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Statistical Update



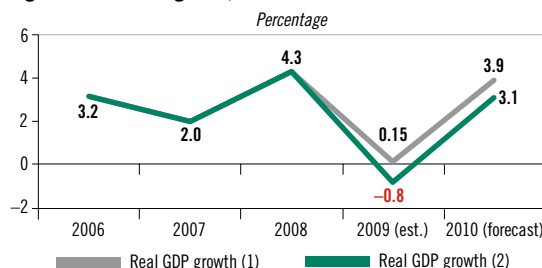
International
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SAUDI ARABIA: ECONOMIC WEAKNESS LED TO UNEMPLOYMENT RATE HIKE

Economic weakness in 2009 reflected changes in Saudi Arabia's external trade position

- Real GDP growth is estimated to have ranged between –0.8 per cent and 0.15 per cent in 2009 from a healthier pace of 4.3 per cent in 2008.
- Oil extraction is the sector which has been most severely affected by the crisis, with lesser impacts on manufacturing (which has experienced a slowdown) and tourism.

Figure 1. Real GDP growth, 2006–2010



Sources: National sources for data until 2008.
(1) Banque Saudi Fransi, January 2010.
(2) United Nations, January 2010.

New government employment strategy adopted in 2009

- As Saudi Arabia does not impose an income tax, the government's primary fiscal lever to boost domestic demand is increased spending.
- The Kingdom's budget of US\$127 billion approved in December 2008 was the largest in its history (a 16 per cent increase compared

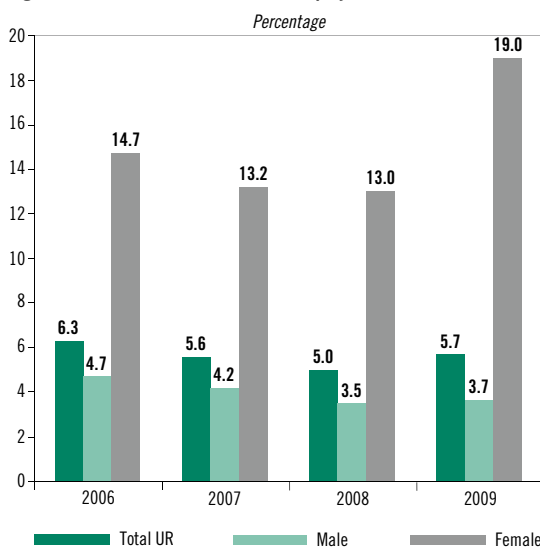
to the previous year). Large amounts of public spending have been allocated to infrastructure investments and construction (including the so-called "mega projects").

- Around 30 per cent of total spending has been allocated to education (compared to 25.5 per cent in 2008) and 11 per cent has been allocated to health and social development (compared to 8.4 per cent in 2008).
- A new employment strategy was adopted in July 2009. The strategy covers a period of 25 years and is divided into three phases (short, medium and long term). In the short term (two years) the objective is to reduce the unemployment rate of Saudis through the adoption of active policies aimed at reducing the reliance on foreign labour and employing Saudi male and female citizens at a rate equal to the number of new jobseekers.

Existing gap between male and female unemployment rates grew sharply in 2009

- The total unemployment rate decreased from 2006 to 2008 but this trend was reversed in 2009 as the rate increased by 0.7 percentage points to 5.7 per cent in 2009, primarily reflecting increases in female unemployment.
- A large gap exists between male and female unemployment rates, as the female rate was over three times that for males between 2006 and 2008. The gap widened sharply in 2009 to five times, as the female unemployment rate rose 6 percentage points to 19 per cent while the male rate rose slightly (0.2 percentage points) to 3.7 per cent.

Figure 2. Total, male and female unemployment rates, 2006–2009

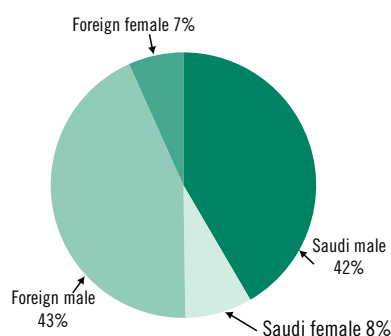


Source: Central Department of Statistics of Saudi Arabia. Annual data for 2006 and 2009. First semester (first round) data for 2007 and 2008.

Women represent a small share of the total labour supply

- The unemployment figures and trends should be interpreted in light of labour supply characteristics, in particular women's small share of the total labour force (about 15 per cent in 2009), a significant presence of foreign workers (predominantly male), combined with strong domestic demographic forces.
- The Saudi labour market gives preference to nationals who wish to work in the public sector.

Figure 3. Structure of the labour force, 2009



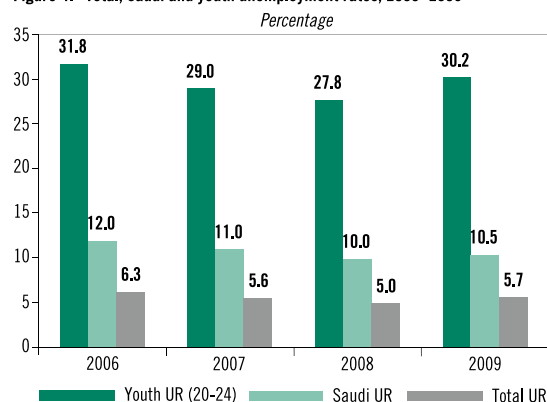
Source: Central Department of Statistics of Saudi Arabia.

Youth unemployment experienced a steep increase in 2009

- The youth unemployment rate declined from 2006 to 2008, but increased by 2.4 percentage points in 2009 to 30.2 per cent.
- The unemployment rate among Saudi workers has averaged about twice that of the total unemploy-

ment rate, reflecting lower unemployment rates among foreign workers. The Saudi unemployment rate was estimated at 10.5 per cent in 2009, compared to 10 per cent a year earlier.

Figure 4. Total, Saudi and youth unemployment rates, 2006–2009

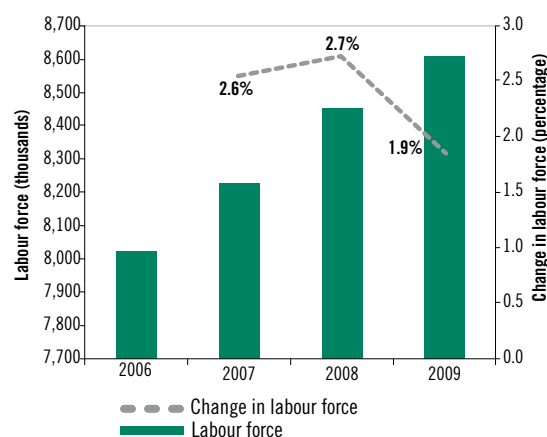


Source: Central Department of Statistics of Saudi Arabia. Annual data for 2006 and 2009. First semester (first round) data for 2007 and 2008.

Growth in the labour force slowed in 2009 as foreign worker participation declined

- While the total labour force participation rate is around 50 per cent, the Saudi rate is estimated at 36.4 per cent. This situation changed slightly from 2008 to 2009, with an increase in the Saudi labour force participation rate but a decrease in the total rate, resulting primarily from a decline in the number of foreign workers.
- Government statistics showed a reduction of nearly 30 per cent in the number of foreign labour visas issued during the first half of 2009. As a result, growth in the total labour force slowed to 1.9 per cent in 2009 versus 2.7 per cent in 2008.

Figure 5. Total labour force and change, 2006–2009



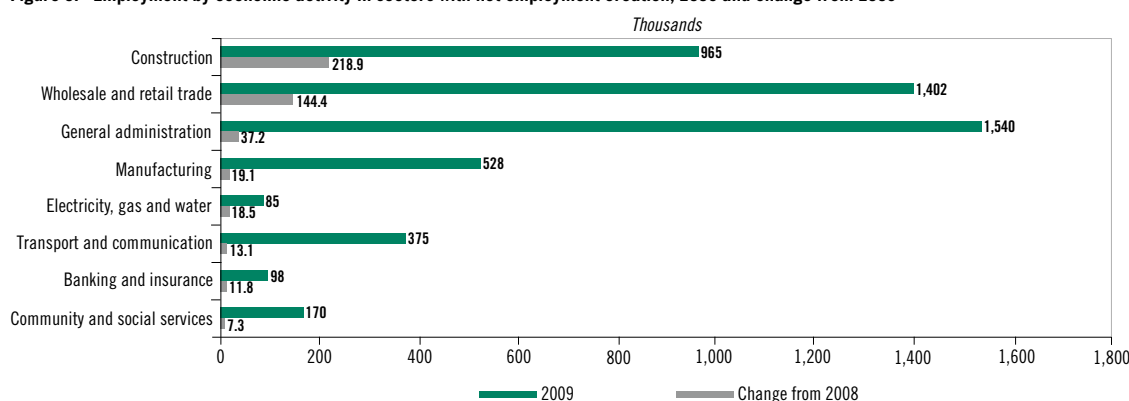
Source: Central Department of Statistics of Saudi Arabia. Annual data for 2006 and 2009. First semester (first round) data for 2007 and 2008.

Employment increases were most pronounced in the construction and trade sectors

- Total employment increased by approximately 191,100 persons in 2009, but increases were insufficient to constrain unemployment growth.
- Among the sectors with net employment creation, construction ranked highest (218,900 jobs

created), thanks to the important infrastructure and construction projects implemented by the Saudi government. It was followed by wholesale and retail trade; general administration; manufacturing; electricity, gas and water; transport and communication; banking and insurance; and community and social services.

Figure 6. Employment by economic activity in sectors with net employment creation, 2009 and change from 2008



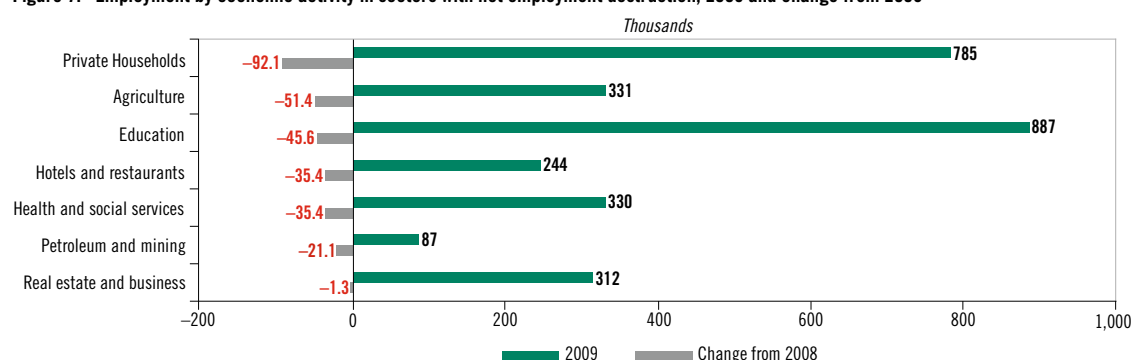
Source: Central Department of Statistics of Saudi Arabia. Annual data for 2009. First semester (first round) data for 2008.

Private households experienced the sharpest employment declines

- Among the sectors with net employment destruction in 2009, private households ranked highest with 92,100 jobs lost.

- It was followed by agriculture (51,400), education (45,600), hotels and restaurants (35,400), health and social services (35,400) and petroleum and mining (21,100).

Figure 7. Employment by economic activity in sectors with net employment destruction, 2009 and change from 2008



Source: Central Department of Statistics of Saudi Arabia. Annual data for 2009. First semester (first round) data for 2008.

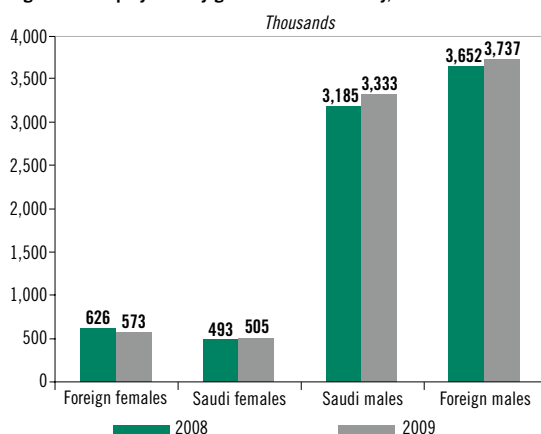
Employment changes varied by gender and nationality

- The steepest employment gains were among Saudi national males (147,000 jobs), followed by foreign males (85,000 jobs) and Saudi national females (12,000). Most women's jobs are in education (77 per cent), health and social services

(11 per cent) and general administration (6 per cent).

- Employment of foreign female workers fell in 2009 (53,000 jobs), linked to the decrease in employment of private household workers, the dominant activity of this group. In 2009, the main job of 88 per cent of foreign female workers was in private households.

Figure 8. Employment by gender and nationality, 2008–2009



Source: Central Department of Statistics of Saudi Arabia. Annual data for 2009. First semester (first round) data for 2008.

Saudi males experienced job gains in nearly all sectors in 2009

- In 2009, Saudi male workers were employed predominantly in general administration (44 per cent of employment) and education (13 per cent). Their employment rate rose in all sectors except education and petroleum and mining. The employment increases in trade, construction, manufacturing, transport and communication, and real estate and business highlight some success in the government's efforts to expand the number of Saudi workers in the economy and in particular in the private sector.
- The increase in foreign male employment, from 3.65 million to 3.7 million workers in 2009, was primarily attributed to rises in two sectors:

construction and wholesale and retail trade. In the construction sector, employment of foreign workers increased by 195,000 out of the 218,900 net jobs created in 2009.

- For most of the other sectors of the economy, employment of male foreign workers decreased in 2009, notably in agriculture, private households, health and social services and restaurants and hotels.

Real GDP growth is expected to return to pre-crisis levels in 2010

- Following a year of economic weakness, in 2010 real GDP growth is expected to return to pre-crisis levels of between 3.1 per cent and 3.9 per cent. The labour market outlook remains uncertain, but stronger economic growth brings hope of a turnaround in unemployment.
- Public expenditures are expected to remain strong. Overall, government spending is expected to reach US\$400 billion during the 2009-2013 period.
- The margin of action of the government is high, as the public debt has decreased significantly from 100 per cent of GDP in the 1990s to around 13.5 per cent in 2008.
- With its new employment strategy, the government is taking measures to reduce the structural imbalances in the country, including gender disparities.
- More can be done in terms of social protection and social dialogue in Saudi Arabia. It lacks protection mechanisms for the unemployed, there is no provision for minimum wages, income transfers are mainly through non-governmental channels and social dialogue is limited.