

## **Demographic Changes in the GCC Countries: Reflection and Future Projection**

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The overwhelming demographic and social changes that have changed the six-nation Gulf Cooperation Council (GCC) region (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) will continue in the coming decade. The GCC population, total 45 million people in 2011, is less than 1% of the global population. It has one of the fastest-growing populations in the world however. By 2020 this population is forecast to increase by one-third, to 53 million people. The vast majority 54% will be under 25 years of age. This is estimated to change to about 36% by 2050. The swift growth and the relative youth of the population present serious challenges as well as major opportunities (1).

The GCC is one of the wealthier regions, in terms of GDP/capita (at just under \$32,000), well above the MENA Ex. GCC, and in line with North America and Europe. It is a distinctive region due to its unique hydrocarbon reserves compared to a relatively small, national population. Growth in the six economies, in terms of spending and GDP/Capita as well as welfare, heavily relies on oil revenue to attract private investors and to provide extensive public services and subsidies to nationals. With not enough diversification in the economy, the GCC countries' government spending will continue to cause a drain on fiscal accounts.

Based on unchanged policies and historic trend, the International Monetary Fund (IMF) forecast a 2% annual growth in real GDP for the rest of the decade.

In addition, IMF also predicted an annual increase in population of 3.5%. The imbalance in growth rates requires GCC governments to look closer at their policies to better match macroeconomics priorities and objectives (5).

GCC citizens feel unaccountable for their welfare; the current education systems do not provide them with world-class, competitive skills, government employment and unemployment benefits remove the incentive for specialization and dynamic job seeking and the lack of skilled national manpower, and con-

sequent dependence on expatriate labor will remain. Reforms are needed to aid countries to diversify their economies to head away from an unrestrained fiscal drain.

### **GCC Demographic Structure**

**Size and Growth**

The GCC has a low population, when compared with other regions, totaling nearly 45 million people in 2011. The most populated country is Saudi Arabia with 28 million (65% of the total), followed by nearly 8 million in the UAE. The International Monetary Fund estimates a compounded growth rate (CAGR) of 2.41% in the next 5 years, increasing the population further to 49 million in 2016.

The growth rate is substantially lower than the CAGR throughout 2004-2008 of 5.9% (1).

By 2025, the GCC is predicted to have a total population of 57 million, to grow by about 14 million more by 2050. As of 2011, the lowest median age in the GCC is 24 years in Oman and the highest is 31 years in Qatar. The average age in the entire GCC region is 27 yrs with over 20% below the age of 15.

**The Pyramids**

The young population will predominate in the GCC over the coming decade, which is different from the ageing populations of the US and western Europe. The proportion of the population under 15 years is substantial. The fertility rate in the GCC has been declining as there is more prominent consciousness of family planning. Except for Oman, all other GCC countries' fertility rates have diminished by more than 50% (2). This could likewise be associated to the increased average cost for basic items and increased education prospects for women. As the age of marriage increases, this diminishing pattern in birth rates is anticipated to persist. In addition, GCC pyramids have a skewed lump in the male section, particularly working age, which is because of the high number of male expatriates in the countries (3).

While the more youthful age group (15-24) comprises the main part of the Arab population, development rates among nations vary enormously and are falling over time, showing that this section will encounter declining swelling rates going forward. Between 1995-2010 Yemen had the most noteworthy rate among Arab nations, with the young population multiplying in a fast way, however this is predicted to swell by under 40% throughout the following 15 years.

Saudi Arabia saw its young population swell by 66% in the course of the most recent 15 years, yet this rate is predicted to tumble to only 15% through 2025. It is fascinating to take note of that the adolescent population 15-24 will decrease in Iran, Algeria, Morocco, Tunisia, Lebanon, and Turkey throughout the following 15 years, showing pointedly declining birth rates and additionally expanded newborn infant death rates.

The enormous size of the youthful population, which has expanded access to education, the global media and new advancements, proposes that social states of mind and standards may change quickly.

The current pattern of more women entering the work force is probably going to proceed, buttressed by expanded interest in educating women for employment, an adjustment in social demeanors and the production of good examples for another age of working women. Organizations will confront strains to adjust to this pattern, yet won't really utilize similar models found in the West.

The population will stay very young over the forecast period, in divergence to the ageing populations of the US and western Europe. The percentage of the population under 5 years of age will drop from 29% in 2008 to 24% in 2020, but will remain sizeable. The large size of the young population, which has increasing access to education, the international media and new technologies, indicates that social attitudes and norms may change fast.

### **Population trends**

Demographic trends normally change gradually and population totals usually are considered as being among the easier economic indicators to forecast. However, population growth in the GCC is profoundly driven by immigration trends, with expatriates making up 42% of the region's population in 2009. This leads to population totals being less foreseeable. There are three possible scenarios.

The GCC's population would flourish from an estimated 39.6 million in 2008 to 53.4 million in 2020— a 33% increase over 12 years. This level of population growth will need marked investment in infrastructure and services, including power, water, transport, housing, healthcare and education. This will place pressure on government budgets. Much of the GCC's current spending goes on wages, subsidies, healthcare and education. The need for these services will increase parallel to population growth.

Urbanization of the population is already there, and this will endure to remain the situation, with added pressure on urban infrastructure and housing. Where space permits, some gov-

ernments will endeavor to develop new policies to decrease the stress on current cities, such as the "economic cities" in Saudi Arabia.

By 2020 only the Africa region will have a younger population profile than the Middle East. The US and Europe will progressively seek to attract younger migrants from overseas to help decrease their old/young dependency ratio, and, in particular, to help fund pensions. These countries are also expected to make rising efforts to entice foreign students to their universities as their own populations age.

The relative youth of the population will constrain the healthcare burden on public spending, but young GCC nationals will also hurt from what are sometimes termed diseases of prosperity, such as diabetes or smoking-related diseases. There is a challenge to provide adequate healthcare needs of the region over the next 10-20 years. Most governments in the region have already made important preparations to meet the challenge. Currently some 75% of healthcare spending in the GCC is funded by the public sector. Obesity and cardiovascular diseases, are expected to account for a significantly larger proportion of total healthcare costs in the future.

It is predicted that spending on healthcare as a proportion of GDP will rise from current levels of less than 5%, but will not reach the level spent in Europe (typically around 8%) or the US (5%) by 2020.

The large size of the young population, and its rising access to education, the international media and new technologies, indicates that social attitudes and norms will change fast. The new generation of young people in the GCC will be highly educated, and will thus have high expectations of high-status future employment.

They will be progressively technologically literate. Many will be prosperous and well-travelled, and educated overseas, giving them a high awareness of different lifestyles, and cultures. Even those who are not educated abroad will be more likely to speak foreign languages and to use the Internet to communicate with young people from other countries and cultures.

### **The Expatriate**

Most of the of the GCC population comprises expatriates. In light of 2010 Information, Credit Suisse stated Qatar as having 86.5% expatriates, the highest percentage of international migrants in the world, despite the fact that these tend to have a transient quality and relocate in and out on a regular basis.

This is trailed by 70% and 68.8% in Kuwait and the UAE, respectively.

The GCC region as a whole has an average of 53.43% of expatriates matched to an average of 9.5% in the MENA region. Qatar has the biggest immigration rate in the world with 40.62 of 1,000 people entering the country being expatriates. None of the GCC countries have a negative net immigration rate which demonstrates that there is always a higher rate of expatriates entering than leaving.

**Table 1: Expatriate Population 2010**

<b>Qatar</b>	<b>86.5%</b>
<b>UAE</b>	<b>70%</b>
<b>Kuwait</b>	<b>68.8%</b>
<b>Bahrain</b>	<b>39.1%</b>
<b>Oman</b>	<b>28.4%</b>
<b>Saudi Arabia</b>	<b>27.8%</b>

The high inflow of expatriates is reflected in the GCC labor force. The positions filled by expatriates extend from low-paying, low-skilled construction jobs to exceedingly professional and dedicated jobs. Closely, 4.5 million nationals are potentially entering the job market compared to 5 million nationals who were employed in 2010. IMF predicts that an extra 2 to 3 million nationals will not be capable of finding jobs (4).

### **Welfare**

GCC countries are famous for their liberal and broad welfare framework. The government appropriated its oil incomes for vital motivations to guarantee accessible fundamental services. Most government services are either at no cost or at exceptionally subsidized prices such as electricity, water, gas, healthcare and commodities such as food. Aside from Oman where local companies are taxed, taxes in the other GCC countries mainly consist of foreign corporation income taxes.

This welfare system is stressed and frustrated by the Elderly Support Ratio, which calculates the degree to which the youth population is able to support the aging and retired. Currently, on a global scale, there are 9 working age persons supporting one non-working age person while in the GCC the ratio is significantly higher, with the UAE and Qatar having the highest at nearly 80 people in support of one senior citizen.

At present, on a worldwide scale, there are 9 working age people supporting one non-working age individual while in the GCC the proportion is altogether higher, with the UAE and Qatar having the most noteworthy at almost 80 individuals in help of one senior resident. Be that as it may, a stark inversion is normal in only 40 years, when this proportion is anticipated that would drop to the low single digits over the GCC. This basically implies that by 2050, Kuwait, for instance, will have only 3 working age people supporting one senior citizen; this will constitute a noteworthy strain on resources for the country.

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## GCC Population: core scenario by country

	2000	2005	2010	2015	2020
<b>Total (m)</b>	<b>29.63</b>	<b>35.08</b>	<b>41.45</b>	<b>47.52</b>	<b>53.41</b>
Average annual change over previous five years	2.80	3.44	3.40	2.80	2.40
Saudi Arabia	20.47	23.12	26.18	29.59	33.34
Kuwait	2.23	2.99	3.58	4.40	5.20
UAE	2.4	4.61	5.57	6.44	7.06
Bahrain	0.64	0.89	1.18	1.45	1.66
Oman	2.40	2.51	3.11	3.32	3.53
Qatar	0.64	0.97	1.82	2.33	2.79

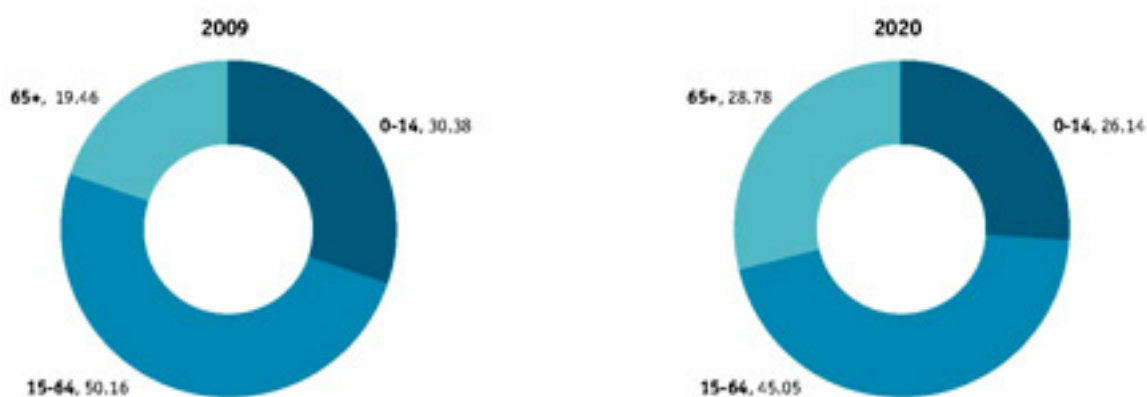
Sources: IMF; individual country statistical agencies (historical data); Economist Intelligence Unit long-term forecasts. (Our population growth estimates are based on separate projections for each GCC state and population growth is projected to be higher in some of the smaller countries.)

**Figure : GCC Population Pyramid – 2010/2050**



Source: US Census

**Age breakdown**  
(% of population)



Source: Economist Intelligence Unit.

Table : GCC Elderly Support Ratio									
	Elderly Support Ratio*		Life Expectancy at Birth (yrs)			% Urban	Pop. Per km <sup>2</sup>	GDP/capita (US\$) – 2009	Mobile Subscribers per 100 inhabitants
	2010	2050	All	Male	Female				
<b>World</b>	<b>9</b>	<b>4</b>	<b>69</b>	<b>67</b>	<b>71</b>	<b>50</b>	<b>51</b>	<b>10,030</b>	<b>60</b>
United Arab Emirates	79	9	77	77	79	83	14	38,960	143
Qatar	78	5	76	75	77	100	152	61,532	131
Bahrain	32	4	75	73	77	100	1,807	17,609	186
Kuwait	32	3	78	76	80	98	175	41,365	100
Saudi Arabia	22	5	76	74	78	81	64	13,901	209
Oman	21	4	72	70	74	72	10	17,280	116

\* Elderly Support Ratio = Working age population (age 15-64) / Population 65+

Source: 2010 World Population Data Sheet, Population Reference Bureau, GDP/Capita sourced from World Bank Data