

# Economic Update

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## Population and Labor Market



# Kuwait: Population and employment rise in 2022, but still below pre-Covid levels

> Ashish Jain  
Senior Economist  
+965 2229 5365  
ashishjain@nbk.com

### Highlights

- Kuwait's population rose 8% to 4.74mn in 2022, the first annual gain in 3 years, as some expatriates returned after Covid.
- The number of Kuwaiti jobs increased by 1.4% in the six months to December 2022 and non-Kuwaiti jobs by 9.5%.
- Expatriate job gains were concentrated in labor-intensive sectors, including real estate, construction and manufacturing, helping to relieve labor shortages. But construction employment remained almost 20% below pre-Covid levels.
- Kuwaiti employment gains continue to accrue largely to the public sector. A rebalancing towards the private sector through sustained economic growth is required to promote fiscal sustainability and economic diversification.

Kuwait's population increased in 2022, reversing the decline seen in the last three years and almost reaching near its 2019-peak. The rise was predominantly driven by the return of some expatriate workers as economic activities recover from the pandemic. Employment also recorded decent gains (+8.1% in the six months to December 2022), as non-Kuwaiti jobs in key labor-intensive sectors rebounded strongly, which has helped both alleviate labor shortages and the non-oil economy recover some of the ground lost since 2019. Nonetheless, expatriate employment (excluding domestic workers) remains 10% below its peak in 2019. Meanwhile, the public sector was the driver of new jobs among Kuwaiti nationals, with private sector employment declining in 2H22. Continued momentum in job creation through sustained economic growth remains imperative in order to absorb the new Kuwaiti entrants to the workforce.

### Overall population growth picks up to a 17-year high

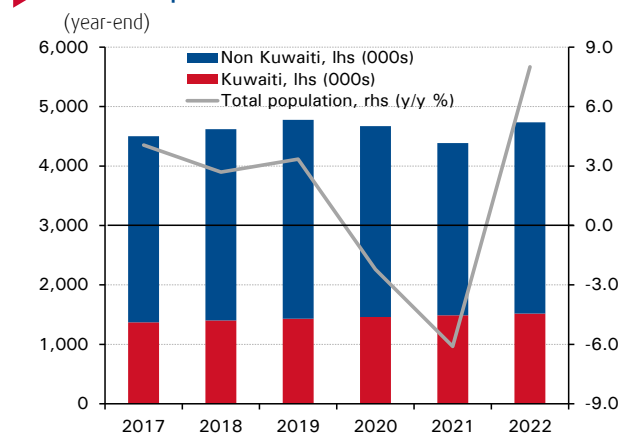
According to the latest demographic data from the Public Authority for Civil Information (PACI), Kuwait's population growth trend reversed course during 2022, rising by 8% y/y, the fastest annual growth rate in 17 years. The population is now just 0.8% below its 2019-peak. The growth rate of Kuwaiti nationals further eased to 1.9% y/y in 2022, while the rate of non-Kuwaiti growth accelerated sharply to 11.1%, after two consecutive years of decline. (Table 1.) Expatriate numbers, however, were still down 3.7% (-125k) from their peak in 2019.

► Table 1: Population (period-end)

	Population (year-end, '000)			% y/y		
	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total
2018	1,403	3,219	4,622	2.4	2.8	2.7
2019	1,432	3,344	4,776	2.1	3.9	3.3
2020	1,460	3,211	4,671	2.0	(4.0)	(2.2)
2021	1,489	2,897	4,386	2.0	(9.8)	(6.1)
2022	1,518	3,219	4,737	1.9	11.1	8.0

Source: PACI

► Chart 1: Population of Kuwait



Source: PACI

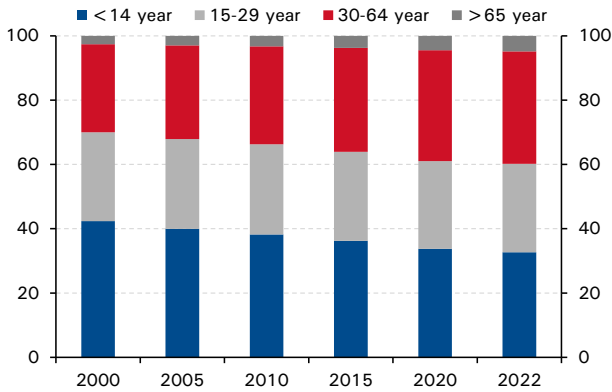
Among expatriates, the Indian community recorded the sharpest increase in number in 2022 (+130K; +16% y/y), followed by the Egyptian (+47K people; +8% y/y). Accordingly, Indians' share in the total population rose to 20.4% from 19.1% in 2021, but the share of Egyptians slightly dropped to 13.8% from 13.9%.

### Working and old-age Kuwaiti population is rising

The working-age population (15-64 years) among Kuwaiti nationals has been expanding rapidly (CAGR of 2.6% over the last five years), and now stands at 63% of the total Kuwaiti population. This has underlined the imperative for an acceleration in job creation.

Moreover, the proportion of Kuwaitis above 64 years has also been increasing (albeit still quite small at 4.8% of total), implying rising demand for social and pension support for retirees. However, these trends are typically in line with population trends in Western developed countries.

**Chart 2: Population composition of Kuwaiti nationals**  
(period-end, %)



Source: PACI

### Kuwaiti employment inches up on public sector hiring

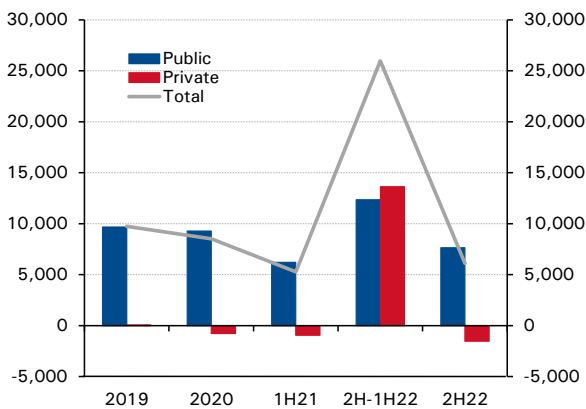
Overall employment increased by 8.1% in the six months to December 2022, largely driven by an influx of non-Kuwaiti workers (+9.5%). Meanwhile, jobs among Kuwaiti nationals were up 1.4% or +6K to 455K. (Table 2.) The increase in Kuwaiti jobs was driven by the public sector, which added 7.6K new jobs compared to a decline of 1.5K in the private sector.

**Table 2: Employment in Kuwait (period-end)**

	Employment ('000)			% y/y		
	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total
2018	399	2,393	2,793	3.7	4.3	4.2
2019	409	2,522	2,931	2.4	5.4	5.0
2020	418	2,391	2,809	2.1	(5.2)	(4.2)
Jun-21*	423	2,338	2,761	1.3	(2.2)	(1.7)
Jun-22	449	2,167	2,616	6.1	(7.3)	(5.2)
Dec-22*	455	2,374	2,829	1.4	9.5	8.1

Source: PACI Note \* % change is for six months due to data unavailability

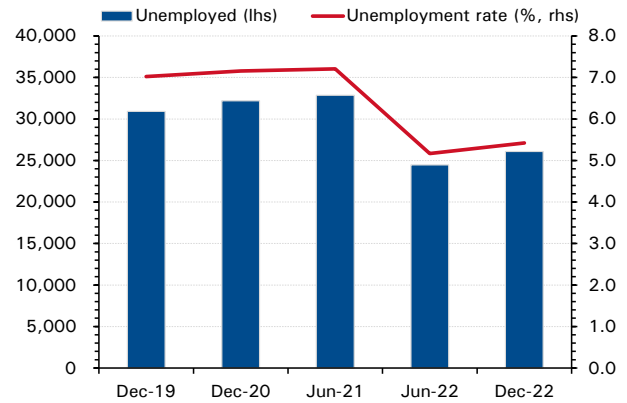
**Chart 3: Kuwaiti new job creation**



Source: PACI

Meanwhile, the number of unemployed Kuwaitis edged up by 7% from June 2022 to 26K by December, with an implied unemployment rate of 5.4% (up from 5.2% in June). Despite the slight increase in the last six months, the unemployment rate is much improved compared to the 7.2% recorded at the end of June 2021; the number of unemployed Kuwaitis has fallen by 21% since then. (Chart 4.)

**Chart 4: Kuwaiti unemployment**  
(period-end)

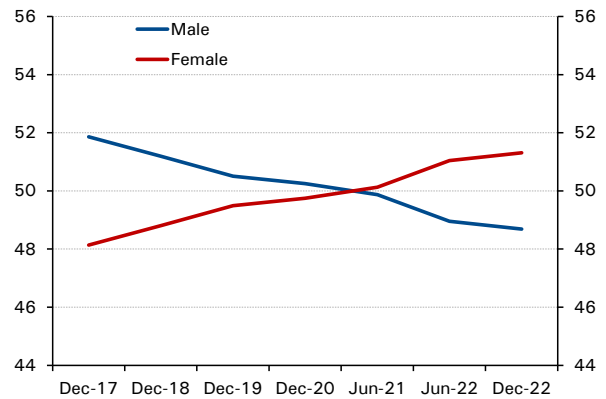


Source: PACI

### Female participation grows among Kuwaiti workers

Among Kuwaitis, the female share in employment has been increasing, with the trend continuing in 2022; females now comprise more than 51% of total employment from 48% in 2017. Moreover, the number of Kuwaiti homemakers declined by 27% since 2018 (-15K to 39K).

**Chart 5: Male/female share of Kuwaiti employment**  
(period-end, %)



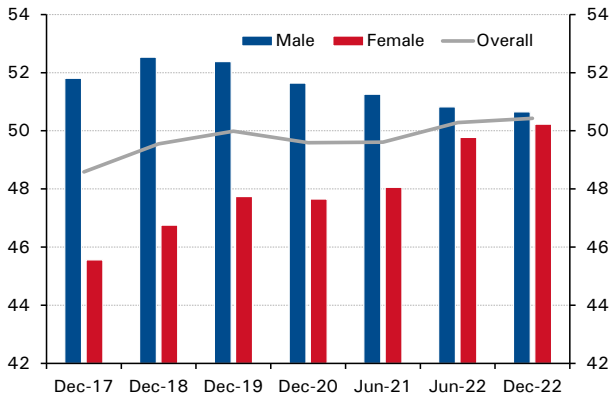
Source: PACI

In addition, there has been a robust rise in the Kuwaiti female workforce, boosted by an increase in their participation rate (the share of the female working-age population that is in the female labor force). By December 2022, the female labor participation rate had risen to 50.2% from 49.8% at the end of June 2022 (and a cumulative rise of 4.7% points since 2017), while the male participation rate dropped from 50.8% to 50.6% in 2H22. (Chart 6.) Since the labor force participation rate among females is now very close to that of males, scope for continued growth may be more limited. Nevertheless, the rise will have boosted females' purchasing power, and likely their consumption.

Meanwhile, 2022 was the fourth consecutive year of decline in the male participation rate (a cumulative drop of 1.9% points since 2018), with the rate falling to 50.6%. This could possibly be explained by a 23% increase in number of students among working-age males, relative to just 10% rise in female students

over the same period. Also, male students as a proportion of the male working-age population rose from 27.6% in 2018 to 30.3% by December 2022. Ideally, this could mean a more educated and qualified male workforce will be available in future.

**Chart 6: Labor participation rate among Kuwaitis**  
(period-end, %)

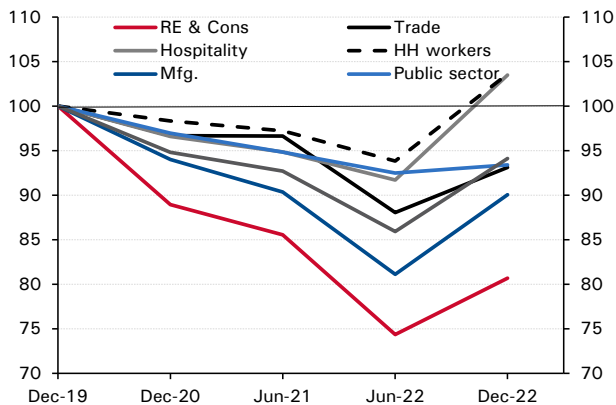


Source: PACI

### Non-Kuwaiti jobs return but still below pre-Covid era

As Covid-related restrictions were lifted and economic activities normalized, non-Kuwaiti jobs also made a strong comeback in 2022. Although the relevant data is not available for the end of 2021, in the last six months to December 2022, non-Kuwaiti employment grew 9% to 1.6mn (excluding domestic workers). However, this level is still a good 10% below the pre-Covid peak. Most new jobs were concentrated in low-end profiles, in labor-intensive sectors such as real estate & construction, manufacturing, trade, and hospitality. This rise in workers should help alleviate ongoing labor shortages caused by the pandemic and support economic activity, though in some sectors – especially construction – employment is still well below pre-pandemic levels. (Chart 7.) In contrast, the number of private household (domestic) workers increased to a record high.

**Chart 7: Non-Kuwaiti jobs**  
(period-end, rebased to 100 at December 2019)

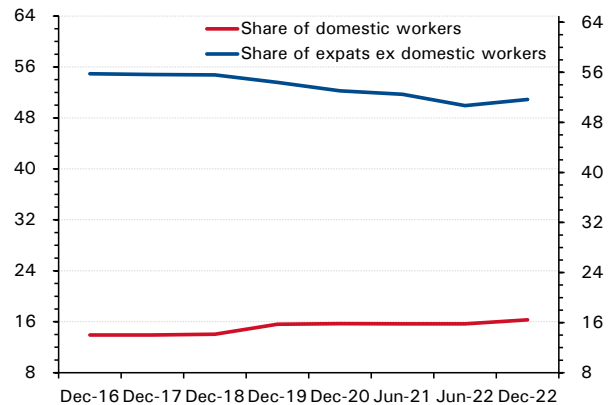


Source: PACI

### Share of domestic workers in the population rises further

The number of domestic workers in the expatriate population has been increasing, reaching 773K at end-2022. Generally, 4,000-5,000 marriages occur annually among Kuwaiti nationals, implying the need for a similar number of new housing units. Moreover, given the usual cultural norms in Kuwaiti society, it also means the requirement to hire domestic helpers in these new households. Therefore, domestic workers' share of the Kuwait's total population stood at 16.3% at end-2022, up from 13.9% in 2016. Looking at the trend in expatriate numbers excluding domestic workers, a better underlying guide to business activity trends in the economy and potentially the authorities' objective of rebalancing the country's demographics, shows that as of December 2022, foreigners comprised 51.7% of the total population, down from 55.8% in 2016.

**Chart 8: Share of foreigners in Kuwait's total population**  
(period-end, %)



Source: PACI

During the last six months of 2022, the proportion of expatriate workers with secondary and below educational qualifications increased further (from 90.5% to 91.4%). Now only 8.6% of foreign workers are diploma and above qualified; by contrast, the same category jumps to 52% for Kuwaiti workers. This implies that more than 91% of expatriates are not highly educated and possibly working at lower-end jobs. Although this potentially points to a relatively smaller contribution to the economy, replacing these workers with Kuwaiti nationals is not feasible from a qualification and aspiration point of view. Meanwhile, the effect of Kuwaitization is more visible in the public sector: the share of expatriate workers in the public sector steadily fell to 23% in 2022 from 30% in 2016.

The growth rate of the Kuwaiti population may continue to ease further over the coming years as the birth rate continues its softening trend. Yet, with an expanding working-age population, with 15-20K new entrants annually to the workforce, creating more jobs is a key challenge for authorities. We believe continued strong growth in the non-oil economy through robust capital investment and policy reforms would help create a more dynamic and developed economic environment, generating additional employment opportunities for Kuwaitis.

## Head Office

### Kuwait

National Bank of Kuwait SAKP  
Shuhada Street,  
Sharq Area, NBK Tower  
P.O. Box 95, Safat 13001  
Kuwait City, Kuwait  
Tel: +965 2222 2011  
Fax: +965 2229 5804  
Telex: 22043-22451 NATBANK  
www.nbk.com

## International Network

### Bahrain

National Bank of Kuwait SAKP  
Zain Branch  
Zain Tower, Building 401, Road 2806  
Seef Area 428, P. O. Box 5290, Manama  
Kingdom of Bahrain  
Tel: +973 17 155 555  
Fax: +973 17 104 860

National Bank of Kuwait SAKP  
Bahrain Head Office  
GB Corp Tower  
Block 346, Road 4626  
Building 1411  
P.O. Box 5290, Manama  
Kingdom of Bahrain  
Tel: +973 17 155 555  
Fax: +973 17 104 860

### United Arab Emirates

National Bank of Kuwait SAKP  
Dubai Branch  
Latifa Tower, Sheikh Zayed Road  
Next to Crown Plaza  
P.O.Box 9293, Dubai, U.A.E  
Tel: +971 4 3161600  
Fax: +971 4 3888588

National Bank of Kuwait SAKP  
Abu Dhabi Branch  
Sheikh Rashed Bin Saeed  
Al Maktoom, (Old Airport Road)  
P.O.Box 113567, Abu Dhabi, U.A.E  
Tel: +971 2 4199 555  
Fax: +971 2 2222 477

### Saudi Arabia

National Bank of Kuwait SAKP  
Jeddah Branch  
Al Khalidiah District,  
Al Mukmal Tower, Jeddah  
P.O. Box: 15385 Jeddah 21444  
Kingdom of Saudi Arabia  
Tel: +966 2 603 6300  
Fax: +966 2 603 6318

### Lebanon

National Bank of Kuwait  
(Lebanon) SAL  
BAC Building, Justinien Street, Sanayeh  
P.O. Box 11-5727, Riad El-Solh  
Beirut 1107 2200, Lebanon  
Tel: +961 1 759700  
Fax: +961 1 747866

### Iraq

Credit Bank of Iraq  
Street 9, Building 187  
Sadoon Street, District 102  
P.O. Box 3420, Baghdad, Iraq  
Tel: +964 1 7182198/7191944  
+964 1 7188406/7171673  
Fax: +964 1 7170156

### Egypt

National Bank of Kuwait - Egypt  
Plot 155, City Center, First Sector  
5th Settlement, New Cairo  
Egypt  
Tel: +20 2 26149300  
Fax: +20 2 26133978

### United States of America

National Bank of Kuwait SAKP  
New York Branch  
299 Park Avenue  
New York, NY 10171  
USA  
Tel: +1 212 303 9800  
Fax: +1 212 319 8269

### United Kingdom

National Bank of Kuwait  
(International) Plc  
Head Office  
13 George Street  
London W1U 3QJ  
UK  
Tel: +44 20 7224 2277  
Fax: +44 20 7224 2101

### France

National Bank of Kuwait France SA  
90 Avenue des Champs-Elysees  
75008 Paris  
France  
Tel: +33 1 5659 8600  
Fax: +33 1 5659 8623

### Singapore

National Bank of Kuwait SAKP  
Singapore Branch  
9 Raffles Place # 44-01  
Republic Plaza  
Singapore 048619  
Tel: +65 6222 5348  
Fax: +65 6224 5438

### China

National Bank of Kuwait SAKP  
Shanghai Office  
Suite 1003, 10th Floor, Azia Center  
1233 Lujiazui Ring Road  
Shanghai 200120, China  
Tel: +86 21 6888 1092  
Fax: +86 21 5047 1011

## NBK Capital

### Kuwait

NBK Capital  
34h Floor, NBK Tower  
Shuhada'a street, Sharq Area  
PO Box 4950, Safat, 13050  
Kuwait  
Tel: +965 2224 6900  
Fax: +965 2224 6904 / 5

### United Arab Emirates

NBK Capital Limited - UAE  
Precinct Building 3, Office 404  
Dubai International Financial Center  
Sheikh Zayed Road  
P.O. Box 506506, Dubai  
UAE  
Tel: +971 4 365 2800  
Fax: +971 4 365 2805

## Associates

### Turkey

Turkish Bank  
Valikonagl CAD. 7  
Nisantasi, P.O. Box. 34371  
Istanbul, Turkey  
Tel: +90 212 373 6373  
Fax: +90 212 225 0353