

Economic Update

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Population and Labor

Kuwait: Population increased in 1H22, though still well below pre-Covid peak

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Highlights

- Kuwait's population rose by 1.8% to 4.46 million in the six months to June 2022, the first increase since 2019. Still, the population remains 6.5% below the 2019-peak, with the number of expatriates down 11.4%.
- Kuwaiti employment jumped by a sharp 6.1% y/y, driven by significant growth in private sector jobs.
- Expatriate employment continued to decline, with job losses coming mostly at the lower end of the spectrum, in sectors such as construction, private households, retail, and manufacturing.
- The unemployment rate for Kuwaitis fell to the lowest since 2016. However, a continued rise in new jobs will be required as an increasing number of locals are entering the workforce.

Kuwait's population increased by 1.8% as of June 2022 compared to end-2021, marking the first rise since 2019, as both Kuwaiti and expatriate numbers recorded gains. The expat population is still far below pre-Covid levels, though was lifted in H1 by the resumption of economic activities in labor-intensive sectors and a higher need for domestic workers. On the employment front, jobs among Kuwaiti nationals saw a sharp rise in the past year, with the private sector leading the increase. Although the unemployment rate among Kuwaitis fell to 5.2%, the lowest since 2016, sustained momentum in job creation through economic growth is imperative to absorb the new entrants to the workforce.

► **Table 1: Population (period-end)**

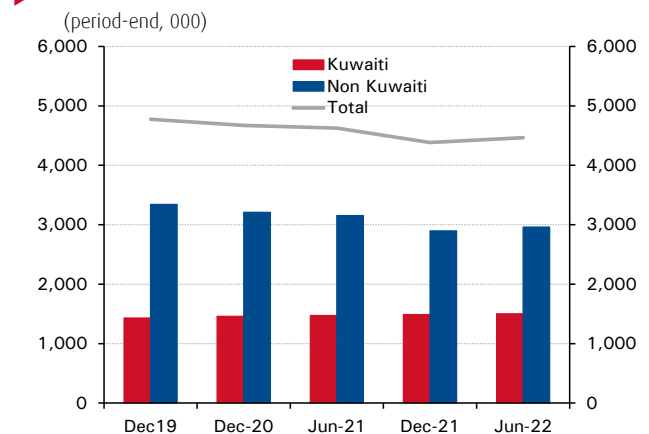
	Population ('000)			% y/y		
	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total
2016	1,338	3,073	4,411	2.3	4.8	4.1
2017	1,370	3,130	4,500	2.4	1.9	2.0
2018	1,403	3,219	4,622	2.4	2.8	2.7
2019	1,432	3,344	4,776	2.1	3.9	3.3
2020	1,460	3,211	4,671	2.0	-4.0	-2.2
2021	1,489	2,897	4,386	2.0	-9.8	-6.1
Jun-22	1,502	2,962	4,464	2.0	-6.1	-3.5
ytd change %				0.9	2.3	1.8

Source: PACI

The overall population remains below its 2019 peak

According to the latest demographic data from the Public Authority for Civil Information (PACI), Kuwait's population altered course during 1H22, but it is still down 3.5% y/y. The growth rate among Kuwaiti nationals has been steady at 2% y/y in the past two and half years. Expatriate numbers edged back up 2.3% in 1H22 but were still down heavily y/y and 11.4% below their peak in 2019, a huge drop of 382,000.

► **Chart 1: Population of Kuwait**



Source: PACI

Among expatriates, the Indian community recorded the sharpest fall of 15% y/y (-153K people), followed by Egyptians (-9%, -58K people) in 2021. Accordingly, Indians' share in the overall population fell to 19% from 22% in 2019, while the share of Egyptians dropped to 14% from 15% of Kuwait's total population.

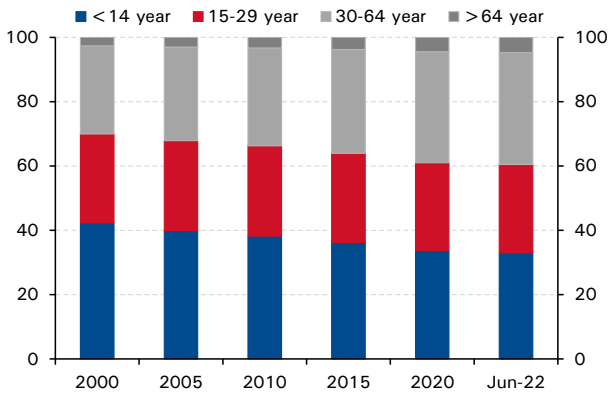
Despite the massive decline in the expatriate population since 2019, the number of dependents rose by 3.5%. This shows that most people who left the country in the last two-and-half years were among the low-end workers who usually do not have family members staying with them in Kuwait.

Working-and-old-age Kuwaiti population is rising

The proportion of the Kuwaiti population below 15 years has shrunk from over 42% in 2000 to 33% by June 2022. However, the working-age group (15-64 years) has expanded rapidly (now at 62% of the total Kuwaiti population), adding to the need for a continuous rise in employment. Moreover, the proportion of Kuwaitis above 64 years has also been increasing gradually

(albeit still quite small, now at 4.7%), implying rising demand for state social and pension support for retirees. Overall, these trends are typically in line with population trends in western developed countries.

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



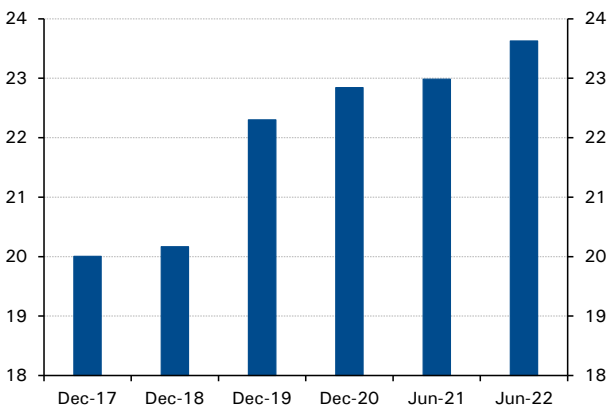
Source: PACI

There was a slight increase in the birthrate for Kuwaiti nationals in 2021 to 2.3% from 2.2% the previous year, perhaps due to people spending more time at home during the last two years following mobility restrictions. That said, the birth rate is on a broadly declining trend, falling steadily from 3% in 2010.

Share of domestic workers is rising among expatriates

Although the expatriate population has declined since 2019, the number of domestic workers fell by less, resulting in their share in the expat population rising from 20% in 2017 to 23.6%. The creation of new Kuwaiti household units (1.5-2% per annum) is among the factors driving the need for domestic workers, whose total number stood at 700,000 in June 2022.

Chart 3: Share of domestic workers in overall expatriates
(period-end, %)

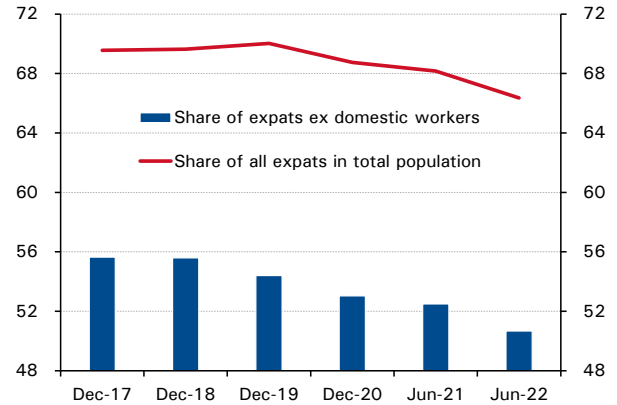


Source: PACI

It is also worth looking at the trend in expat numbers excluding domestic workers, not least because it may give a better underlying guide to business trends in the economy, and potentially the objective of rebalancing the country's demographics over time. As of June 2022, foreigners (excluding domestic workers) comprised 50.7% of the total population from 55.6% in 2017, implying a steeper fall than the decline in the

proportion of all foreigners in the country.

Chart 4: Share of expatriate in population
(period-end, %)



Source: PACI

Kuwaiti employment is rising

Overall employment (excluding domestic workers) fell 5.9% y/y in June 2022, overwhelmingly driven by declining non-Kuwaiti jobs (-9%). By contrast, jobs among Kuwaiti nationals were up 6.1%, the strongest growth since 2011. The Kuwaiti share in overall employment (excluding domestic workers) jumped to 23.4% from 18.7% in 2019.

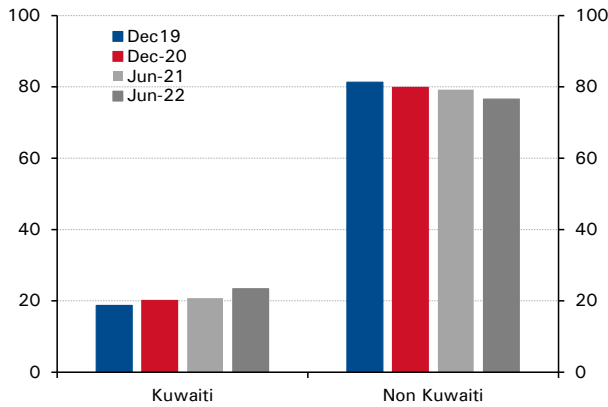
Table 2: Employment ex. domestic workers (period-end)

	Employment ('000)			% y/y		
	Kuwaiti	Non-Kuwaiti	Total	Kuwaiti	Non-Kuwaiti	Total
2018	399	1,744	2,144	3.7	4.6	4.4
2019	409	1,776	2,185	2.4	1.8	1.9
2020	418	1,658	2,075	2.1	-6.7	-5.0
Jun-21	423	1,613	2,036	na	na	na
Jun-22	449	1,467	1,916	6.1	-9.0	-5.9

Source: PACI

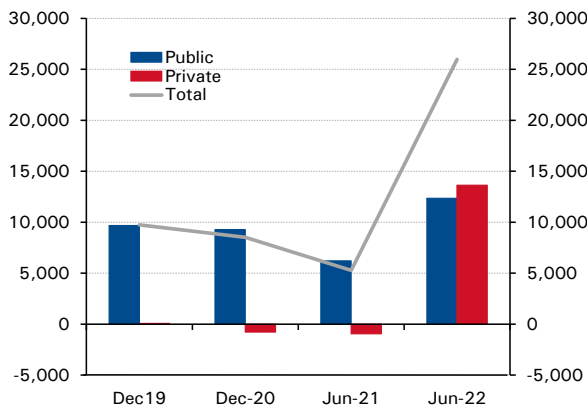
During the twelve months to June 2022, the number of Kuwaiti jobs increased by 26K to 449K, led by the private sector, which added 13.6K new jobs compared to 12.3K jobs in the public sector. This was the first time the private sector has added more jobs than the public sector since 2013. (However, a comparable jump in private sector jobs was not picked up in data from other public sources, suggesting that it may have been driven by a data reclassification issue.) The number of unemployed Kuwaitis fell to 24K (-26% y/y), the lowest since December 2017, leaving an implied unemployment rate of 5.2% for Kuwaiti nationals.

Chart 5: Share of employment (excluding domestic workers)
(period-end, %)



Source: PACI

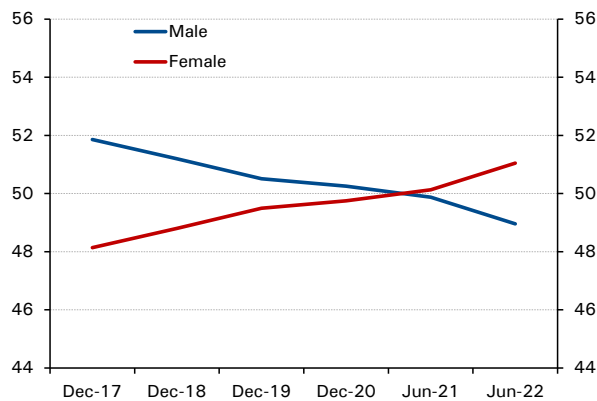
Chart 6: Kuwaiti new job creation
(period-end)



Source: PACI

Among Kuwaitis, the female share in the employment has been steadily increasing, from 48% in 2010 to 51% in 1H22. Moreover, the number of Kuwaiti non-working homemakers declined by a significant 26% since 2018 (-14K to 40K), meaning more married females are entering the workforce.

Chart 7: Male/female share of Kuwaiti employment
(period-end, %)

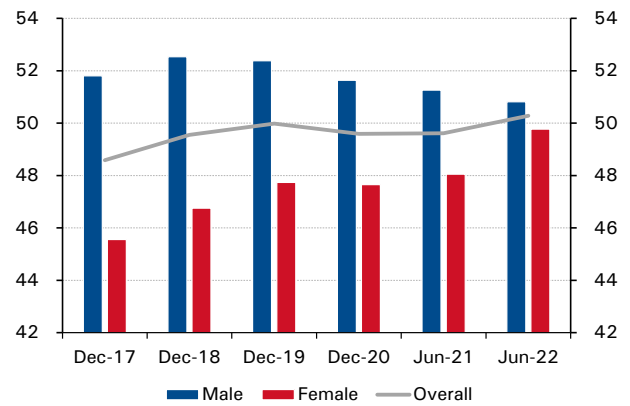


Source: PACI

Another trend highlighting robust inclusion of females in the workforce is their rising participation rate (the share of the working age population that is in the labor force). Since 2017, the female labor participation rate has progressively gone up to 49.8% now from 45.6% in 2017, while the participation rate among Kuwaiti males – although still slightly higher than for females overall – has been on a declining trajectory (to 50.8% from 52.5% in 2018). It implies that incrementally, women are now more inclined to work in the formal sector than men.

However, further increases in the female labor force participation rate may be more moderate as the bulk of the gains appears to have already taken place. Nevertheless, it should bode well for females’ purchasing power and boost private consumption.

Chart 8: Labor participation rate among Kuwaitis
(period-end, %)



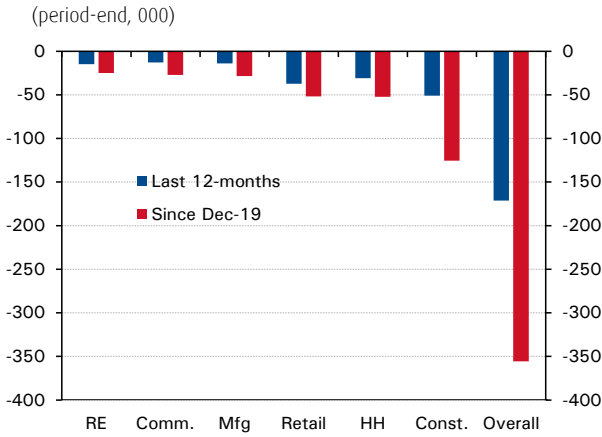
Source: PACI

A substantial drop in low-end jobs for non-Kuwaitis

Although the relevant data is not available for end-2021, in the twelve months to June 2022, the number of low-end non-Kuwaiti jobs recorded a steep fall, with sectors such as construction, private household workers, retail, and manufacturing leading the decline. Loss of lower-end/paid jobs may have a relatively smaller impact on the economy in proportionate terms, but can also contribute to labor shortages in those sectors. Total non-Kuwaiti employment fell by 7% y/y in June 2022, taking the cumulative plunge to 14% since 2019. Excluding domestic workers, non-Kuwaiti employment decreased by 9% y/y and 17% since 2019.

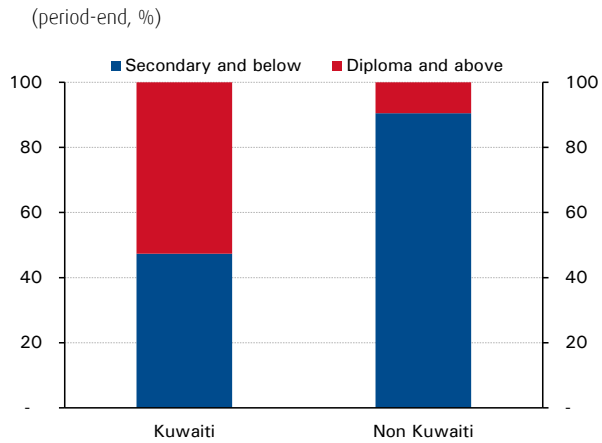
Meanwhile, there is a clear difference between the Kuwaiti and the non-Kuwaiti workforce in terms of academic qualification. More than 50% of Kuwaiti workers are diploma-and-above qualified, while the same category drops to below 10% among non-Kuwaitis. In other words, more than 90% of expatriates are not highly educated and possibly working at low-end jobs. Although this potentially points to a smaller contribution to the economy, it also makes it challenging to replace them with Kuwaiti nationals from a qualifications and skills-matching point of view.

Chart 9: Non Kuwaiti job losses



Source: PACI

Chart 10: Workforce composition by education (June 2022)



Source: PACI

Looking at the population increase to 1H22 compared to end-2021, it is likely that new jobs may have brought back low-end laborers, including domestic workers. The economy is now progressively gaining the ground lost to the pandemic, helped by elevated oil prices. With the government keen to advance its infrastructure construction and investment plans, demand for expatriate labor to help in executing these projects should continue to rise, albeit likely at a slower pace than pre-2019.

The government’s Kuwaitization efforts remain at the fore to shift more jobs to locals, keeping expatriate employment (excluding low-end workers) in check. The effect of Kuwaitization was more visible in the public sector: from the peak to now, expatriate workers in the public sector fell by 23% compared to an 18% drop in the private sector.

We also believe that the birthrate among Kuwaitis may resume the pre-Covid declining trend. As a result, the growth rate of the Kuwaiti population may slow slightly further in the coming years. Nonetheless, the critical challenge facing the government remains the sustained creation of new jobs for Kuwaiti nationals, given the expanding working-age population. Around 15-20K additional Kuwaitis have been entering the workforce every year, and absorbing them into the labor force will need continuous strong growth in the non-oil economy.

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