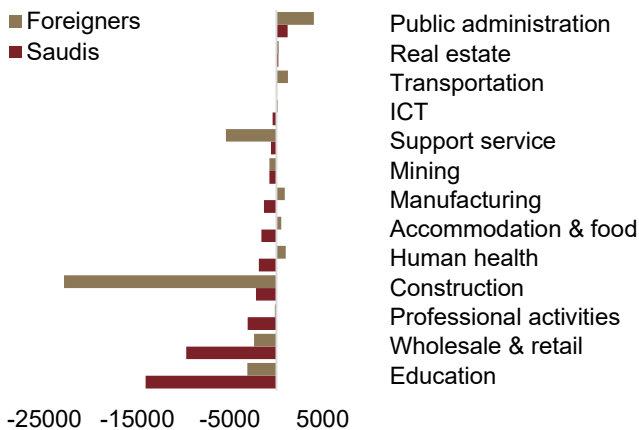
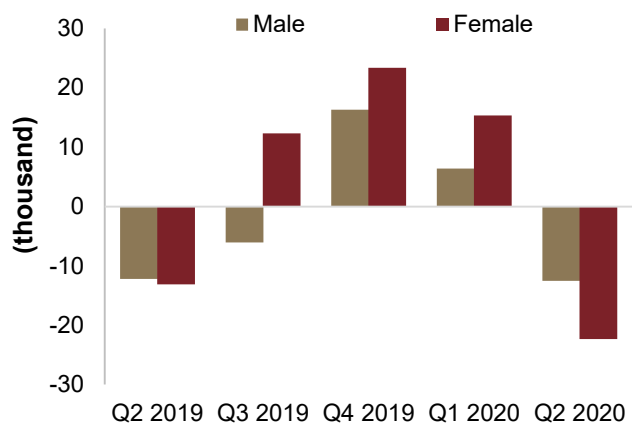


Figure 5: Net change in employment* by gender (quarter-on-quarter)



*Employees registered with GOSI

**Excluded sectors: 'water supply', 'arts & entertainment', 'finance', 'electricity & gas', 'agriculture', and 'unspecified' due to smaller changes.



The Saned scheme was recently extended for a further three months, which will help support employment of Saudis in the most vulnerable sectors.

During Q3 2020, we expect the opening up of the economy and lifting of a number of restrictions related to the pandemic will have likely helped lower the number of unemployed persons.

Overall, we expect to see a gradual improvement in Saudi unemployment rate during H2.

most vulnerable sectors (such as travel and entertainment) during Q4, covering up to 50 percent of employees in each company, compared to 70 percent previously.

During Q3 2020, we expect the opening up of the economy and lifting of a number of restrictions related to the pandemic will have likely helped lower the number of unemployed persons. In fact, high frequency mobility data shows a rise in the number of people returning to work, although it is still roughly 20 percent lower than the start of the year (Figure 7). Meanwhile, business sentiment has improved, with the most recent PMI reading (for September) pointing to an expansion in the economy. Moreover, we expect the offering of seasonal jobs during the summer, as part of the domestic tourism initiatives by the Ministry of Tourism, will have boosted jobs levels during Q3.

Looking further ahead into Q4, we see a number of positive indicators that should lend support to the labor market. Firstly, frequent economic data (such as consumer spending and PMI data) shows the local economy is undergoing a gradual economic recovery. Also, the recently announced partial lifting of Umrah restrictions will likely help support job creation. Lastly, seasonal employment opportunities are expected to pick-up in the final quarter, in-line with entertainment activities being rolled-out, albeit on more limited level compared to last year, around the Kingdom.

Overall, we expect to see a gradual improvement in Saudi unemployment rate during H2, with the extension of Saned scheme and other initiatives by the HRDF and the MHRSD all playing their part in this improvement going forward.

Figure 6: Sectors with highest number of female job losses during Q2 2020

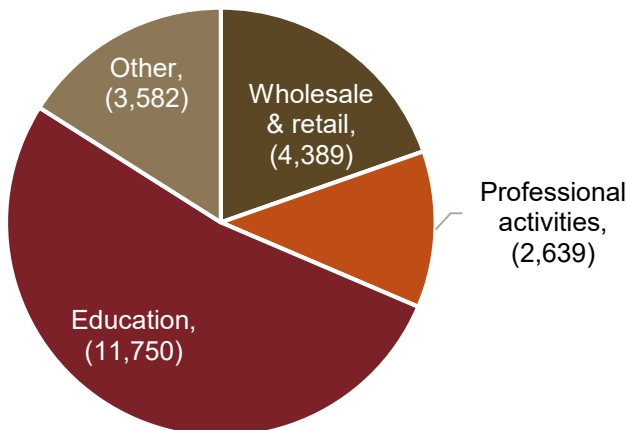
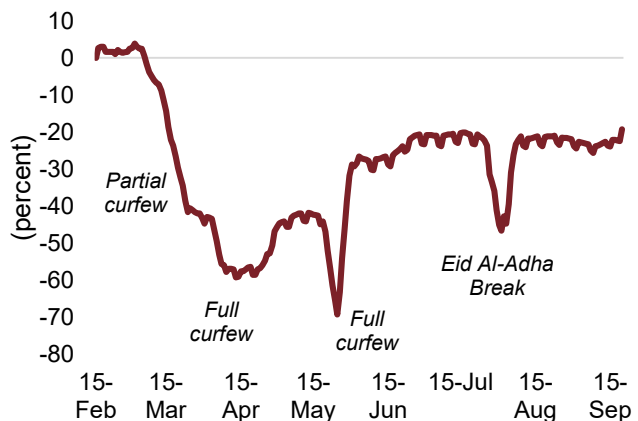


Figure 7: Visits to workplace in Saudi Arabia* (percentage change compared to January)



*Data is provided by Google COVID-19 Community Mobility Report, which tracks geographical movements in 131 countries.

**Partial curfew = 11-15 hours/day
Full curfew = 24 hours/day



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