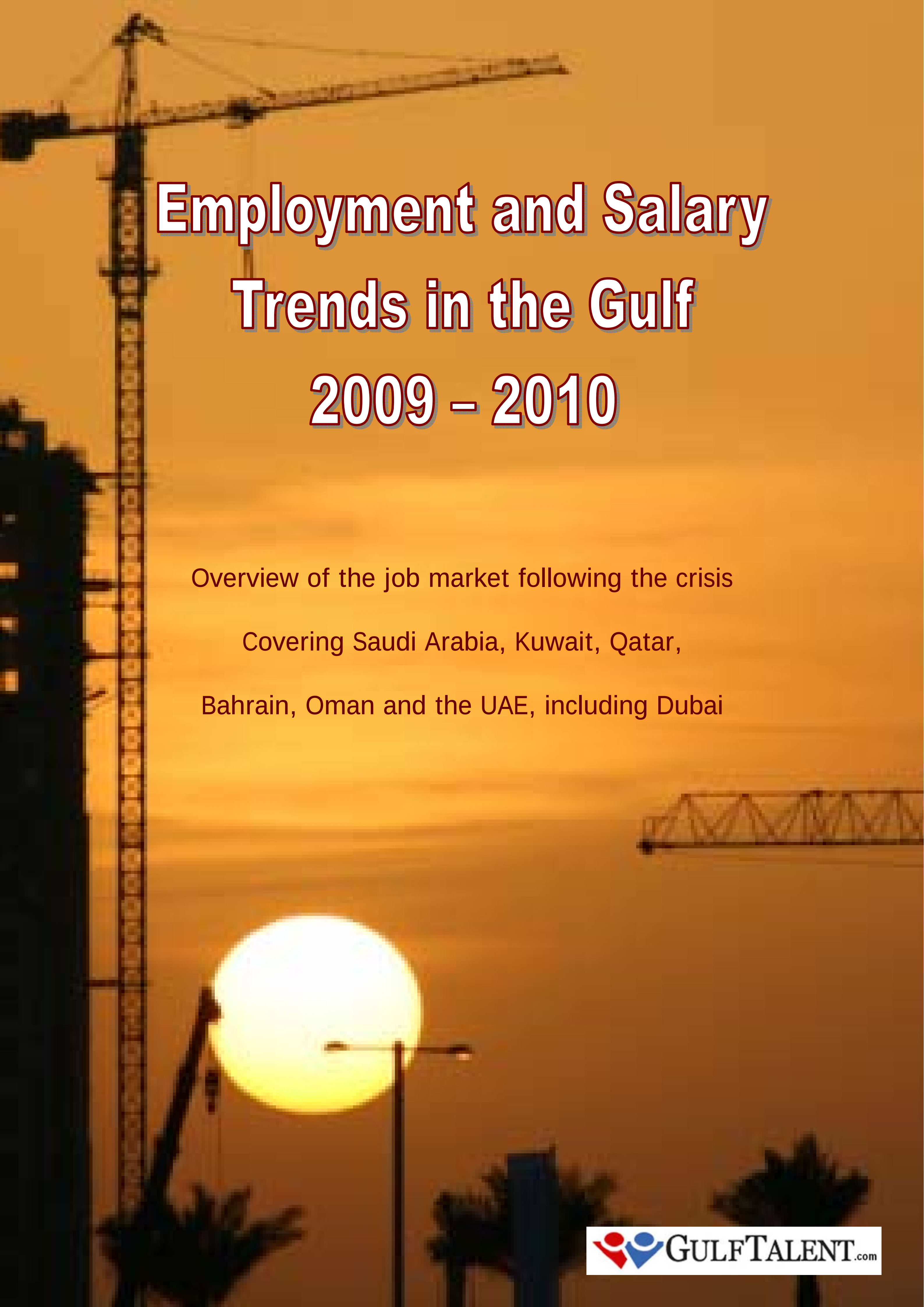


Employment and Salary Trends in the Gulf 2009 – 2010

Overview of the job market following the crisis

Covering Saudi Arabia, Kuwait, Qatar,

Bahrain, Oman and the UAE, including Dubai

Employment and Salary Trends in the Gulf

2009 – 2010

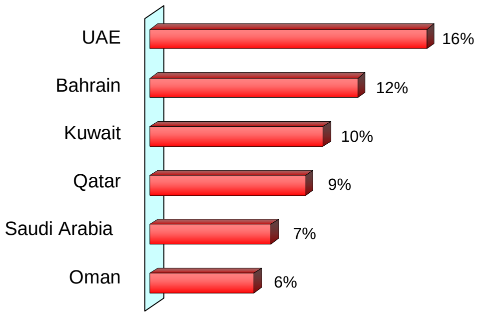
Executive Summary

After years of seemingly unstoppable growth, few could have foreseen the tsunami that was to hit the Gulf in 2009. As oil prices collapsed and banks stopped lending, companies across the region found themselves scrambling to adjust their business plans and replace growth programs with cost-cutting initiatives.

The slowdown has completely altered the dynamics of the labor market. With unemployment on the rise across the world and regional demand for talent shrinking, the balance of power has shifted from candidates to employers. Recruitment activity has slowed down significantly across the Gulf, most notably in Dubai, given its higher exposure to credit financing and global markets.

Many companies cut staff during 2009, with an estimated 10%, or one in ten professionals, losing their jobs. This was highest in the UAE at 16% and, on a sector basis, in real estate at 15%. Across the region, redundancies appear to have disproportionately hit senior executives and Western nationals.

Redundancies by Country
% of professionals in each country



Source: GulfTalent.com Survey

Moves by some GCC governments to restrict termination of nationals have helped secure their jobs in the short run. However, with termination not an option, some employers have become more cautious in hiring nationals.

The diverging fortunes of different countries have led to significant mobility across the region. In particular, a sizeable number of expatriate professionals have relocated from Dubai to Abu Dhabi, Doha and Saudi Arabia to take up employment opportunities there. Nonetheless, Dubai still remains the region's most popular destination for expatriates and is likely to attract back much of the talent as soon as an upturn emerges.

Salary growth has slowed down significantly across the region, with base salaries rising at an average rate of 6.2% over the 12-month period to August 2009, compared with 11.4% for the same period last year.

Oman saw the biggest average pay rise at 8.4%, followed by Qatar, Saudi Arabia and Bahrain at around 7%. The UAE and Kuwait stood at the bottom with 5.5% and 4.8% respectively. In terms of industries, the audit sector had the highest average rise, as demand for audit services surged following the high-profile collapse of major global institutions.

Despite much lower pay rises, for the first time in years the average rises have exceeded the increase in cost of living. As a result, many residents have seen an improvement in their quality of life and saving potential, particularly in Dubai and Doha where rents have fallen by over 30 percent.

The region continues to witness a gradual move towards greater legal rights and protections for employees. In particular, more countries are making it easier for employees to switch jobs, and new labour laws have been passed into law or are under review, with much more pro-employee stances.

Looking ahead, further job cuts are likely, but at a slower pace than has been witnessed over the past 12 months. At the same time, half of the companies are expected to create new jobs, more than compensating for jobs being lost.

Based on GulfTalent.com's survey of employers, the GCC average pay rise in 2010 is expected to stand at 6.3%.

GulfTalent.com
December 2009

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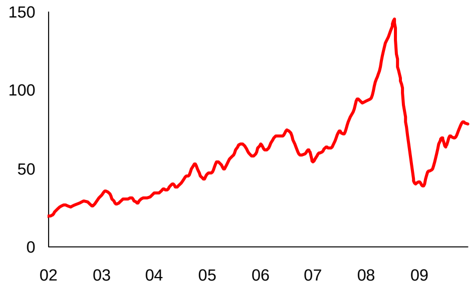
State of the Economy

When the investment bank, Lehman Brothers, was allowed to file for bankruptcy in September 2008, few could have foreseen the carnage that it would unleash on the world economy. As governments scrambled to save the global financial system, many observers in emerging markets, including the Middle East, wondered whether this would remain a purely Western crisis, leaving their region to ride out the storm unscathed – the so-called 'de-coupling' effect.

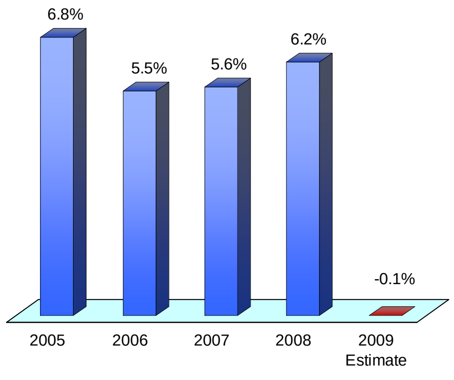
It did not take long for the crisis to reach the shores of the Gulf. By November 2008, credit and bank financing had come to a virtual freeze, large-scale construction projects were being cancelled one after another and the price of crude oil had dropped from almost $150 per barrel to below $40, the largest such fall in history.

Crude Oil Price
USD per Barrel



Source: Dow Jones & Company

GCC Economic Growth
2005 - 2009



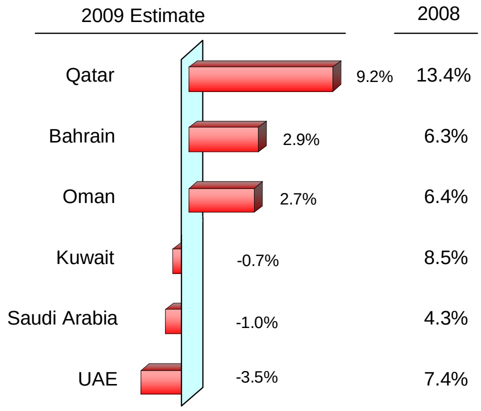
Source: Economist Intelligence Unit

Investment companies were among the first to be hit, as the value of assets globally collapsed. Construction and real estate sectors followed, due to their heavy dependence on bank financing. Falling property prices triggered a stampede by speculators to pull out their money, forcing down prices further and wiping off billions of dollars from the wealth of the residents. Retail and hospitality were next to fall as worried consumers cut their spending and tourists stayed at home.

The crisis has hit GCC countries to varying degrees, based on their level of dependence on debt financing as well as degree of exposure to international trends. The UAE, and Dubai in particular, have been at the epicenter of the regional crisis, seeing economic growth plummet from 7.4% last year to -3.5%.

As elsewhere in the world, the GCC governments responded by providing banking guarantees as well as pumping billions of dollars into the economy, largely through investment in major infrastructure projects. After several years of high oil prices, most state treasuries and sovereign wealth funds had accumulated massive reserves which could easily be deployed to boost the economy.

GCC Economic Growth



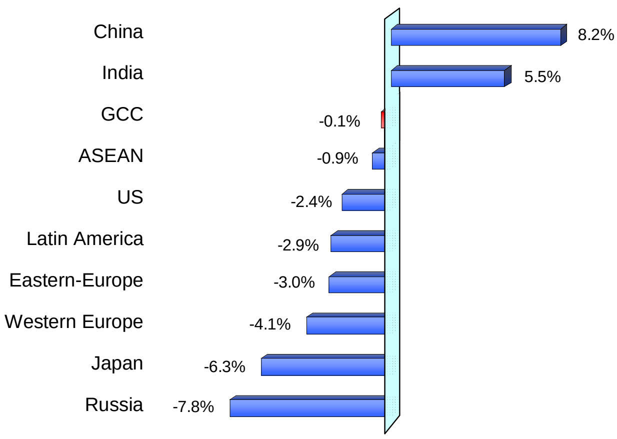
Source: Economist Intelligence Unit

With only a few exceptions, the region's banking system has been largely stable, thanks to strong capital bases and limited exposure to Western sub-prime assets which have brought misery to banks elsewhere in the world.

> ***" Our business in the Middle East is holding up well, compared to other parts of the world."***
>
> *Managing Director*
> *Multinational Manufacturing Group*

The combination of government support and low exposure to international trends have helped cushion the region against the full impact of the global downturn. As a result, the Gulf economies have performed better than most this year.

Global GDP Growth
2009 Estimate



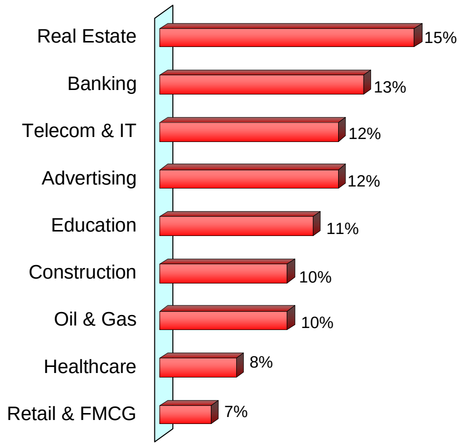
Source: Economist Intelligence Unit

Job Cuts

With the Gulf business community accustomed to years of frantic growth, the severity and suddenness of the downturn took many by surprise. For most companies, the marathon struggle to attract and retain talent in a tight market was replaced almost overnight by a sprint to cut costs.

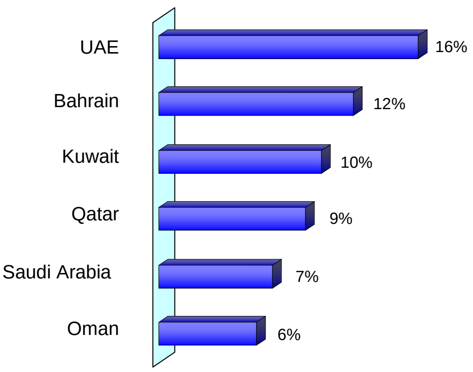
Taking advantage of the region's employer-friendly labour laws and a largely expatriate workforce, many companies cut staff numbers, some on a massive scale. Based on GulfTalent.com's survey of professionals, a total of 10%, or one in ten professionals in the Gulf, were made redundant over the 12-month period to August 2009. This was highest in the real estate sector at 15%. Among countries, the UAE ranked highest, with 16% being made redundant.

Redundancies by Sector
% of professionals in each sector



Source: GulfTalent.com Survey

Redundancies by Country
% of professionals in each country

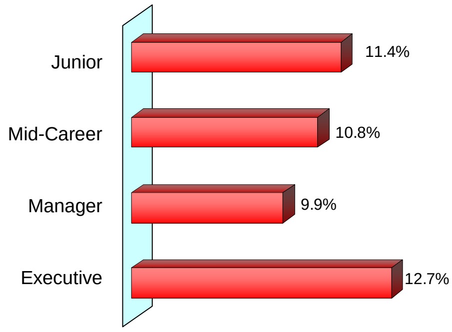


Source: GulfTalent.com Survey

The job cuts have been inordinately disruptive to the lives of many expatriates. Not only lacking social security or unemployment benefits, most are also required by local immigration laws to leave the country within 30 days of termination. With new vacancies few and extremely competitive, the loss of employment has meant an immediate relocation of themselves and their families back to their home countries.

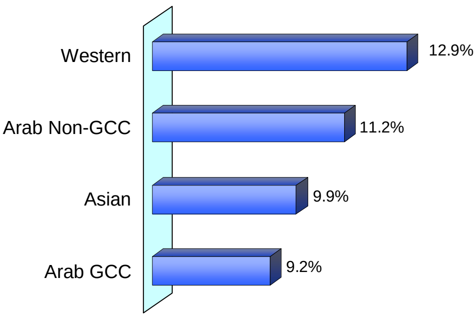
Senior executives were hit hardest by the job cuts, with an estimated 13% being made redundant. Hired not long ago on lucrative packages, many were seen as ‘quick win’ opportunities for cost saving. Some were replaced immediately with new hires, often at lower pay. This was not always a purely financial decision, however. The skill sets of some managers, hired during the boom to deal with the challenges of growth, were sometimes deemed ill-suited to navigating the rough waters of a major downturn.

Redundancies by Seniority
% of professionals in each level



Source: GulfTalent.com Survey

Redundancies by Nationality
% of professionals in each nationality

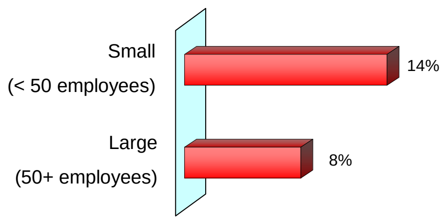


Source: GulfTalent.com Survey

On a nationality basis, Western nationals were most affected by job cuts, with 13% being made redundant, mainly due to their higher representation among senior management of companies. This was highest in the UAE, where 18% or almost one in every five Western nationals lost their jobs.

Although high-profile job cuts at large firms often made headlines, the data suggest that smaller firms had a much higher proportion of redundancies, at 14% compared to 8% in larger firms. This reflects their higher vulnerablitity in the downturn and more limited financial means, but also the faster process of decision-making that exists in small to medium-sized firms.

Redundancies by Company Size
% of professionals in each group



Source: GulfTalent.com Survey

While many redundancies were aimed at reducing costs, some were used as a cover by companies to prune their employees and get rid of under-performing staff, particularly after years of break-neck growth which had inevitably resulted in compromises on the quality and caliber of new hires.

“ We used the opportunity to get rid of some people that we should not have hired in the first place.”

Human Resources Manager
UAE Bank

Companies also resorted to other measures to cut costs – including compulsory leaves for their staff, unpaid or at half-pay, as well as reducing working hours and hence salaries, as the volume of business shrank.

“ Our staff used to get big bonuses. This year they get nothing, even if they did a good job, because the overall business cannot afford it. We are trying hard to manage their expectations.”

Human Resources Manager
Kuwaiti Retail Group

While staff retention has improved during the downturn, the atmosphere of gloom and uncertainty, job insecurity and salary stagnation have had a negative impact on general employee motivation and engagement. Some companies reported becoming alarmed at the prospect of losing their high-performing employees, even as they were making some staff redundant.

Nationalisation and Government Policy

Unlike the US and Europe, the Gulf's liberal labour laws have given companies almost full flexibility to hire and fire as they please. While nationals enjoyed some level of job security, this was not a major concern for companies, as large-scale layoffs of nationals were never required. At the same time, faced with tough nationalization targets and high attrition rates among nationals, retention was a far greater concern.

This changed somewhat in the first quarter of 2009, when the news of several UAE nationals being made redundant as part of a downsizing effort caused a storm of protests. This was followed by an announcement that companies were not permitted to terminate the employment of UAE nationals, except for gross misconduct. The news sent shockwaves across the UAE business community. At the same time, similar signals were given by other GCC governments, including in Saudi Arabia, Kuwait and Bahrain, though not always explicitly stated.

In the short term, such policies seem to have secured the jobs of nationals in the current period of downturn. Several firms reported retaining their national staff, even when they had no duties for them to perform, while they made a significant number of their expatriate staff redundant.

" We wanted to terminate some nationals, but were advised by the ministry to start with expats."

Human Resources Manager
Leading Saudi Company

As a result of the restriction, some employers appear to have become more cautious and selective in hiring nationals, conscious of the fact that attempts to fire them will be challenging.

Going forward, the issue of increasing employment opportunities for nationals is set to rise in significance across the region. With less jobs being created in a slower economy while large numbers of young nationals continue to enter the workforce every year, government pressure is likely to intensify on companies to absorb more nationals by replacing their expatriate staff.

" This year the government tried to enforce very high nationalization quotas, which were impossible to meet. We may have to hire some nationals, to stay home on 25% pay, just to meet our quotas."

Human Resources Manager
Leading Kuwaiti Group

Bahrain Labour Market Reforms

This year saw the implementation of the first phase of Bahrain's labour market reforms. One of the most radical approaches to the nationalization issue in the Gulf, the reforms had been debated between the government and business leaders for four years, with the final arrangement being significantly watered down.

The original reform blueprint developed in 2004 proposed abolishing all nationalization quotas as well as all restrictions on employment of expatriates. Instead, firms would be charged a levy of around US$3,000 per year for every expatriate they employed, in an effort to make the recruitment of Bahraini nationals economically more attractive for the private sector. The fees thus collected would go into a fund and be subsequently invested in the training of Bahraini nationals.

During the consultation period that followed, strong opposition from businesses to a high levy forced the government to reduce it drastically and hence to keep the quotas in place. The fee now stands at just US$ 300 per year, insufficient to make any meaningful difference in companies' hiring decisions between nationals versus expatriates. As a result, while the system has proven effective in generating funds for the training of young nationals, it has not achieved its initial goal of increasing employment of nationals through market forces rather than regulatory pressure.

Recruitment and Mobility Trends

With most businesses no longer expanding and staff attrition rates much lower, recruitment has slowed down significantly across the region, with many firms putting formal hiring freezes in place. Recruitment has by no means come to a halt, however, as replacement hiring has continued, while specialist skills continue to be in demand.

Some employers have sought to use the opportunity to replace low-performing staff with higher caliber professionals who were either unavailable or unaffordable during the boom.

" We did not reduce headcount, but replaced 50% of our staff with higher caliber employees at lower pay."

Human Resources Director
Saudi Automotive Group

Recruitment this year has also become much more rigorous, with employers demanding a much higher standard of candidates and subjecting them to a tougher selection process. Partly as a result of this, the recruitment cycles have become considerably longer than before.

" This is not the time to look for your dream job. It's a time to focus on survival."

Expatriate Professional
Dubai, UAE

" Our staff attrition rate has fallen to single digits. We have never had it this low."

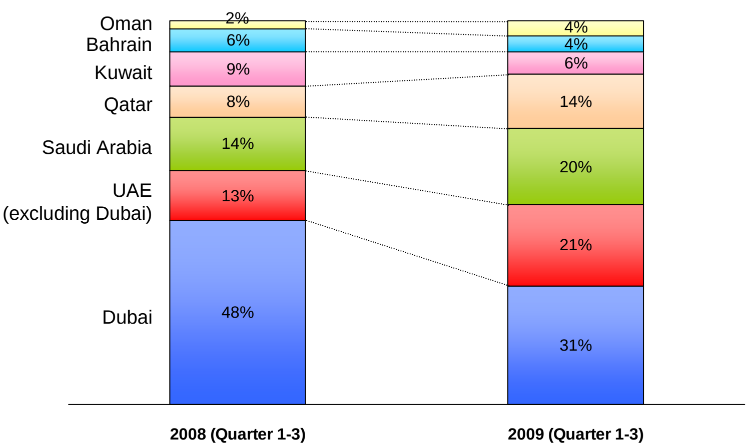
HR Manager
Kuwaiti Trading Group

With fewer jobs on offer and greater competition, the opportunistic job-hopping practices of the boom days seem a distant memory. Some candidates have inevitably been forced on to the job market, as a result of staff cuts or a sense of job insecurity, having seen their colleagues lose their jobs. Many others have become averse to a job change, preferring to hold on to their secure positions until the storm has subsided, rather than risk becoming potential victims of 'last-in first-out' redundancy policies in a new company.

Regional Mobility

One of the biggest developments of 2009 has been a change in the fortunes of Dubai, from the fastest-growing hub of the region sucking in much of the expatriate talent, to the city experiencing the region's most severe downturn. This massive and sudden change has released a large pool of human capital for use by other parts of the region.

Recruitment Volume by Location
% of vacancies advertised on GulfTalent.com *

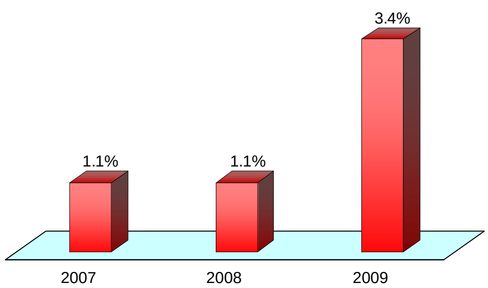


Source: GulfTalent.com
** Based on 20,000 vacancies advertised by employers and recruitment agencies on GulfTalent.com website over the specified period*

Based on data from GulfTalent.com, Dubai's share of advertised vacancies in the GCC fell from 48% during the first 9 months of 2008, to just 31% during the same period in 2009. By contrast, Abu Dhabi, Qatar and Saudi Arabia saw their shares increase significantly.

An analysis of commuting patterns reveals that, among expatriates living in Dubai, the percentage who work in Abu Dhabi has tripled over the last year from 1% to 3%, a trend also observed in the increased traffic on the 120km highway connecting the two cities. This excludes a much larger group who have relocated their residence to Abu Dhabi, as well as those who serve Abu Dhabi-based clients from their offices in Dubai.

Dubai-residents working in Abu Dhabi
As % of all working professionals living in Dubai



Source: GulfTalent.com Surveys

In addition, companies with a regional portfolio have been able to mandate internal staff relocations, some of which would have been impossible during the boom days due to employee preferences. This newly gained power of employers to re-deploy staff, coupled with the greater supply of skilled professionals in the market, has enabled them to grow their business in parts of the region where they were previously struggling due to severe staff shortages, thus minimizing the fall-out from the downturn.

The Saudi economy, with its massive size and continued growth momentum in many sectors, has been a particular blessing this year, becoming the largest source of income for many firms across the region.

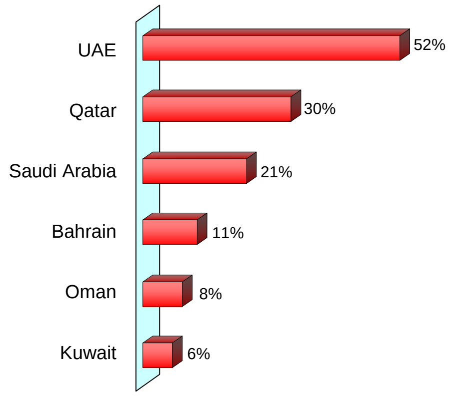
" We were hit by the cancellation of a major project in the UAE, but our business grew significantly in Saudi Arabia."

Senior Manager
Regional Construction Firm

The Kingdom itself has also been a beneficiary of this trend, with several infrastructure projects coming to life with the arrival of this fresh blood. A similar uplift has been observed in Abu Dhabi and Qatar.

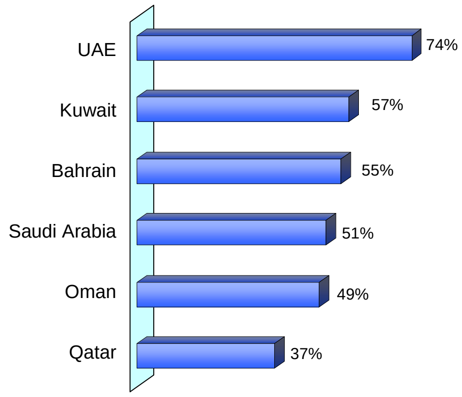
Despite the forced circumstances, employee preferences have not changed. The UAE, and Dubai in particular, remain the destinations of choice for most expatriates. Over half of expatriates surveyed by GulfTalent.com indicated the UAE as their preferred location. This implies that the mobility out of the UAE will be short-lived and is likely to reverse direction, as soon as full-scale recovery returns to the country and firms start to hire in earnest.

Attraction
% of GCC-based expats outside each country who wish to relocate into it



Source: GulfTalent.com Survey

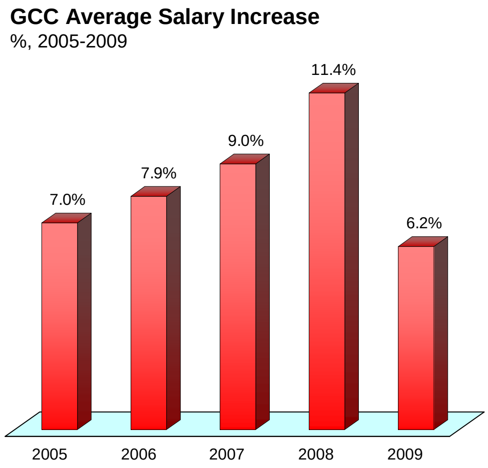
Retention
% of expats within the country who wish to remain there



Source: GulfTalent.com Survey

Salary Trends

Average salary increases in the Gulf dropped sharply to 6.2% from an average of 11.4% last year. More strikingly, almost 60% of employees received no pay increase at all, compared to just 33% over the same period last year.

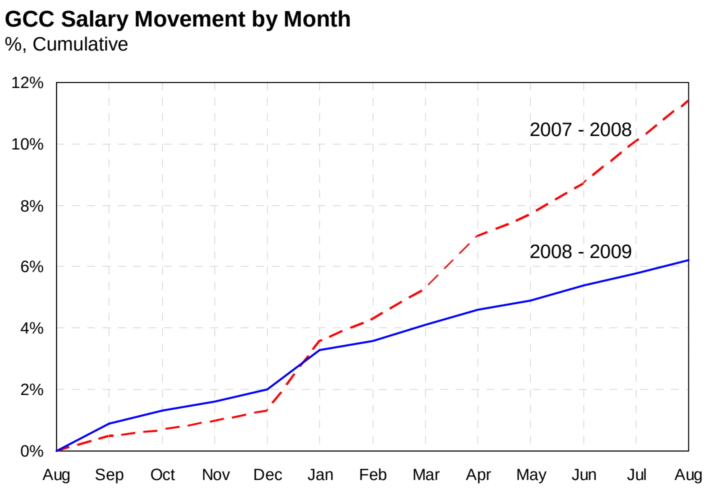


Source: GulfTalent.com Surveys

With the balance of power shifting to employers this year, the increases observed had much to do with the momentum of the previous year and previous inflationary trends that had yet to be reflected into pay packages.

> ***" We had planned our raises before the recession, but decided to keep them as we take a long-term view. We cut from other operating costs instead."***
>
> *HR Director*
> *Saudi Oil & Gas Company*

Most increments this year either took effect or had already been promised prior to January 2009, when the full extent of the slowdown gripping the region started to become apparent. Data from candidates confirms that, after January, the pace of salary increases slowed down significantly relative to the same period last year.

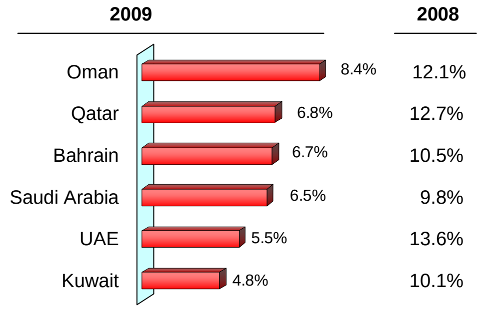


Source: GulfTalent.com Survey

Breakdown of Salary Increases

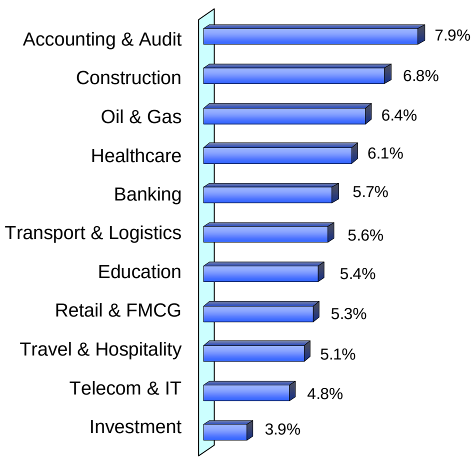
On a regional basis, Oman secured the largest average increase at 8.4%, though still much lower than last year. Qatar, Bahrain and Saudi Arabia had similar increases of around 7%. Kuwait had the smallest rise at just 4.8% while professionals in the UAE saw a pay increase of 5.5%, down sharply from 13.6% in the previous year.

Salary Increase by Country
%, 12-months to August



Source: GulfTalent.com Surveys

Salary Rise by Sector
%, 12-months to Aug. 2009

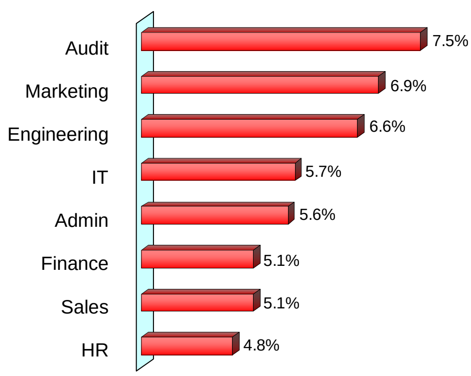


Source: GulfTalent.com Survey

On a sector basis, accounting and audit companies saw the biggest average rise at 7.9%, as concern about the financial health of firms boosted demand for audit services. Next was construction at 6.8%, down sharply from last year's figure of 15.1%. This reflects partly the huge momentum in the sector's pay rises carried over from last year, as well as growth in infrastructure projects. Investment firms offered the smallest pay rises this year.

In terms of job categories, audit professionals saw the biggest increase at 7.5%, given increased demand following the crisis. On the other hand, with the region's huge recruitment drive slowing down, human resource professionals found their skills no longer in demand, seeing their pay increase plummet from 12.1% last year to just 4.8%, the lowest increase this year among all professionals.

Salary Increase by Job Category
%, 12-months to Aug. 2009



Source: GulfTalent.com Survey

Changes in Compensation Structure

The smaller increases in base salaries, while significant, do not capture the full spectrum of measures instituted by companies on the compensation front.

Bonuses saw a drastic cut in 2009. This was most visible in investment banking and top management positions across all sectors, where the bonus often represents over half of the total package.

> ***" We cut benefits and allowances, and tried to reduce the number of staff qualifying for expatriate status."***
>
> *Human Resources Manager*
> *Leading UAE Company*

Companies have also sought to pass on more of the business risk to their employees, for example by withdrawing base salary from sales staff and requiring them to work on commission-only contracts. With the alternative being redundancy in a difficult market, many employees opted to take up the offer.

> ***" We had a company-wide pay cut for all staff; 5% for juniors, 10% for mid-level staff and 15% for top management."***
>
> *Senior Manager*
> *UAE-based Group*

Taking advantage of their improved bargaining position, almost one-third of companies surveyed by GulfTalent.com reported hiring new recruits at lower pay than their existing staff. Some companies went as far as instituting firm-wide pay cuts for all existing staff.

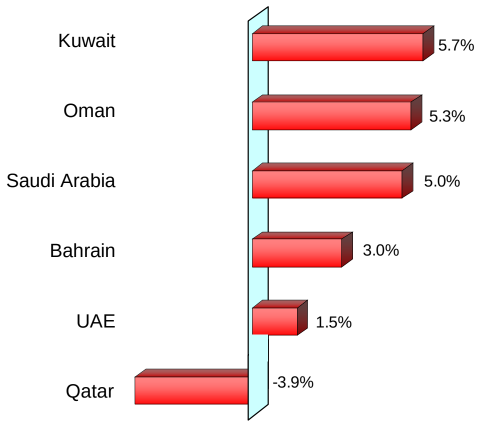
Cost of living

For the first time in years, inflation has been quite low this year and, in parts of the region, even negative. The spiraling rise in accommodation costs has finally come to a halt. Dubai and Doha, which had seen the most ferocious rent increases previously, saw rents fall by 30 to 50 percent as demand shrank while new developments continued to come on stream.

" With rents coming down so much, some of our staff have moved to bigger apartments or closer to the office."

General Manager
UAE Services Company

Inflation
%, 2009 Estimate



Source: Economist Intelligence Unit

Residents naturally benefitted from the fall, some cutting their expenditure on housing, while many used the opportunity to relocate to more popular neighborhoods.

Based on GulfTalent.com's survey results, the percentage of professionals working in Dubai who live in Sharjah declined this year from 20% to 18%, with many relocating to Dubai.

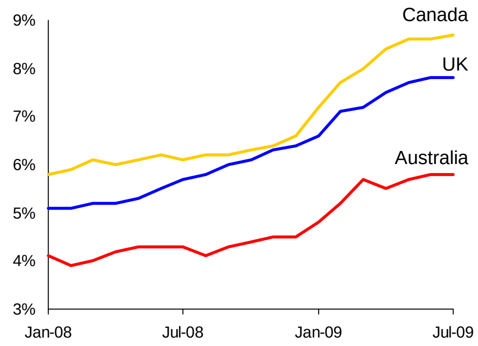
Other factors contributing to lower inflation have been the fall in global commodity prices, as well as a strengthening of the US dollar in the early part of the year, which brought down the cost of imports to the GCC.

Global Employment

With expatriates comprising over half of the workforce in the Gulf, the region is directly impacted by developments in the labour market globally.

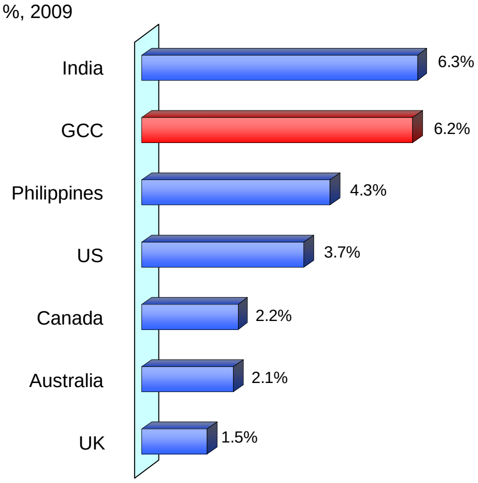
Over the past 12 months, virtually all markets worldwide have seen a rise in unemployment. Emerging markets, particularly India and the Philippines which supply the bulk of expatriates to the Gulf, have also been affected, though far less than developed countries.

Unemployment Rate
2008-2009



Source: Economist Intelligence Unit

Global Salary Increases
%, 2009



Source: Hewitt Associates, Hay Group, Mercer, GulfTalent.com

Salaries in India are estimated to have risen by an average of 6.3% in 2009, sharply down from last year's figure of 13.3%. This is helping moderate pay rises in the Gulf and improve retention.

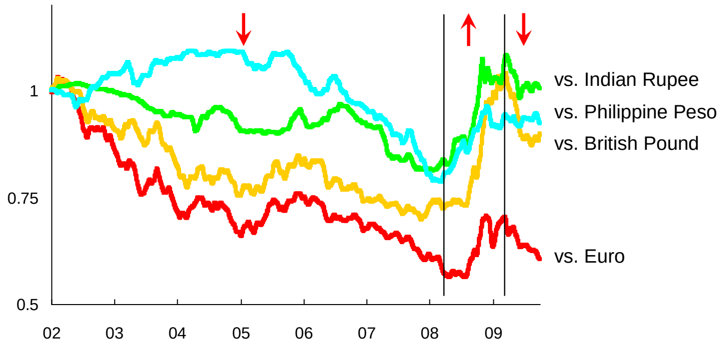
Some Gulf companies have reported that recruitment from India has become slightly easier, particularly in sectors such as construction which have been hit hardest.

Jordan, Egypt and Lebanon, which supply the bulk of the Arabic-speaking expatriates to the Gulf, have also been affected by the downturn, with previous pay pressures cooling down substantially.

Currency Movements

With the exception of the Kuwaiti Dinar, the GCC currencies remain pegged to the US dollar and therefore subject to fluctuations in the value of the US currency. This has a direct impact on the value of salaries in foreign currency terms.

Change in Value of US Dollar
2002-2009 (Indexed to 1 Jan. 2002)

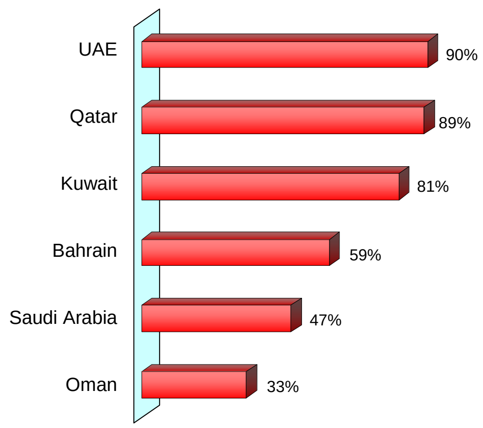


Sources: OANDA

Between 2002 to 2007, the US dollar fell by 20-45% against a range of currencies, dragging with it the value of Gulf salaries for expatriates. In 2008 the dollar staged a dramatic come-back, appreciating 20-50% against the same currencies. Since the beginning of 2009, however, the picture has reversed yet again, with the dollar sinking 5-15%. If the current weakening of the dollar persists, it will once again make it difficult for Gulf employers to attract professionals from other countries, thus putting upward pressure on salaries.

The perpetual swings in currency values are having a destabilizing impact on the job market, particularly as expatriates constitute a majority of the workforce. The fact that expatriates in the Gulf, unlike their counterparts in Western countries, cannot obtain citizenship, is further exacerbating their sense of being transitory residents and increasing their propensity to focus on their saving potential in their home currency terms.

Expatriates Workforce Population
As % of total workforce, 2006



Sources: Nationalization Surveys

Employee Rights

For several years, the GCC governments have been on a slow but steady path of gradually increasing safeguards and protections for employees, driven in part by pressure from Western partners, human rights groups and international labour organizations. This trend has continued this year, with several important developments.

Labour Law

Earlier this year, the Kuwaiti government released the draft of a new labour law, stipulating far more rights and much stronger protections for employees. The draft law is being discussed in the parliament. This follows the UAE's proposed new labour law which, in a pioneering move, was published online in 2007 for public consultation and comment. However, the UAE initial draft still remains under review and it is not clear when it may be finalized and signed into law.

No-Objection Certificate

A common feature of most Gulf countries has been the requirement for expatriates to obtain the consent of their employers before switching jobs (the so-called 'No-Objection Certificate' or NOC). The policy has historically helped employers protect their investment in employees, achieve higher retention and lower salary inflation. At the same time, it has wrought inefficiencies into the labour market, as roles could not always be filled with the candidates best suited to them. It has also contributed to a brain drain, as some professionals seeking better prospects had no choice but to look for opportunities elsewhere in the Gulf.

More governments now appear to be doing away with this policy. Bahrain formally lifted the restriction this year as part of its broader labour market reforms, while Kuwait has removed the NOC requirement from large segments of the expatriate workforce. Oman had already done so previously. The policy in the UAE is less formally articulated, but it appears that the range of sectors and circumstances under which free movement of employees can take place is growing. Saudi Arabia and Qatar still largely retain the restriction.

Wage Protection System

An interesting new development has been the introduction of the Wage Protection System (WPS) in the UAE. This essentially obliges employers to pay the salaries of all their employees to the government, who will in turn process and settle each employee's salary to him or her. The system has been designed to protect against the common problem of employees receiving their wages late, sometimes by as much as several months. Meanwhile, it may also help provide the government with more transparency on the labour market. For instance, it could help it clamp down on the common practice of companies reporting higher than actual salaries, in order to help employees qualify for visas for their families.

Minimum Wage

The governments of India and the Philippines, two major sources of expatriates to the Gulf, had in the previous years announced a minimum wage policy for all overseas employers planning to hire their nationals. Despite challenges in enforcement, there is some evidence that the policy is working, with some companies interviewed by GulfTalent.com reporting an increase in their salary for labourers as a direct consequence of the minimum wage policy.

> ***" We made some offers to candidates in the Philippines, but had to increase our salaries to meet their government's minimum wage level."***
>
> *Recruitment Manager*
> *UAE Fast Food Chain*

While this does not immediately impact salaries for professionals, it may contribute to more upward pressure on their pay. Companies will inevitably need to maintain reasonable pay differentials between grades and therefore an increase at the bottom of the pay scale can ripple through to the higher levels, particularly once the market improves and employees re-gain some bargaining power.

Future Outlook

Employment

Although the pace of job losses has stabilized, they have by no means come to an end. Based on GulfTalent.com's survey of companies, 15% of firms in the region are still executing further cuts during the fourth quarter of 2009, with the highest percentage being in the UAE at 20%.

While the first wave of redundancies was sometimes panicked reactions, the current wave is much more thought-through, often following from re-organisation studies conducted in large firms. The ongoing merger and consolidation activity is also resulting in rationalization of workforces and additional job losses. As a result, the current round of job cuts is likely to be longer-lasting in nature, with some jobs potentially lost forever.

At the same time, 51% of companies surveyed reported plans to expand their staff, albeit in modest numbers, thus more than making up for jobs being cut.

The pace of recruitment is expected to pick up further from the first quarter of 2010, as confidence returns, but is unlikely to reach the boom levels for quite some time. Companies remain cautious and will only start large-scale recruitment after a sustained period of growth. Moreover, the rationalization exercises of 2009 have made companies leaner and more efficient in their use of human resources. As such, the need to increase headcount to support their business expansion will be less than before.

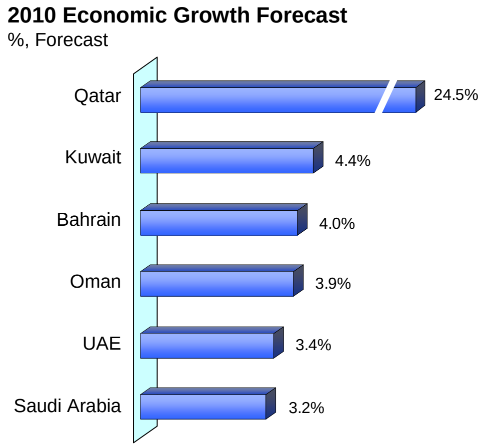
Economic Growth

Optimism about the fate of the Gulf economies has been slowly on the rise in recent months, though as of yet there are few hard facts pointing to a sustained recovery.

The oil price, the biggest driver of long-term growth in the region, has risen significantly in recent months, but remains far from the all-time peak it reached in

2008. More importantly, the freeze in credit markets and bank financing has shown some signs of easing, allowing private sector investment to potentially start again.

On the negative side, cash flow continues to pose a challenge, with many firms still struggling with the collection of their receivables, and banks suffering from a growing mountain of bad debt.



Source: Economist Intelligence Unit

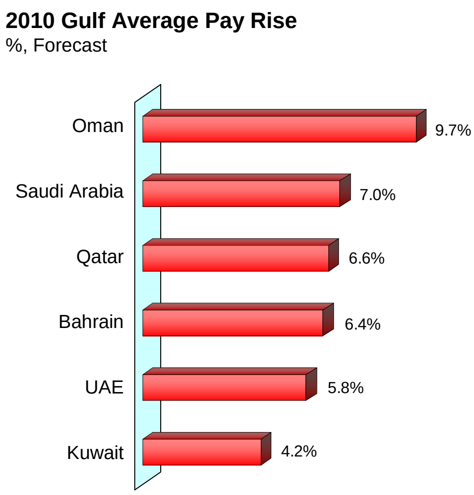
The impact of the recent announcement of debt restructuring by Dubai World remains to be seen. In particular, any dent in regional business confidence could further delay recovery.

At present, most Gulf economies are expected to have respectable growth rates of 3-4% in 2010, with the exception of Qatar which is forecast to grow at a staggering 24%, as major gas projects come on stream.

Salaries

There are no significant factors putting upward pressure on salaries. Regional and international competition for talent is moderate, and inflation remains under control. As such, pay increases are likely to be modest over the coming year.

Based on GulfTalent.com's survey of human resources managers, salaries across the Gulf are forecast to rise at an average rate of 6.3% next year. This is expected to be highest in Oman at 9.7% and lowest in Kuwait at 4.2%.



Source: GulfTalent.com Survey of HR Managers

Appendix – Useful Statistics

Salary Rise by Country
% rise in base salary

	2008	***2009***	*2010 F*
Oman	12.1%	**8.4%**	9.7%
Qatar	12.7%	**6.8%**	6.6%
Bahrain	10.5%	**6.7%**	6.4%
Saudi Arabia	9.8%	**6.5%**	7.0%
UAE	13.6%	**5.5%**	5.8%
Kuwait	10.1%	**4.8%**	4.2%

Source: GulfTalent.com Surveys

Redundancies by City
% of employees per city who lost their jobs

City	*Percentage*
Dubai	17.0%
Sharjah	14.4%
Manama	12.8%
Abu Dhabi	11.3%
Kuwait	9.6%
Khobar	9.4%
Doha	8.9%
Riyadh	8.1%
Dammam	8.0%
Jeddah	6.2%
Muscat	5.7%
Jubail	3.0%

Source: GulfTalent.com Survey

Inflation

	*2008**	*2009 F†*	*2010 F†*
Qatar	15.2%	-3.9%	3.2%
UAE	15.8%	1.5%	4.8%
Bahrain	7.0%	3.0%	3.5%
Saudi Arabia	9.9%	5.0%	3.5%
Oman	12.5%	5.3%	3.0%
Kuwait	10.5%	5.7%	4.5%

** Estimate; may differ from official government data.*
† Forecast
Source: Economist Intelligence Unit

Economic Growth

% Real GDP Change

	*2008**	*2009 F†*	*2010 F†*
Qatar	13.4%	9.2%	24.5%
Bahrain	6.3%	2.9%	4.0%
Oman	6.4%	2.7%	3.9%
Kuwait	8.5%	-0.7%	4.4%
Saudi Arabia	4.3%	-1.0%	3.2%
UAE	7.4%	-3.5%	3.4%

** Estimate; may differ from official government data.*
† Forecast
Source: Economist Intelligence Unit

Population

	Total (millions)
Saudi Arabia	25.5
UAE	5.5
Kuwait	3.5
Oman	3.0
Qatar	1.7
Bahrain	1.1

Source: Economist Intelligence Unit

Methodology

This research report was based on GulfTalent.com's survey of 24,000 professionals employed by the 3,000 largest corporations in the region, a survey of 900 human resources managers, interviews with top management of selected local and international companies, as well as a review of macroeconomic sources and relevant press literature.

All historical pay data included in the report is based on information provided by employees through an online English-language questionnaire, suitably screened and statistically analysed to arrive at the preceding results. Respondents were aged between 22-60 years old and earned an annual income ranging from US$12,000 to US$200,000. Salary increases were measured for employees in ongoing employment only, and excluded those who changed employment during the period. Salary forecasts are based on estimates provided by human resources managers. The survey was conducted during September and October 2009.

Feedback, comments and queries regarding this report to be sent to:

research@gulftalent.com

About GulfTalent.com

GulfTalent.com is the Middle East's leading online recruitment portal, with a database of over 1.5 million experienced professionals covering all sectors and job categories. It serves as the primary source of both local and expatriate talent to over 3,000 largest employers and recruitment agencies across the region. Headquartered in Dubai, GulfTalent.com covers the markets of Saudi Arabia, Kuwait, Qatar, Bahrain, Oman, Egypt, Jordan, Lebanon and the United Arab Emirates.

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- Middle East labour market research: www.gulftalent.com/HRZone
- Job opportunities in the Middle East: www.gulftalent.com
- Recruitment services for employers: www.gulftalent.com
Tel +971 4 367 2084