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The Middle East Conflict and Its Implications for Pakistani Migrant Workers



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Key Highlights

Pakistan's heavy reliance on the Middle East for labor export and earn remittances remains a critical vulnerability. If the current conflict prolongs, there is a likely that;

- Around half a million of new entrants may not go to Middle East in 2026 and more than half a million are expected to repatriate—a serious implication on the domestic labor market.
- The disruption may cause an adverse impact on remittances from USD 3-4 billion annually.

Executive Summary

Pakistan's economic stability is significantly linked with the Middle East, a region that hosts 0.7-0.8 million new entrants from Pakistan each year and contribute 54% in country's total remittances. Currently around 6 million Pakistani are working in the Middle East. The ongoing Iran-USA war has shaken the Middle East prestige as a safe wealth hub. If the conflict prolong, the international investment from the region may shift to alternative places and there is a likely that a large number of Pakistani workers will return back.

Our research shows that During 2010-24 periods, around 8 million workers were placed in the Middle East—that is near to one-third of the total new entrants (25.9 million) in labor market. If the conflict prolongs, there is a likely that around half a million of workers may not go abroad

this year, and another half a million could be forced to repatriate. This combined influx will have serious implications on domestic labor market, particularly in Khyber Pakhtunkhwa and Punjab, where migration traditionally absorbs nearly one-third of new labor entrants.

Remittances, which currently constitute 10% of Pakistan's GDP and exceed the value of total goods exports, face a potential decline of USD 3-4 billion. Such a shortfall would destabilize the exchange rate and widen the current account deficit.

Introduction

Most countries rely on three main channels to earn foreign exchange; export, remittances and foreign direct investment (FDI). In Pakistan's case, exports have remained largely stagnant due to several structural constraints and recorded an 8.7% decline during first seven months of FY26. FDI inflows over the last two decades remain modest and limited to few sectors, averaging USD 1-2 billion annually. These inflows are largely dependent on political situation and prevailing economic environment. In contrast, workers' remittances have demonstrated consistent and robust growth over the past twenty-five years, increasing from approximately USD 1 billion to nearly USD 40 billion this year. This steady rise has made remittances a critical and relatively stable source of foreign exchange for the country.

The Middle East countries provide enormous employment opportunities for Pakistani Workers by providing temporary migration where on average a worker's stay is 7-10 years. The top-five destination for Pakistani workers are Saudi Arabia, United Arab Emirates (UAE), Oman, Bahrain and Qatar. An overpoweringly large reliance on these countries for jobs and remittances is a cause of concern for Pakistan due to the heightened vulnerability associated with having so many workers in a few places that are not immune to economic fluctuations [1].

Over the last four decades, the Middle East has successfully attracted global elite due to tax-free income, business friendly policies and security. The luxury real-estate market has steadily grown and alone in 2025, around 9,800 millionaires moved to Dubai, bringing USD 63 billion in wealth [2, 3]. The population of expatriates is around 52% of the total population in the Gulf states, it goes to above 85% for UAE and Qatar—a backbone of the labor market. These expats are the lifeline of country as they provide talent, labor and investment [4].

The launch of Dubai International Financial Center (DIFC) in 2004 attracted international firms to setup their offices in Dubai. By 2025 it become an economic hub hosting over 290 banks, 102 hedge funds, 500 wealth management firms and 1,289 family-related entities [5]. Besides investment friendly policies, the rise of Dubai was also shaped by the search for safety, i.e., civil conflict in Syria, Arab spring, Russian-Ukraine war, etc.

The ongoing Iran-USA war has shaken the Middle East's long build prestige as a safe wealth hub. Iran's reciprocal strikes have not only caused physical damage but also has undermine the psychological confidence that took around four decades to build the image. The history shows that in 60s and 70s of the previous century, Beirut was also a thriving hub of tourism and international investment but civil war traumatized it, and perhaps the Middle East might also face a similar situation. The longer the war continues, the more expats would move to alternative locations and international investment in UAE would compromise. Ultimately, the true impact will hinge on how long the conflict lasts and how deeply it affects regional security.

This policy brief aims to answer some pertinent question that how much the Iran-USA-Israel war would interrupt the overseas migration, both outflows and return flows. It also examines how Pakistan can strengthen future reintegration efforts for returning migrants by

incorporating lessons from unforeseen crises and developing more resilient support mechanisms.

Pakistan's Labor Dependence on Middle East

Pakistan heavily relies on overseas migration for employment of its large workforce. Being a young populous country, annual labor force growth rate stands at 4%—near to 2 million workers enter annually into the labor force. On the other hand, the economic growth is hardly around 3-4% and not sufficient to absorb the new entrants. In this situation, overseas employment is a big respite for the local labor market as every year more than half of million workers go abroad.

The registered data by Bureau of Emigration & Overseas Employment (BEOE) shows that country has exported around 10 million workers to more than 50 countries through official procedures during 2011 to 2025; 9 million of them went to Middle East with a 90% share. Saudi Arabia is the major destination followed by the UAE (Table 1). The statistics is largely under-reported as overseas migration to other regions in shape of students, family migration and illegal emigrants is not documented by the Bureau.

Table 1: Overseas Pakistani Migrant Workers in Middle East from 2011-25 (in Million)

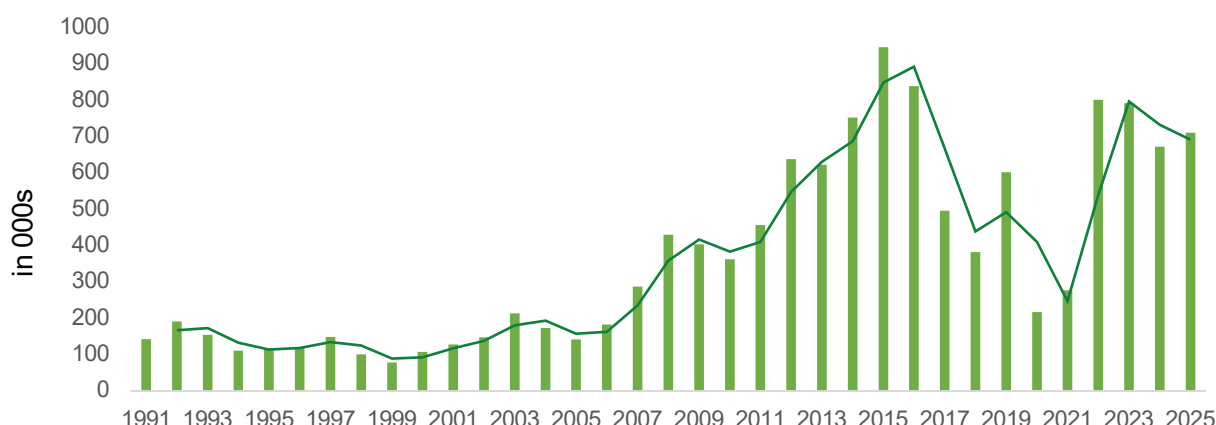
Countries	2011-15	2016-20	2021-25	Total	% share
Saudi Arabia	1,686,548	1,176,011	2,080,455	4,943,014	54.5
U.A.E	1,289,725	1,044,664	502,607	2,836,996	31.3
Oman	258,307	153,401	271,738	683,446	7.5
Qatar	43,343	69,084	260,292	372,719	4.1
Bahrain	49,026	37,922	102,899	189,847	2.1
Kuwait	703	2,581	14,497	17,781	0.2
Iraq	2,733	5,381	22,291	30,405	0.3
Total	3,330,385	2,489,044	3,254,779	9,074,208	100

Source: Bureau of Emigration & Overseas Employment (BEOE)

It depends on the economic condition of Middle East to absorb expat workers. Earlier, the oil price crash (2014-16) and COVID recession (2020-21) largely impacted the export of Pakistani workers to these countries (Figure 1). The country again picked momentum in 2022, however, there is a likely that ongoing Iran-USA war would again impact the Pakistani's emigrants.

1. The growth-employment elasticity suggests that Pakistan requires around 7-8% growth to absorb the rising labor force.

Figure 1: Annual Placement of Pakistani Workers in Middle East 1991-2025 (in 000s)



Source: Bureau of Emigration & Overseas Employment (BEOE)

The overseas migration to the Middle East countries provides a big relief to Pakistani labor market as every year on average more than 06 lakh workers went to these countries since 2011. Overall, Middle East contributes more than half of the country's total remittances share (Table 2).

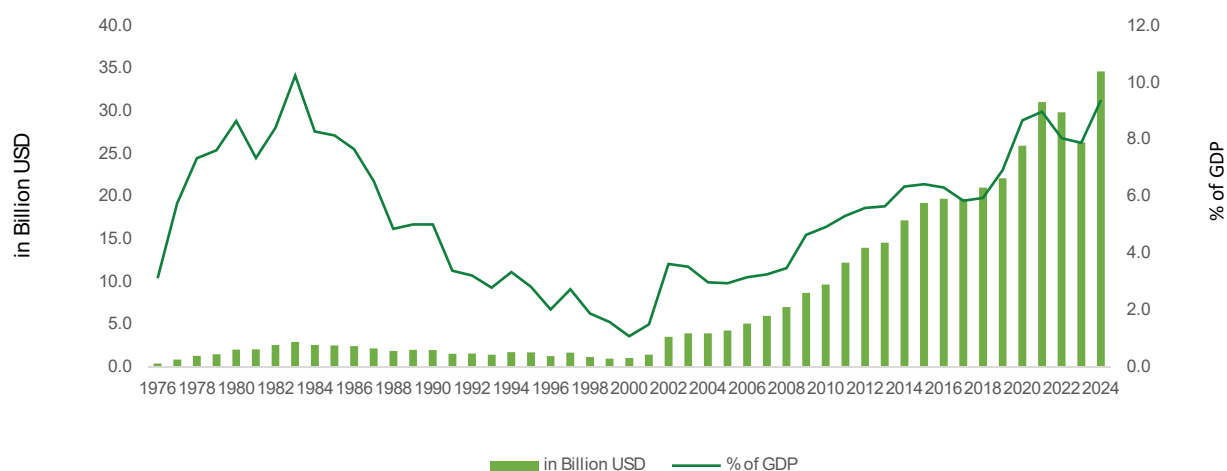
Table 2: Worker's Remittances from Various Countries (January to December 2025)

Countries	In Million USD	% share
Saudi Arabia	9,637	24.0
UAE	8,335	20.7
Other GCC countries	3,795	9.4
USA	3,613	9.0
United Kingdom	6,193	15.4
European countries	5,030	12.5
Other countries	3,587	8.9
Total	40,190	100

Source: State Bank of Pakistan

Both migration and remittances have played a crucial role in the country's national and regional development as well as promoting the middle class. During last two decades, workers' remittances from abroad have had a rising share in GDP; currently, it stands at 10% (Figure 2). Over the last decade, the received volume of remittances outreached the goods and services exports which helped in overcoming trade deficit, forex reserves accumulation, lowering pressure on foreign borrowing, and helping the government in managing fiscal need.

Figure 2: Remittances earned by Pakistani workers



Source: World Bank database

Impact of War on Labor and Remittances

The first most impact of the war would be on reduction in outflow of emigrants and if the war would prolong, many of the workers are likely to comeback. Overseas migration to Middle East is a major relief for domestic labor market as country has successfully exported near to one-third of the new entrants during 2010-24 period (Table 3). In case of prolong war, abrupton in outflows and return migration would raise pressure on unemployment and poverty.

The country's labor force increased from 57 million in 2010 to 83 million in 2024. During 2010-24 periods, around 8 million workers were placed in the Middle East—that is near to one-third of the total new entrants (25.9 million) in labor market. Both the Khyber Pakhtunkhwa and Punjab provinces are at the foremost to successfully place their significant youth in Middle East. It has definitely reduced the pressures on the local labor market, as economic growth is not enough to absorb influx of youth by providing them decent job opportunities.

Table 3: Overseas migration as a proportion of new entrants in the labor force, 2010 to 2024

Province	Labor force 10 years and above (in million)		Change in labor force 2010 & 2024 (in million)	Workers placed abroad during 2010-2024 (in million) *	Emigrants as % of new entrants in labor market 2010-2024
	2010	2024			
Punjab	34.4	48.2	13.8	4.8	34.7
Sindh	14.1	18.5	4.4	0.8	18.0
Khyber Pakhtunkhwa	6.6	12.5	5.9	2.3	38.9
Balochistan	2.2	4.0	1.8	0.1	5.7
National	57.2	83.1	25.9	8.0	30.9

Source: Estimated by using Labor Force Survey (2010 & 2024), * Bureau of Emigration & Overseas Employment (BEOE)

It is difficult to accurately assess the impact of war on overseas migration and potential return flows. However, some facts are well known, for example, there was zero placement of workers abroad in few months during COVID pandemic and around one million workers did not go abroad in 2020 and 2021 due to COVID pandemic [6].

Taking the average of last three years (2023, 2024 and 2025) as the threshold, we have built three scenarios to calculate that how much workers would not be able to go abroad due to war for 2026 year. Under the low scenario, the impact on outflow is 114,000, 228,000 under medium scenario, and 380,000 under the high scenario (Table 4).

If war prolong or economy of Middle East face another recession, there is a likely of return migration. There is no exact number of stock of Pakistani migrants in the Middle East. However, their stay time is around 7-10 years. Keeping in view, we have assumed the stock of 6 million; the number of workers who went during 2016-2025 period. Again, three variants are developed to estimate the return flows of Pakistani workers - low, medium and high keeping in view the COVID pandemic impact where around half of the million workers could not go abroad. The estimates reveal that 0.3 million to 1.4 million workers may return home, equal to 0.5% to 2.4% of the domestic labor force (under various scenario). A substantial number of workers, who would have been placed abroad as fresh migrants or would not have left their overseas jobs, may seek employment in the domestic labor market, result to an unprecedented increase in the unemployment rate, particularly in Khyber Pakhtunkhwa (Table 4).

Table 4: Impact of War on Labor Market (in 000s)

Year	National	Punjab	Sindh	KP	Balochistan	Others*
Average of workers went in 2023, 2024 & 2025)	759	429	64	242	6	44
A: No. of Workers who could not go Middle East in 2026 due to war (A)						
2026: low scenario (15%)	114	64	10	36	1	7
2026: medium scenario (30%)	228	129	19	73	2	13
2026: High scenario (50%)	379	215	32	121	3	22
B: No. of Workers who can return from Middle East in 2026 due to war						
2026: low scenario (5%)	284	139	22	106	2	15
2026: medium scenario (15%)	853	418	66	317	7	45
2026: High scenario (25%)	1,422	696	110	529	11	75
Combined impact on Workers (A+B)						
2026: low scenario	398	204	32	142	3	22
2026: medium scenario	1081	547	85	390	9	58
2026: High scenario	1,801	911	142	650	14	97
Impact on Labor Force						
Low (% of labor force)	0.5	0.5	0.2	1.2	0.1	0.5
Medium (% of labor force)	1.5	1.3	0.5	3.4	0.2	1.5
High (% of labor force)	2.4	2.1	0.9	5.7	0.4	2.4

* Others include AJK, ICT and northern areas

Source: Calculation based on BEOE provincial level data and 2024 Labor Force Survey

The potential adverse impacts on Pakistan's economy are multifaceted, including disruption in trade routes, escalating energy cost, import bill and increase in inflation. These factors with strained remittance inflows will pose significant risks to financial stability and exchange rate. A rise in energy prices will impact domestic inflation and will further erode the export competitiveness due to increase in production cost and freight costs. In addition, exports to the Middle East, which account for around 11% of Pakistan's total exports, may face pressure due to regional instability.

The volatility of the global market is evidenced by crude oil prices surging nearly 50% within

the first ten days of the war. Another research from the Pakistan Institute of Development Economics (PIDE) suggests that a three-month closure of the Strait of Hormuz could drive oil prices to between \$120 and \$150 per barrel. Such a scenario would effectively triple Pakistan's monthly oil import bill to \$4.5 billion and cause the inflation to spike from 7% to 17%, severely destabilizing the macroeconomic environment.

Remittance inflows could also be affected if the war prolongs as more than half of the remittances receipt account from Middle East. Our analysis shows that the impact of war could be from USD 1 billion to more than 4 billion (Table 5). This all would hurt the economic stability that country is trying to achieve through reduction in both the trade and fiscal deficits.

Table 5: Impact of War on Labor Remittances (in Million USDs)

Country	Low impact @ 5%	Medium impact @ 10%	High Impact @ 20%
Saudi Arabia	482	964	1,927
UAE	417	834	1,667
Other GCC countries	190	380	759
Total Impact	1,088	2,177	4,353

The remittances from Middle East plays a pivotal role in country's socio-economic development. Remittances serves as a critical lifeline for millions of families, sustaining essential expenditures on education, health, and entrepreneurial activities. The high emigrant districts have a spillover effect of remittances on the local economy, particularly in construction, real estate, and rural economy—promoting agriculture and non-form activities. A substantial proportion of remittance inflows is channeled into construction-related activities, with estimates suggesting that approximately 60% is invested in the real estate and construction sectors. This investment not only stimulates local economic activity but also generates employment and supports ancillary industries.

Conclusion and Way Forward

Pakistan's economy is passing through a stabilization phase, backed by an IMF reform agenda. This transition is evident through reduction in inflation, exchange rate stability, sustained rise in remittances and rising exports in IT sector. Tax collection has improved significantly, enabling the country to achieve a primary surplus and a manageable current account. Despite these gains, structural vulnerabilities still remain, i.e., narrowed export basket, weak productivity base and stagnant export basket. Within the existing economic framework, there are limited buffers to absorb adverse shocks by placing the economy at right trajectory.

The Crises of Middle East and instability in the region would halt the economic stabilization and reform agenda. The war has already impacted on fuel led inflation, rise in production and freight costs for exporters, and place additional pressure on the exchange rate and fiscal position. At the same time, prolonged conflict will affect remittance inflows from the Middle East that is hosting 5-6 millions of Pakistani workers with a country's more than half of remittance share. In addition, labor markets in Gulf countries are also undergoing structural changes through labor nationalization policies such as Saudization in Saudi Arabia and Emiratization in the UAE, which aim to increase the participation of local citizens in private sector employment and may gradually reduce demand for foreign workers, including those from Pakistan. Exports will also

face uncertainty as Middle East absorbs around 11% of exports and sits along critical trade corridor passing through Red Sea and Persian Gulf. Any sustained disruption in these routes would heighten uncertainty for exporters and compound challenges for the external sector.

As a way forward, following policy implications are noteworthy;

Immediate

1. Ministry of Overseas Pakistanis and Human Resource Development should take up the matter with GCC countries to secure subsistence compensation for Pakistani workers who have lost their jobs due to the conflict, in order to prevent forced return migration. The Ministry should take up the matter to ensure visa extensions for workers affected by flight disruptions.
2. Given the prevailing climate of uncertainty among the Pakistani diaspora in the Middle East, a specialized helpline or portal would facilitate the workers to register their complaints and grievances.

Medium and Long-term

3. Overseas migration to the Middle East is temporary with an average span of a worker from 7-10 years. Their skill-set and experience could be highly useful for the economy to promote entrepreneurial activities and the development of SMEs. The country need a comprehensive reintegration framework to support individual return migrants through helping them find jobs, providing housing and granting credit. Certain saving schemes (bonds for overseas Pakistani) can effectively help them to accumulate saving and start business.
4. There is a likely that any socio-political shock or as like COVID pandemic can cause massive return migration in future where a large number of workers have to return back with no preparedness. The same happened with Pakistani workers in the 1990 Kuwait-Iraq war. The country must have a policy perspective to avoid any catastrophe for decent reintegration of returnees by ensuring the economic self-sufficiency, social stability, and psychosocial well-being of such returnees [6].
5. Most of the Middle East countries have updated their expat policies to reduce demand of overseas workers, particularly the Saudi Arabia. There is a strategic need to diversify the Pakistani diaspora with migration to emerging markets having limited concentration of Pakistani workers, i.e., East Asian countries, Latin America, Australia and New Zealand. To mitigate the risks associated with geographic concentration, the government should implement targeted awareness campaigns and globally competitive skill-development programs for youth. Simultaneously, proactive diplomatic engagement and bilateral negotiations with these new host countries are essential to secure alternative migration pathways and ensure long-term economic resilience.
6. Various Pakistanis face forced return due to irregular migration, non-renewal of visas, health issues, financial hurdles, and other crises. The government must ensure such Pakistanis' safe and dignified return by providing travel assistance, logistic support, and necessary counseling on arrival. Certain credit schemes would help their smooth labor market integration.

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