

Relocation of people from Russia to Armenia: results of survey and economic implications

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Executive Summary (1/2)

Relocation of people from RUS, BLR, and UKR to ARM

- 24 Feb - 31 May: stock of visitors increased by approx. 24,400 people
- Increase falls mostly in spring and thus outside the usual vacation periods
- Thus: we assume that approx. 24,400 people relocated from RUS, BLR, and UKR to ARM between the start of war on 24 Feb and the 31 May 2022

Results of survey conducted by CRRC-Armenia on behalf of GET

- People from Russia, Belarus, and Ukraine who relocated to ARM after 24 Feb 2022 are **mostly young and highly skilled professional**
- 63% are full-time employees, working in high-skilled white-collar jobs, **mostly in the information and technology sectors** for companies based in Russia (36%), Armenia (35%), and the US (13%)
- The average monthly income of a relocated household in ARM is approx. USD 3,500, while the **average monthly expenditure is around USD 1,300**. Around USD 500 is spent on monthly rent per household
- **46% of relocated people plan to stay in ARM longer than six months**. Convenience-related matters were the primary motivators behind the decision to move to Armenia
- Absolute **majority feels welcome in Armenia** and would recommend others to relocate. The plurality has not experienced any serious problems when staying in Armenia.

Executive Summary (2/2)

Estimation of economic impact

	Mar-22	Apr-22	May-22	Jun-22 – Dec-22*
Total relocated persons**	11,600	18,400	24,400	28,000
Total relocated households***	5,800	9,200	12,200	14,000
Consumption of relocated HH (USD m)	7.5	12.0	15.9	18.2
Total in 2022 (USD m)				162.8

Sources: Armstat, GET. Visitor figures rounded to full hundreds; *Forecast based on a slowdown of the Mar-May trend, **Assumption: two people per household, ***Average monthly consumption expenditure of approx. USD 1,300 assumed based on survey results

- Assuming that the stock of relocated persons has stabilised after May-22: consumption expenditures would amount to **USD 163 m or approx. 1.2% of GDP** in 2022
- The relocation of approx. **28,000 persons from RUS, BLR and UKR** entails a positive shock on aggregate demand (and thus GDP growth) and the balance of payments
- This is one of the main reasons why the war in Ukraine has a limited effect on the ARM economy. But: it also entails negative implications for inflation and social policy (rents)

Policy implications

- Economic/political prospects in Russia are severely impaired for the foreseeable future
- Chance to attract high-skilled people for the longer term; especially in the IT sector
- But: need to control for negative policy implications of windfall income (Dutch disease)

Outline

1. Influx of people from Russia

- i. Motivation
- ii. Descriptive analysis

2. Results of the survey conducted by CRRC-Armenia

- i. Methodology and caveats
- ii. Demographic profile
- iii. Employment
- iv. Living and housing conditions
- v. Income
- vi. Expenditures
- vii. Integration and future plans

3. Estimation of the economic impact

- i. Methodology and assumptions
- ii. Description of scenarios for the remaining year
- iii. Estimation of total expenditures in ARM of migrants from Russia

4. Discussion on policy implications

1. Influx of people from Russia

1.1. Motivation

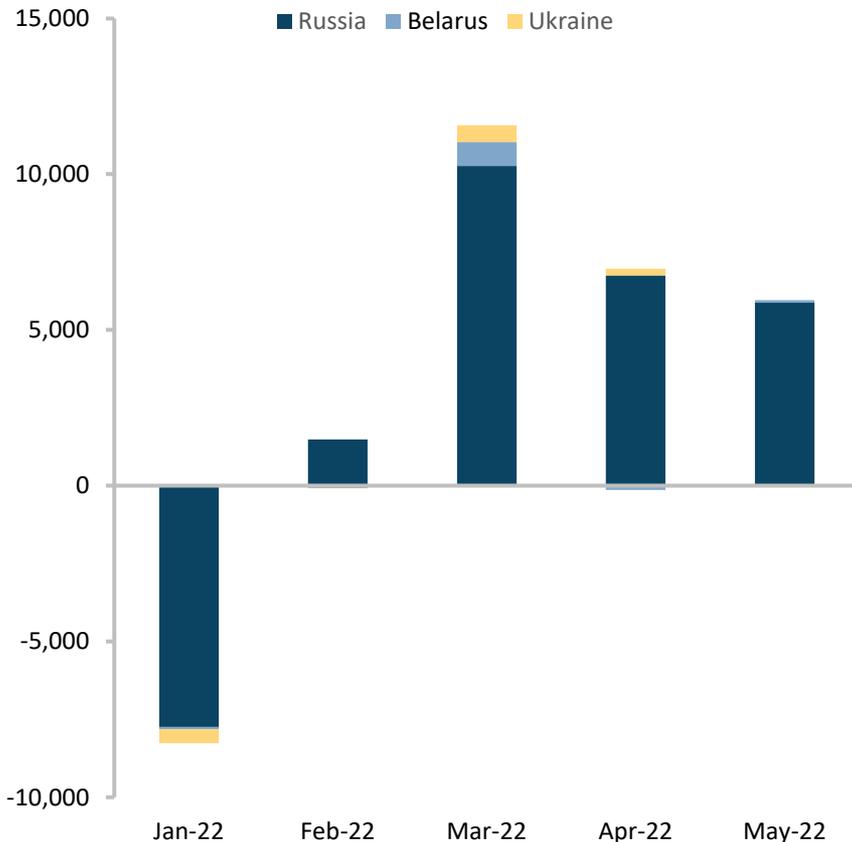
- The war in Ukraine and the worsened living conditions in RUS have caused a significant relocation of people to Armenia
 - This influx has certainly an effect on the economy
 - But: very limited data available on socio-economic background
 - Anecdotal evidence: many high-skilled workers, e.g. from the IT sector
 - Statistically, these people count as tourists but have different spending profiles than regular tourists
 - Result: so far, only limited insights on economic impact available
- **Who exactly migrated to Armenia and what is their impact on the economy?**

Structure/goals of this Policy Study

- i. Influx of people from Russia: descriptive analysis
- ii. Presentation of results of own survey on the demographic and economic profile of these people
- iii. Estimation of the economic impact
- iv. Discussion on policy implications

1.2. Descriptive analysis

Change in the stock of visitors by citizenship



Sources: Armstat, GET calculations

Note: change in the stock of visitors calculated as the difference between incoming and outgoing visitors for the respective month

Stock of visitors

- Significant changes in the stock of visitors after start of the war in UKR
 - Mostly Russian citizens, but also some influx from Belarus and Ukraine
 - Challenge: no differentiation in data between regular (short-term) tourists and relocated persons due to war
 - But: time-span lies outside of the traditional vacation season
 - Thus: we assume that the majority of the increase between 24 Feb and 31 May 2022 is explained by relocation
 - Overall stock of migrants due to war estimated at approx. 24,400 people
 - RUS: 22,900
 - BLR: 800; UKR: 700
- **Influx of approx. 24,400 persons since the start of the war in Ukraine**

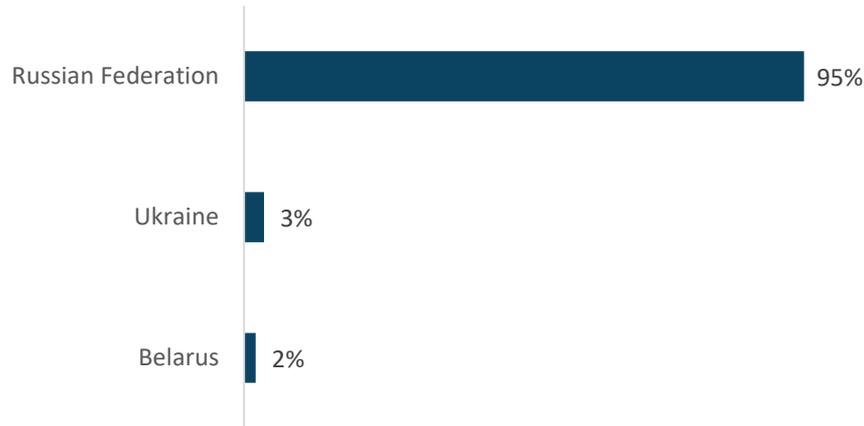
2. Results of the survey conducted by CRRC-Armenia

2.1. Methodology and caveats

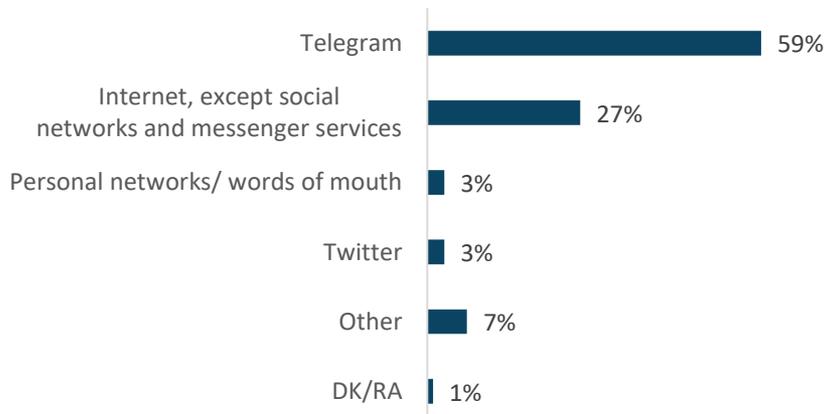
- This analysis is based on 355 interviews with mostly RUS, but also some BLR and UKR migrants who entered Armenia on or after 24 Feb 2022
- Interviews were administered face-to-face and via remote communication in the period from 22 Jul through 8 Aug 2022
- Convenience and haphazard sampling approaches were used
- Due to the nature of the sample, **results should NOT be generalized to the complete population of RUS (and UKR/BLR) migrants in Armenia**
- Values for income and expenditure are imputed: if respondents were unable to reply with an exact value, then they were offered to name a range within which their incomes/expenditures fell. During the data cleaning, cases with such categories were assigned a middle value of the corresponding category
 - If a respondent earned between USD 201 and 400, then such an individual was assigned a value of USD 300 and so forth
 - In cases, where the respondent has indicated an income below USD 200, a value of USD 100 was assigned. For values above USD 2500, the middle value between 2500 and the maximum value within the variable has been assigned

2.2. Demographic profile

Citizen of which country are you?



What is your primary source for information on politics and events?



Note: N=355; DK/RA: don't know / refuse to answer

Citizenship

- 95% hold Russian citizenship
- 3% are Ukrainian nationals
- 2% are Belarussian nationals

Demographics

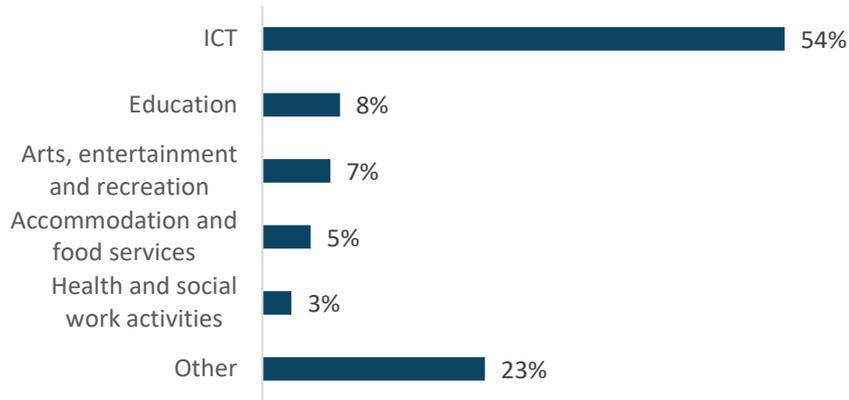
- Male 52%, Female 48%
- Relatively young (median age 28)
- Most (84.5%) have some higher education
- Majority from urban areas of their home countries (above 68%)

Primary source of information

- Majority use Telegram (59%)
- **Waste majority are RUS citizens; very low importance of UKR and BLR**
- **Mostly young people with a high education came to Armenia**

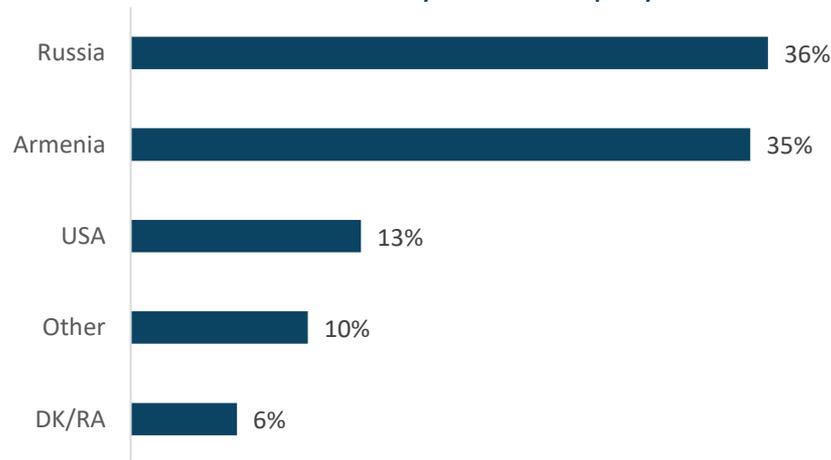
2.3. Employment

In which sector is your primary job?



Note: N=275; open-ended question coded into NACE rev.2 activity code

Resident country of the employer



Note: N=275; DK/RA: don't know / refuse to answer

Employment profiles

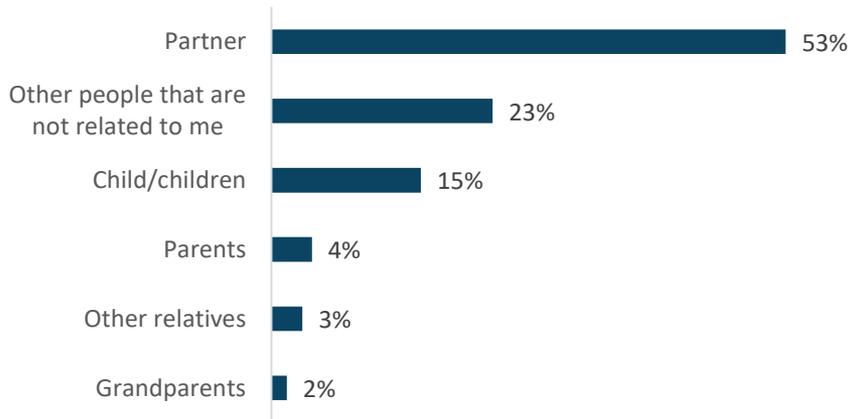
- High employment (78%), of which
 - Full-time (63%)
 - Part-time (15%)
- Main sector: ICT (54%)
- Majority (91%) perform high-skilled, white-collar activities (professionals, associate professionals, and managers)

Resident country of employer

- 80% of the employed respondents work for a company, while about 20% are freelancers
- Most work for foreign companies:
 - Russia (36%), USA (13%)
 - About one-third (35%) work for Armenian companies
- **High level of skill and employment, predominantly IT professionals**

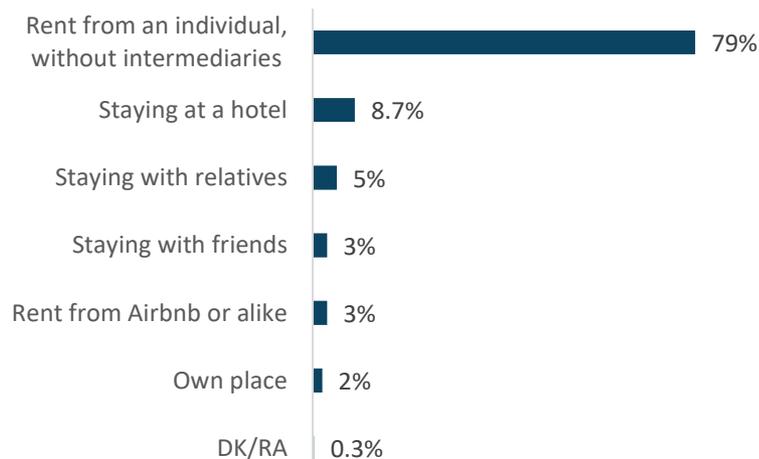
2.4. Living and housing conditions

With whom do you live?



Note: N=312; multiple choice question

Type of housing accommodation



Note: N=355; DK/RA: don't know / refuse to answer

Location in Armenia

- The vast majority (94%) is based in Yerevan

Household composition

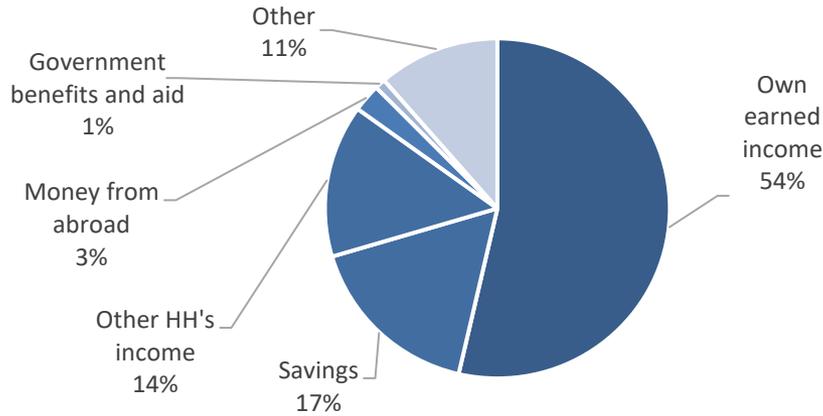
- Most live together with a partner (53%)
- A quarter lives with someone not related to them (23%)
- Only 15% of respondents came with children

Type of housing accommodation

- Most rent directly without an intermediary (80%)
 - Only a minority (11%) rents through Airbnb or similar
- **Most live in individually rented places with a partner, but without children**

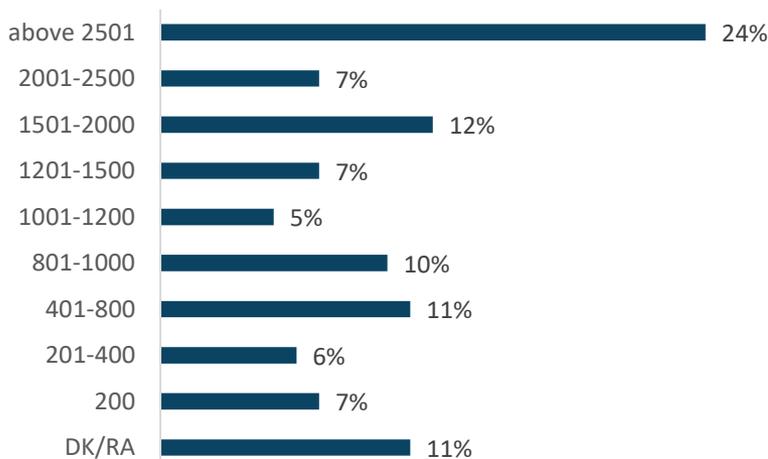
2.5. Income

Structure of household income sources



Note: Approximation based on mean values across the sample

Average monthly household income



Note: N=355; DK/RA: don't know / refuse to answer

Income sources

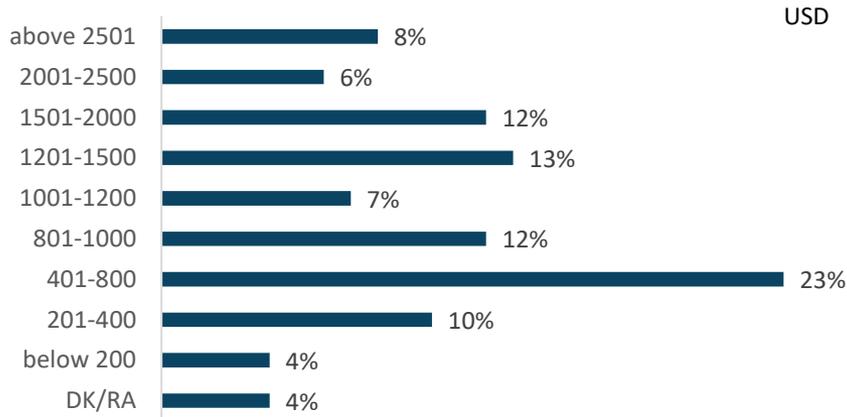
- High reliance on own earned income (54%) and the income earned by other household members (14%)
- Savings (17%) also play a major role

Household income distribution

- Average: USD 3,510 per month
 - Median: USD 1,350 per month
 - But: significant variation, 24% with incomes above USD 2,500 per month
- **Own earnings are the most important source of income**
- **High level of average household income, but significantly lower median income**

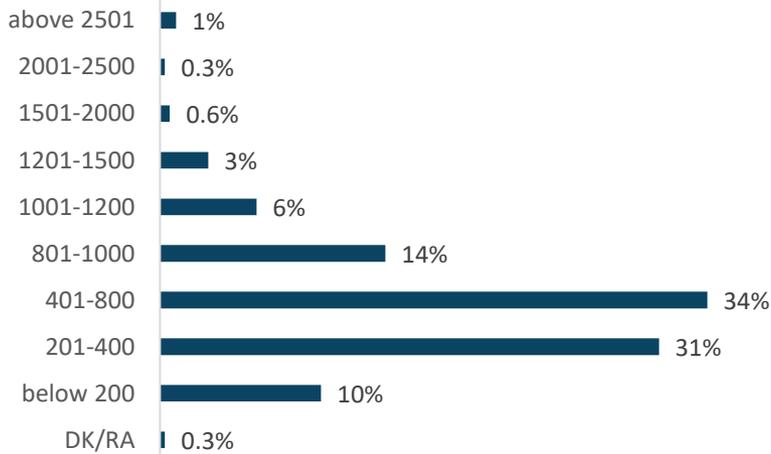
2.6. Expenditures

Average monthly household expenditures



Note: N=355; DK/RA: don't know / refuse to answer

Average rent per month



Note: N=311; DK/RA: don't know / refuse to answer

Household expenditures distribution

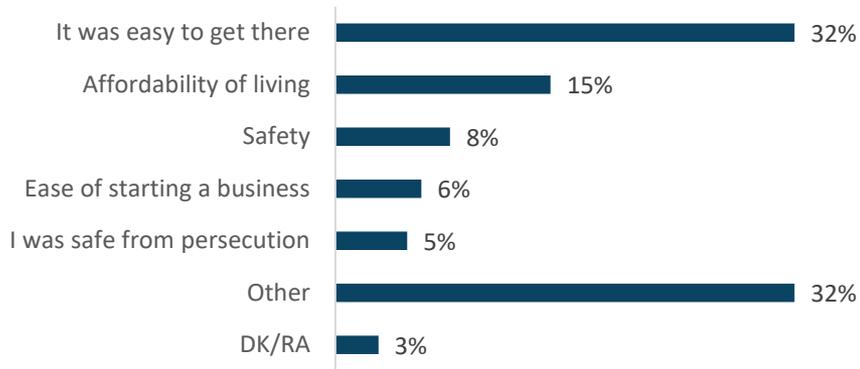
- Mean: USD 1,263
- Median: USD 1,000
- More even distribution than for income

Average rents

- Mean: USD 627
 - Median: USD 500
 - About 10% live in a place free of charge
 - Expenditure for the place of living amount to roughly 50% of overall expenditures
- **Significant expenditures, which are relevant for overall consumption and thus the overall economy**
- **Rents relatively high**

2.7. Integration and future plans (1/2)

Main reason for choosing Armenia as the final destination



Note: N=355; DK/RA: don't know / refuse to answer

How long do you plan to stay in Armenia



Note: N=355; DK/RA: don't know / refuse to answer

Residency status

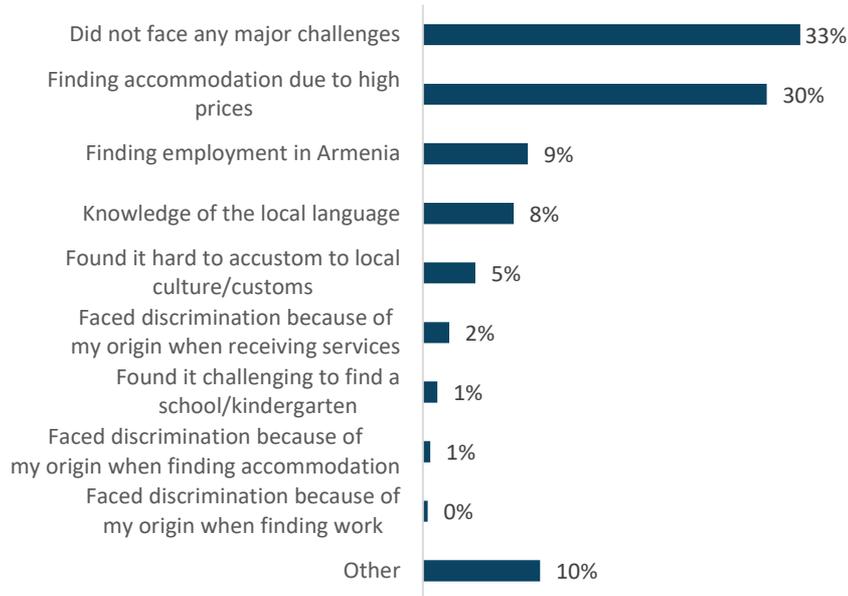
- Nearly half of respondents (45%) has already obtained or applied to get permanent residency
- 35% use tourist status to stay in ARM

Reasons for relocation

- For the plurality (53%), convenience-related matters were the reasons for moving to Armenia
 - Ease of travel (32%)
 - Affordability of living (15%)
 - Ease of starting a business (6%)
- 46% plan to stay in Armenia for longer than six months
- **Convenience-related matters are the most important reason for moving to Armenia**

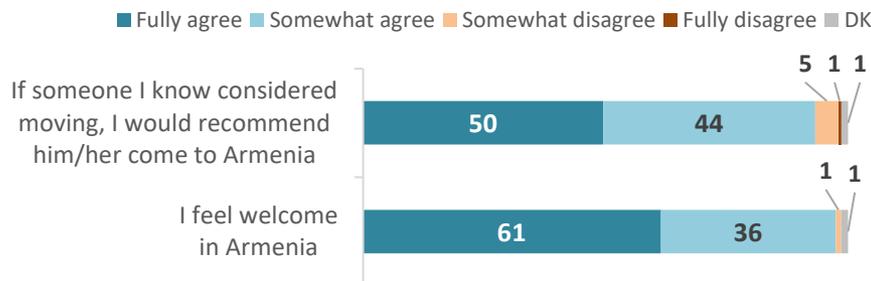
2.7. Integration and future plans (2/2)

Have you experienced any problems in Armenia?



Note: multiple choice question, N=477

Perception of Armenia



Note: N=355

Problems with relocation

- One-third (33%) have not experienced any discrimination or problems in Armenia
- When mentioned, such difficulties relate to finding accommodation due to high prices (30%), finding a job (9%) or knowledge of Armenian language (8%)

Reception in Armenia

- Absolute majority (94%) feels fully or somewhat welcome in Armenia
 - At the same time, nearly all migrants would recommend others to choose ARM when considering moving (97%)
- **High rent prices are biggest problem**
- **Absolute majority feels welcome in ARM and would recommend choosing it as the final destination**

3. Estimation of the economic impact

3.1. Methodology and general assumptions

- Combining the data on the inflow of people from RUS, BLR, and UKR with insights obtained in the survey allows to estimate the total consumption expenditures in ARM
- Assumptions:
 - Increase in visitor stock from 24 Feb to 31 May is fully attributable to relocation*
 - For simplification: no differentiation in consumption expenditures between RUS, BLR, and UKR households. This does not materially affect the calculation
 - Average household (HH) size: two people per HH (based on survey results)
- As such, total monthly consumption can then be calculated as follows:

$$\textbf{Total consumption} = [\textbf{Number of households}] \times [\textbf{Consumption per household}]$$

* Assumption on the stock of visitors:

- The assumption does not imply that there was no vacation tourism from RUS, BLR, and UKR during the time period, but rather that these tourists did not (materially) affect the stock, as they have already returned home
- Moreover: spring is not the typical vacation season and the overall propensity to spend on vacation likely declined after the start of the war in Ukraine
- Thus: risk of overestimation, but the effect is likely to be neglectable

3.2. Assumption for remaining months of 2022

- Data from Mar-22 to May-22 is used as the base for further analysis
 - From May-22 onwards, the figures on the stock of visitors are likely to include a significant number of regular (short-term) tourists
 - More reliable data on relocated people (i.e., after the end of the summer vacation period) may only be available towards the end of 2022
- Thus: assumptions for the period between Jun-22 and Dec-22 must be made
 - We assume that the stock of relocated persons will only increase slightly, as the overall migration trend will continue, but slow down significantly
 - Some people might start to return home, as they encounter difficulties (e.g., with their employer or problems with visa)
 - However: based on survey results, we still assume that most people already inside the country in May-22 are likely to stay at least until the end of 2022
- GET plans to re-evaluate the results once better data becomes available

Disclaimer: results are highly sensitive to changes in assumptions and should only be treated as a rough estimation

3.3. Estimation of consumption in ARM

Summary of economic impact assessment

	Mar-22	Apr-22	May-22	Jun-22 – Dec-22*
Relocated persons from RUS	10,300	17,000	22,900	26,300
Relocated persons from BLR and UKR	1,300	1,400	1,500	1,500
Total relocated persons**	11,600	18,400	24,400	27,800
Total relocated households***	5,800	9,200	12,200	13,900
Consumption of relocated HH (USD m)	7.5	12.0	15.9	18.2
Total in 2022 (USD m)				162.8

Sources: Armstat, GET. Visitor figures rounded to full hundreds; *Forecast based on a slowdown of the Mar-May trend, **Assumption: two people per household, ***Average monthly consumption expenditure of approx. USD 1,300 assumed based on survey results

- Overall, we estimate that the influx of people from RUS, BLR, and UKR will create additional consumption expenditures of approx. **USD 163 m or 1.2% of GDP** in 2022
- Positive shock on balance of payment and aggregate demand/GDP; key reason why the war in Ukraine has a limited effect on the ARM economy
- But: also entails negative implications for inflation and social policy (rents)

4. Discussion on policy implications

4. Outlook and policy implications

- As outlined, the war in Ukraine and the worsening living conditions in RUS, BLR (and UKR) caused a significant influx of mostly high-skilled people (mostly from RUS)
- Many have a background in the IT sector
- Economic and political outlook for Russia is very difficult and likely to remain so for the foreseeable future
- This may create an incentive for people to stay in Armenia for a longer term

Key question: how should the government react?

Option 1: neutral stance

- No active management of influx, no direct policy interventions
- Situation eventually resolves itself

Option 2: active stance

- Idea: see influx as possibility to attract high-skilled people
- Possible to promote development of the IT sector? What kind of incentives?
- Distributional effects would also need to be considered (e.g. rising rent prices)

About the German Economic Team



Financed by the Federal Ministry for Economic Affairs and Climate Action, the German Economic Team (GET) advises the governments of Ukraine, Belarus*, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

**Advisory activities in Belarus are currently suspended.*

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