GCC: Are Oil Prices No Longer a Driver of Population Growth?

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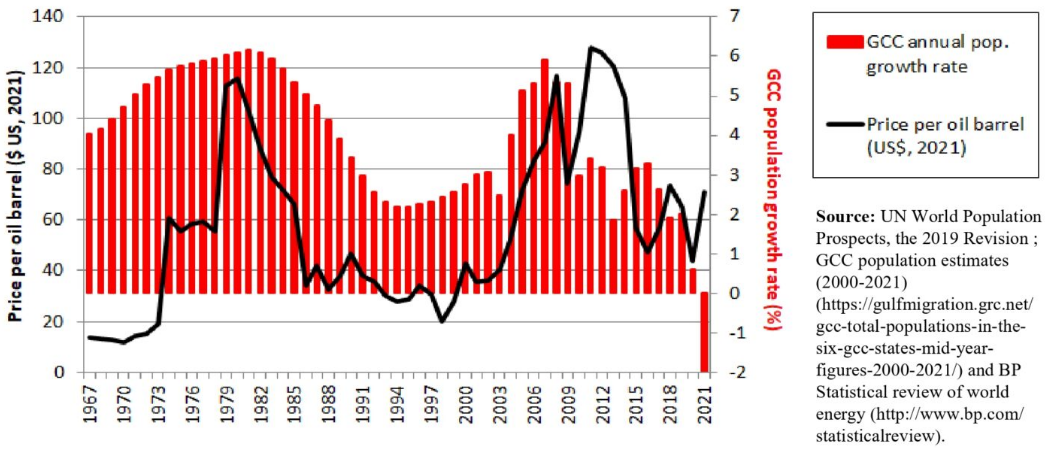
Since the onset of the exploitation of hydrocarbons in the GCC region, oil prices were to an extent, positively correlated to the volume of migration flows, and therefore, to population growth rates. Since 2010, however, and for the first time in the region's recent history, a disconnect between the two phenomena has become apparent (Figure). The transformation of the Gulf economies and the implementation of labour and migration policies now supersede oil price fluctuations as a migration driver.

Oil prices and demographic growth rates in the GCC region (1967-2021)



Source: UN World Population Prospects, the 2019 Revision ; GCC population estimates (2000-2021) (https://gulfmigration.grc.net/gcc-total-populations-in-the-six-gcc-states-mid-year-figures-2000-2021/) and BP Statistical review of world energy (http://www.bp.com/statisticalreview).

Demographic growth rates are the result of the natural increase of Gulf populations (i.e., excess of births over deaths among nationals and non-nationals), combined with non-nationals migration rates. Migrants make up a large share of Gulf resident populations: according to the most recent available data, in 2020 foreign nationals indeed made up between 39-40 percent of the total population in Oman and Saudi Arabia and 87-88 percent in Qatar and the UAE. Therefore, GCC total population growth rates are primarily driven by migration flows, especially foreign workers from Asia.

Until the late 2000s, the dynamic of these flows was driven by fluctuations in oil prices and the ensuing demand for foreign labourers in the oil-induced economic and infrastructural development process. Yet, socio-economic reforms conducted in the GCC countries reduced the size of foreign populations between 2017 (Bahrain and Oman), and 2021 (Saudi Arabia). Reforms include workforce nationalization programmes such as Nitaqat, enforced in Saudi Arabia since 2011, attempts at upskilling the workforce, and the many measures seeking to reduce employers' reliance on foreign workers (full or partial "Gulfization" of some employment sectors, fees and penalties applied to workers and their employers, etc.). The number of foreign workers in the private sector has been either stalling or decreasing since the mid-2010s, amid fluctuations in oil prices.

The downward trend reversed in 2022. Yet, the rebound of the foreign workers' inflows may compensate for immigration procedures canceled or delayed by the COVID-19 pandemic, and may not necessarily signal the end of the downward dynamics having been observed over recent years.

For sources of the data and technical details as well as a downloadable version of the table: https://gulfmigration.grc.net/glmm-database/demographic-and-economic-module/.
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