



NEW ZEALAND
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Manatū Aorere

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Behind the statistics: what Saudi employment data can tell us about opportunities for New Zealand businesses

A MARKET INTELLIGENCE REPORT

Report

Saudi Arabia boosts employment and nears Vision2030 goal

Saudi national unemployment fell by almost 2% in Q4 of 2022, the largest drop in three years. Having now hit 8%, the Vision2030 target of 7% is well within reach. The percentage of those in long-term unemployment, (a subsection of unemployment, defined as individuals seeking work for more than one year) has also fallen to 40.1%, compared to the previous year's 67.2%. The General Authority for Statistics has attributed part of the success to increased female employment; Saudi female unemployment dropped from 20.5% to 15.4%, indicating those actively seeking work are more likely to be employed (comparatively, male unemployment stayed relatively stable – moving from 4.3% to 4.2%).

Nitaqat, the Saudization programme launched under Vision2030, has also been recognised as a contributing factor, as companies in targeted sectors are required to meet an employment quota of Saudi citizens. In April 2023, the Ministry of Human Resources and Social Development announced the first and second phases of the program had been “instrumental in raising the number of Saudi citizens working in the private sector to more than 2.23 million.”

The 2023 Hays Middle East Salary Guide for Saudi Arabia holds further insights into the dynamic job market. In 2021, 43% of employers reported their organisation's total employee headcount had increased – that figure is now 70%. Additionally, 79% of employers advised they expect salaries to increase this year, and 89% of employers are planning to recruit permanent employees in 2023.

These most recent unemployment statistics are part of an overarching – and positive – supply and demand trend. The Riyadh Bank Saudi Arabia Purchasing Manager's Index rose to 59.8 in February 2023, the fastest growth in non-oil private sector business conditions since March 2015. Commenting on the results, the Chief Economist at Riyadh Bank noted that, “despite tighter monetary conditions, demand and supply balance seemed robust and spurred by the ongoing projects around the Kingdom, causing sharper uplifts in output and new orders for firms, as well as rising demand for labour. This was met by a strong improvement in supplier performance and sharp reduction in lead times. **Both employment and wages have increased, and employment recorded the second highest increase in five years to support expansion plans.**”

With Saudi Arabia so focused on lifting opportunities for citizens through economic diversification, what does this mean for New Zealanders?

- 53% of employees in Saudi Arabia received a pay increase in 2022, and, while consumer spending has fluctuated month-to-month, overall trends are positive – spending rose by 10% between February 2022 and 2023. **More people are able to afford higher quality and imported products**, which in turn has the potential to further New Zealand’s export interests. Saudi Arabia has by far the largest population in the Gulf (about 36 million), and these statistics confirm that market size is now augmented by purchasing power.
- Those interested in working in Saudi Arabia are also likely to find that, despite Saudization programs, there is still **a market for skilled employees in a number of sectors New Zealand has traditionally excelled in**, including tourism, and particularly within the Giga Projects. 69% of employers in Riyadh report they are focused on recruitment in-country, however that number drops to 56% in Jeddah, and 41% in the Eastern Province. Anecdotal evidence suggests a New Zealand education is positively viewed and considered an asset to companies.
- In a similar vein, the above statistics suggest **growing opportunities for New Zealand education providers**, either by lifting Saudi student numbers in New Zealand, or by providing remote learning. Youth unemployment continues to account for the majority of unemployed Saudi citizens – and Saudi undergraduate degree holders suffer from the highest level of unemployment. Government entities have a growing interest in New Zealand's capability in vocational and technical skills training, and the preparation of students for the work force.
- Upon entering into business in Saudi Arabia, New Zealanders will need to consider their employment needs. **New Zealand Trade and Enterprise notes that employing the right candidate is possible, but requires time, and the consideration of hiring a skilled human resources manager with international management experience.** Companies have reported facing some difficulty in finding skilled candidates, potentially due to the increased cost of living, competing employment packages offered by others in a strong job market, and the need to consider attractive incentives for expatriate workers coming into the country. New Zealand businesses entering into a distribution agreement will also need to conduct due diligence on their local partner, to establish if they have appropriately trained and adequate staff for countrywide coverage.
- Companies planning to move their headquarters to Saudi Arabia can benefit in future, however, from new incentives designed to attract greater levels of foreign direct investment. Under the Regional Headquarter program, multinational

companies are exempted from Saudization requirements for 10 years. As an added incentive, a new system for foreign ownership of real estate has been announced, as has a new decision to allow 100% foreign ownership of companies within the new Saudi economic zones. Both initiatives are expected to be implemented in the near future.

While some scepticism remains regarding the timeframes and ambitions of the famous Giga projects, the truly transformational nature of Vision 2030 lies not in the dream to put a colossal mirrored city in the middle of the desert, but in the everyday regulatory reforms that have altered the Saudi economy at its core. This most recent unemployment data is indicative of broader progress and the opportunities that have arisen within a myriad of sectors – opportunities that both Saudi citizens, and New Zealand businesses, are well placed to benefit from.

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