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Relocation from Russia and Belarus boosts economy

By the end of May, around 45,000 people from Russia and Belarus had come to Georgia in response to the war in Ukraine. A survey by the German Economic Team in June shows that they are mostly young, high-skilled urbanites. Due to their high incomes and consumer spending, they have become an important economic factor. Already based on the May figures, we estimate the additional consumption expenditures to reach USD 330 m (1.8% of GDP) in 2022. The influx has thus contributed to the good economic situation in Georgia and the appreciation of the lari this year. The desire of many people to stay for a longer period of time and the recent influx of people due to the partial mobilisation in Russia suggest that the issue will remain relevant well into 2023. As most of the relocated people have a background in ICT, the influx can also be an opportunity for the development of this sector.

Influx of 45,000 people until end of May

Immediately after the start of the war in Ukraine on 24 February 2022, there was a strong influx of people from Russia and Belarus to Georgia. (In our analysis, we exclude Ukraine as the composition of refugees and their motivation for fleeing is very different from Russia and Belarus.)

Stock of visitors by citizenship



Sources: Ministry of Internal Affairs, NBG calculations

In total, about 31,000 people from Russia and 14,000 from Belarus came to Georgia between the beginning of the war and the end of May. As this timespan lies outside the usual holiday season in summer, the increase in the stock of visitors is likely to be explained to a great extent by relocation.

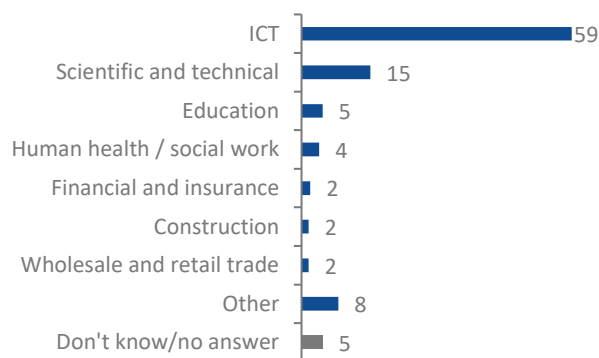
Methodology of the GET survey

The German Economic Team conducted a survey of these relocated people in cooperation with the local research institute CRRC-Georgia. In total, 366 people who relocated to Georgia after 24 February were surveyed in June. Interviews were administered mostly face-to-face and additionally online. Given the size of the sample and the nature of the methodology, the results should not be generalized for the complete population of relocated people. However, it should also be noted that a “representative” sample cannot be defined so far as no database for the full population is currently available.

Mostly high-skilled people, many from ICT sector

Our survey confirmed anecdotal reports that most of the relocated people are young urbanites with higher levels of education. Given their high skill level, it is not surprising that most (74%) are employed, with a majority working in high-skilled professions. About two-thirds work as employees, of which around a quarter work for a Russian company (Georgian: 21%). In terms of industries, the information and communications technology (ICT) sector clearly stands out, with 59% of employed respondents working in this sector.

Employment by sector (% of employed people)



Sources: GET survey results

Almost two-thirds of respondents (65%) came to Georgia with a partner; 38% came with children. The survey results indicate an average household size of about two people. About two-thirds of respondents rent their housing directly from a private individual. Relocation to Georgia was mostly motivated by safety reasons and because it was easy to get there. Most people reported experiencing no problems in their relocation.

High incomes and expenditures

Given their high skill level, it comes as no surprise that the relocated people also tend to earn high incomes. While the variation is relatively large, on average,

household income was around USD 2,600 of which the largest part is the salary of the respondent or their partner, while savings or money received from abroad only play a minor role. As a result of the high incomes, expenditures are also high, averaging around USD 1,600 per month and household. Rents are a significant factor in expenditures: at USD 590, they are far above pre-war rents and explain the strong rise in rent levels. Contrary to initial reports, most respondents said they planned to stay for a year or longer (40%), with a further 19% planning to stay for at least six months.

Additional consumption spending drives economy

Since both the number of relocated people and their expenditures are high and as they have the desire to stay for a longer period of time, it is clear that they have become a significant economic factor. Combining the data on inflow of people with the survey data allows for an estimation of total additional consumption expenditures in Georgia. For March to May, data on the stock of visitors were available. For June onwards, we assumed the stock would remain constant at the end of May level, i.e. 45,000 people (or 22,500 households). With average monthly household expenditures of USD 1,600, total additional consumption in 2022 would amount to approx. USD 330 m or 1.8% of GDP.

Estimation of economic impact

	2022
Total relocated persons from RUS/BLR	45,000
Total relocated households from RUS/BLR	22,500
Monthly consumption (USD m)	35.9
Total impact (USD m)	330.8
Total impact (% of GDP)	1.8

Sources: GET analysis

This is a sizeable positive shock to the balance of payments, which alleviates other negative shocks (e.g. from higher energy prices). It also partly explains why Georgia's economy is doing so well (8M2022: +10.3% yoy) and the lari, after an initial depreciation in March, appreciated strongly over the course of the year (+9% yoy vs. the US dollar from 1 January until 30 September).

Armenia is also currently experiencing a strong influx of people from Russia. Therefore, the German Economic Team conducted a similar study there. The results are broadly comparable, i.e. mainly young, high-skilled urbanites with a background in the ICT sector arrived. Overall, the estimated effect is lower (1.2% of GDP), as fewer people have relocated (approx. 28,000) and the average monthly household expenditures are lower (USD 1,300).

Editor

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Outlook

Sanctions against Russia and Belarus are likely to remain in place for the foreseeable future, so the economic outlook in these countries will remain bleak. As a result, many people plan to stay longer in Georgia than originally expected. Additionally, the announcement of partial mobilisation in Russia in September has led to a new wave of people seeking safety in Georgia. The influx from Russia and Belarus will therefore remain a defining topic well into 2023. The recent influx is likely to change the socio-economic composition of the relocated people. Regardless, the previous strong influx of young people with an ICT background, combined with their desire to stay longer, may represent an opportunity for the development of this sector in Georgia.

This newsletter is based on the Policy Study "[Relocation of people from Russia and Belarus to Georgia: results of survey and economic implications](#)". The study on the same topic for Armenia is available [here](#).

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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