In cooperation with

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POLICY STUDY GEORGIA

Relocation of people from Russia and Belarus to Georgia: results of 2nd survey and update of economic implications

by Sebastian Staske and Dr Ricardo Giucci

Executive summary (1/2)

Relocation of people from RUS and BLR to GEO

- Stock of relocated people estimated at **approx. 100,000** (end of 2022)
- Significant increase right after the start of mobilisation in RUS in Sep-22

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

- Update of the first survey conducted by CRRC-Georgia on behalf of GET in Jun-22
- Sample of 528 people with RUS or BLR citizenship who came to Georgia after 24 Feb 2022; **more than half of respondents (57%) came after the start of mobilisation in RUS**
- Relocated people are **mostly young and highly skilled professionals;** most people in the sample have RUS citizenship (83%)
- 51% are employed, mostly working in high-skilled white-collar jobs, **predominantly in the IT sector;** many (34%) work for a RUS company
- The average monthly income of a relocated household is approx. USD 2,300, while the **average monthly expenditure is around USD 1,500**
- Incomes and expenditures of households that came after partial mobilization are slightly lower compared to households who arrived before
- **26% of relocated people plan to stay in GEO longer than one year**. Remarkably, 19% do not plan to return to RUS. Given the chance, 20% each would leave for the EU and US

Executive summary (2/2)

Structural relevance of relocation

	2022*	2023**
Stock of relocated persons from RUS and BLR, average	64,200	100,000
Stock of relocated households, average [1]	32,100	50,000
Consumption of relocated households, USD m [2]	498.3	864.6
as % of GDP of corresponding year [3]	*2.0%*	*3.2%*

*Sources: MIA, GET calculations; * Estimated weighted period average; ** Two scenarios based on reports on stock of visitors and potential changes in migration*
(1) Assumption: two people per household (2) Assumption: average expenditures of USD 1,552 for Mar-Dec 2022 (weighted average) and USD 1,441 for 2023 based on current survey results; (3) GDP based on IMF estimates from Dec-22

- 2022: consumption expenditures of relocated people from RUS and BLR of approx. **USD 498 m (2.0% of GDP);** key reason for very strong economic growth
- 2023: consumption estimated at approx. **USD 865 m (3.2% of GDP)**

Policy implications

- Relocation of people implies opportunities, but also risks
- Opportunity: government should try to tap the potential of relocation of foreign IT companies and talent
- Risk: should most relocated people decide to leave ARM in the future, then the country will face a negative economic shock (at a similar size as the current positive shock)

Outline

1. Influx of people from RUS/BLR: descriptive analysis

1.1. Motivation

- » The war in UKR and the worsened living conditions in RUS and BLR have caused a significant relocation of people to GEO
- » This influx has certainly had a positive effect on the economy of GEO
- » But: very limited data available on socio-economic background; first GET/CRRC survey from Jun-22 one of few comprehensive studies
- » However: high importance to know the specific characteristics of relocated people for policy making decisions
- » Moreover: new relocation wave after Sep-22 (mobilisation in RUS). Structure of relocated people might have changed
- ➢ **Key question: who exactly migrated to GEO and what is their impact on the economy? Update of the previous survey and estimation of the economic impact**

Structure/goals of this Policy Study

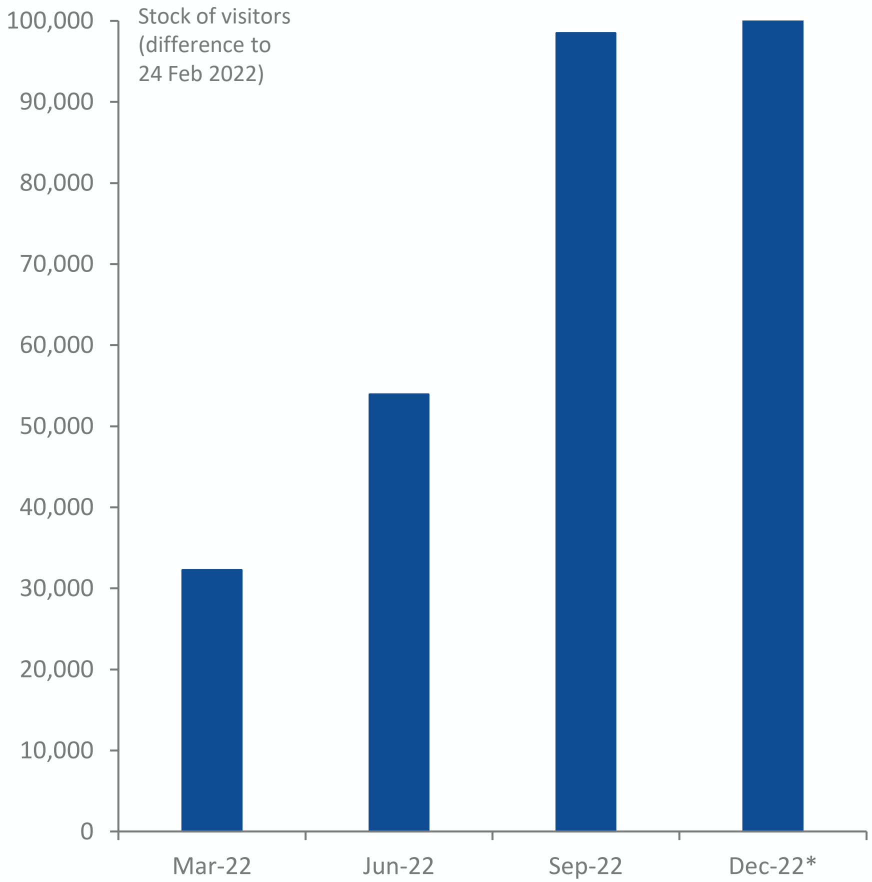
i. Influx of people from Russia: descriptive analysis

ii. Presentation of results of own survey on the demographic and economic profile of these people

iii. Estimation of the economic impact

1.2. Descriptive analysis

Stock of relocated people from RUS and BLR after start of war



Sources: Ministry of Internal Affairs, NBG, TBC Capital, GET calculations
*Note: Stock of visitors calculated as the difference between the respective month and 24 February 2022; values for end of month; *) limited data availability*

Stock of relocated people

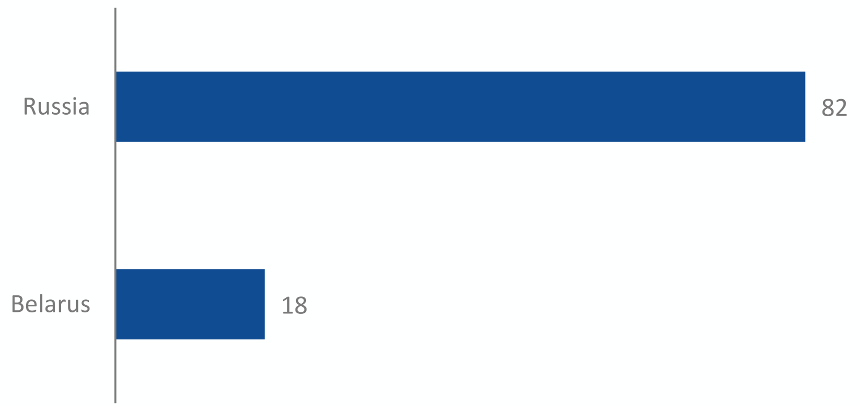
- » Strong influx of RUS and BLR citizens immediately after start of the war
- » Increase continued in following months
- » Best data source: stock of visitors
- » Challenge: no differentiation in data between regular (short-term) tourists and relocated persons due to war
- » Increase in spring likely to be explained by relocation (falls outside summer season)
- » Approximation necessary for increase in stock during summer
- » Sep-22: 2nd wave of migration due to partial mobilisation in RUS
- » Limited data availability after September, need for estimation
- ➢ **The current stock of relocated people from RUS/BLR is estimated to be around 100,000**

2. Results of survey conducted by CRRC-Georgia

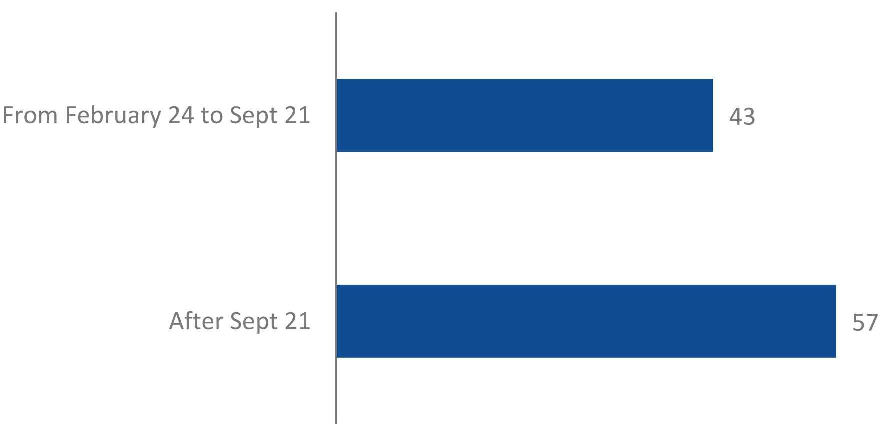
2.1. Methodology

- The survey is based on **528 interviews** with people who entered GEO on or after 24 Feb 2022 and have a RUS or BLR citizenship
- Interviews were **administered face-to-face** in the period Nov-Dec 22
- Convenience and haphazard sampling approaches were used (quasi-randomness)
  - Thus: limited representativeness, since the sample is not fully random
  - However: as characteristics of the RUS and BLR population in GEO not known (and still changing), it is impossible to do random sampling of respondents
- Due to the nature of the sample, **results cannot be generalized to the complete population of RUS and BLR migrants in GEO**
- 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

2.2 Demographic profile



Note: N=528



Note: N=528

Citizenship and ethnicity

- 82% hold RUS citizenship
- 18% hold BLR citizenship
- Multiple nationalities negligible

Demographics

- Male 54%, Female 46%
- Relatively young (median age 31)
- Most (69%) hold a Master's or Bachelor's degree, or have a PhD

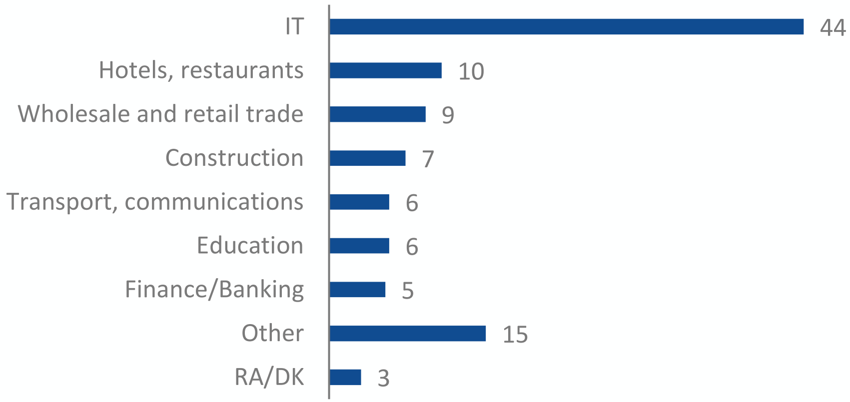
Arrival and residency

- Majority (57%) of sample has arrived after mobilisation on 21 Sep 2022
- 71% of people reside in Tbilisi

- **Majority of the relocated people are RUS citizens**
- **Young people with a high education**

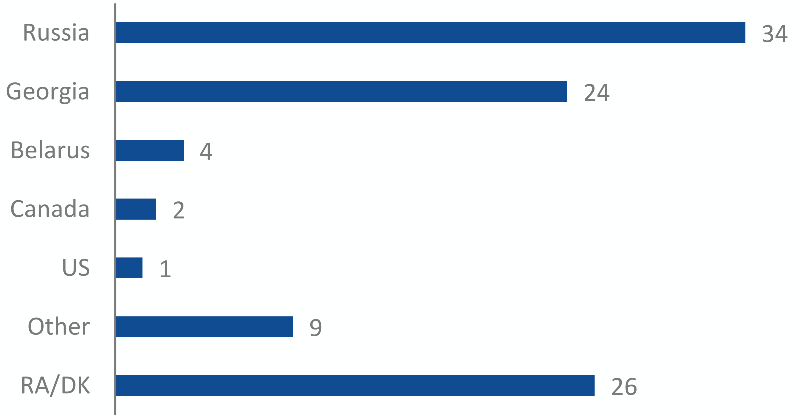
2.3 Employment

In which sector is your primary job?
(% of employed respondents)



Note: N=267; RA/DK = refuse to answer / don't know

Resident country of employer
(% of employed respondents)



Note: N=137

Employment profiles

- » High employment (51%), of which
  - Full-time (38%)
  - Part-time (13%)
- » Main sector: IT* (44%)
- » 26% not actively looking for a job

**Note: Policy Briefing 01/2023 provides more details regarding relocated IT professionals.*

Resident country of employer

- » 52% of the employed respondents work for a company, while about 45% are freelancers
- » Most work for foreign companies, with Russia (34%)

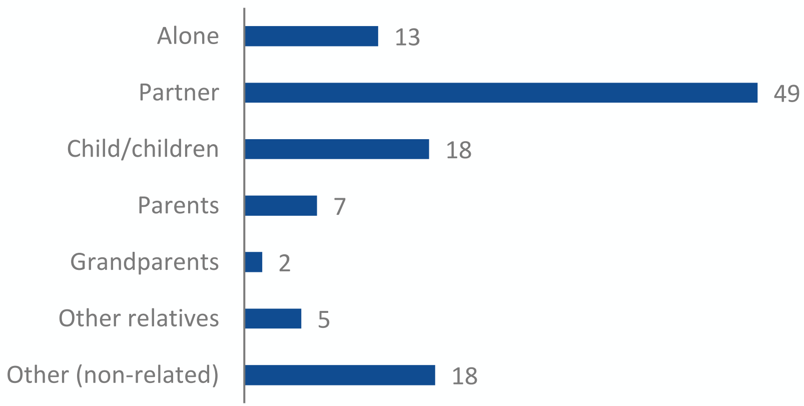
Taxes

- » Most people who were willing to answer said they do not pay taxes (58%)

➢ **High level of skills and employment, many IT professionals**

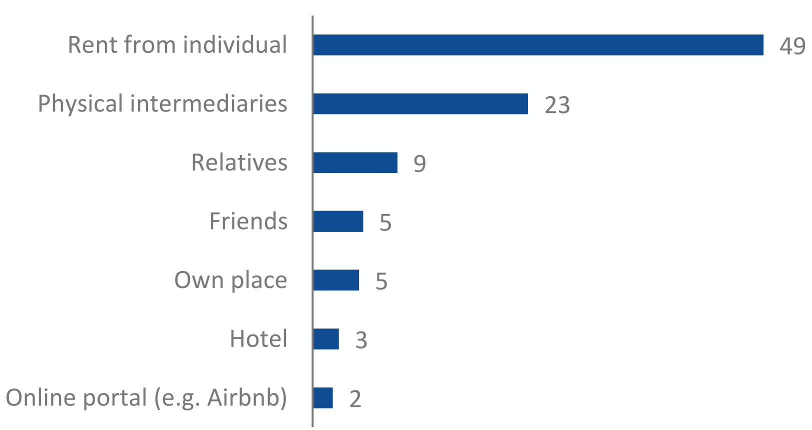
2.4 Living and housing conditions

With whom do you live?
(%, multiple choice)



Note: N=528

Type of housing accomodation
(%, single choice)



Note: N=458

Household composition

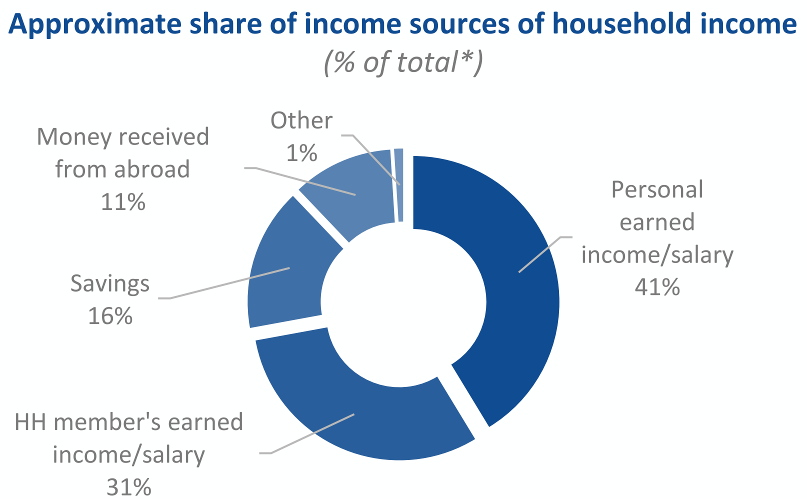
- » Most live together with a partner (49%)
- » 18% live with children
- » Around a fifth lives with friends (or other non-related persons)
- » Only 13% of respondents live alone
- » Household size
  - Median: 2
  - Average: 2.6

Type of housing accommodation

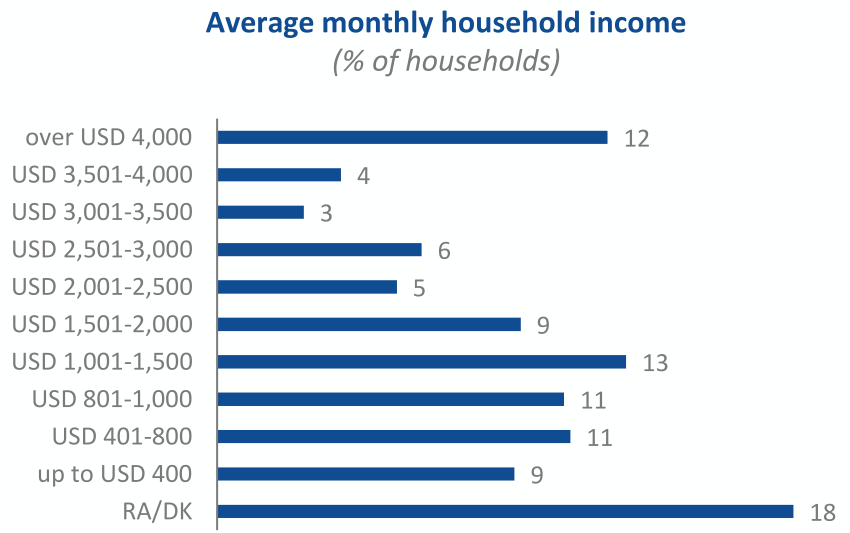
- » 49% rent directly from individual, 23% via personal intermediaries
- » Hotel (3%) and online portals (2%) with relatively small share

➢ **Most live in individually rented places with a partner, but without children**

2.5 Income



** Based on 370 answers. The rest refused to answer, did not know or provided unplausible answers which were exempted.*



Note: N=528

Income sources

» High reliance on own earned income (41%) and the income earned by other household members (31%)

» Savings (16%) and money received from abroad (11%) less crucial

Household income distribution

» Average value per month
- Arrival until 21 Sep: USD 2,330
- Arrival after 21 Sep: USD 2,207

» Median value per month
- Arrival until 21 Sep: USD 1,500
- Arrival after 21 Sep: USD 1,500

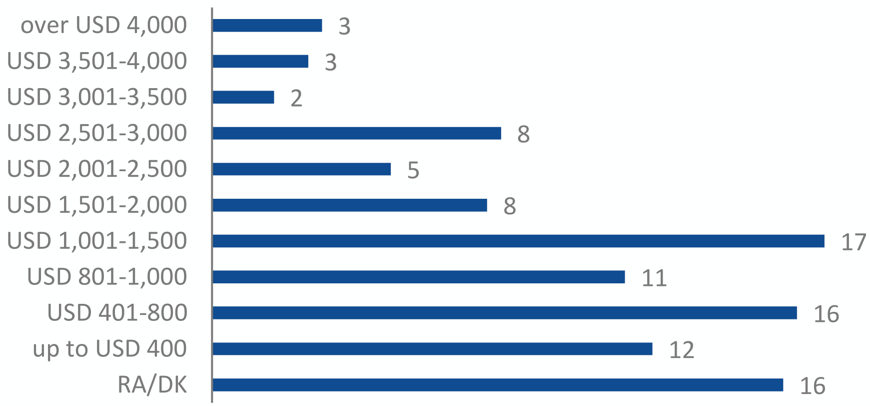
» But: significant variation, 25% with incomes above USD 2,500 per month

➢ **Own earnings are the most important source of income**

➢ **High level of average household income, but lower median income**

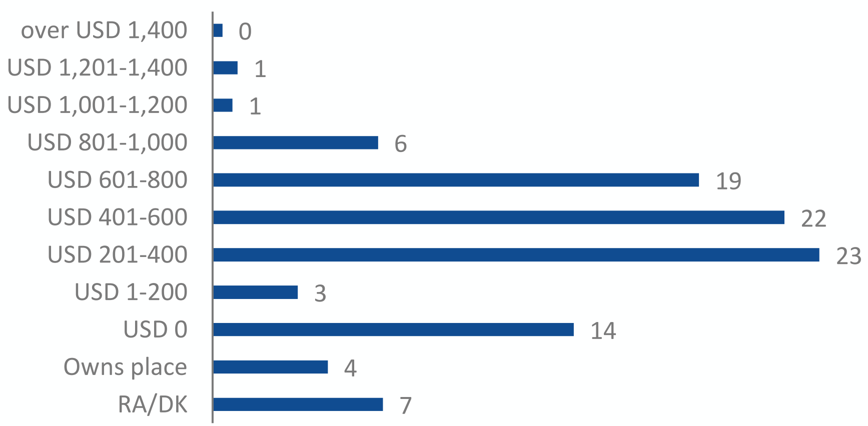
2.6 Expenditures

Average monthly household expenditures
(% of total)*



Note: N=528

Average rent per month
(% of households)



Note: N=499

Household expenditures distribution

- » Average value per month
  - Arrival until 21 Sep: USD 1,576
  - Arrival after 21 Sep: USD 1,441
- » Median value per month
  - Arrival until 21 Sep: USD 1,200
  - Arrival after 21 Sep: USD 1,000

Average rent payment

- » Mean: USD 478*
- » Median: USD 450*
- » Rent payments amount to roughly a third of overall expenditures

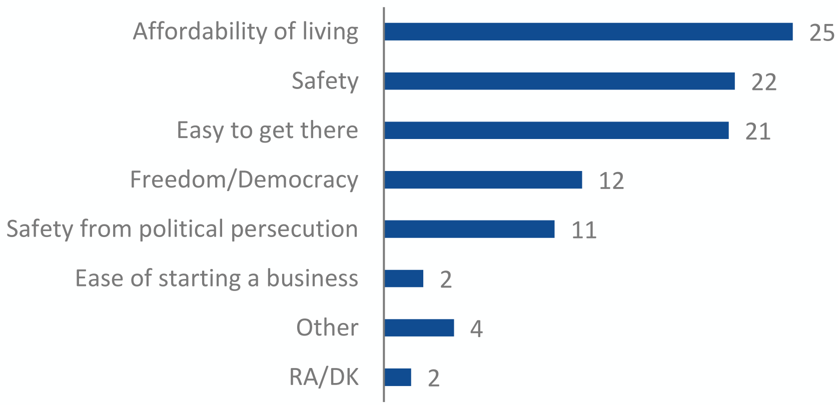
** Note: These figures do not represent the rent level as they include responses from people who live rent-free or in shared apartments, which biases the value downwards.*

Residential property

- » Only 9% are thinking to buy property
- ➢ Significant expenditures of relocated people; high relevance for consumption and thus overall economy

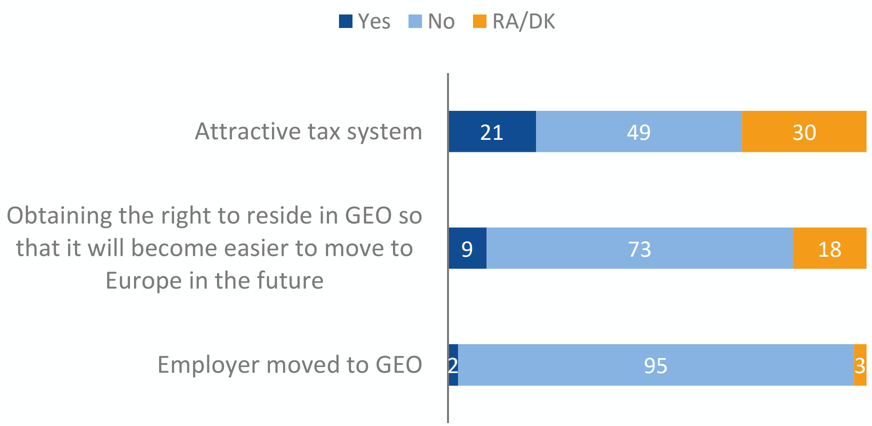
2.7 Integration and future plans (1/3)

Main reason for choosing Georgia as a destination
(%, single choice)



Note: N=528

Have specific factors contributed to choosing Georgia?
(% of total)



Note: N=500 for all questions

Reasons for relocation

» Low cost and safety matters were important reasons for relocation
- Affordability of living (25%)
- Safety (22%)
- Easy to get to Georgia (21%)

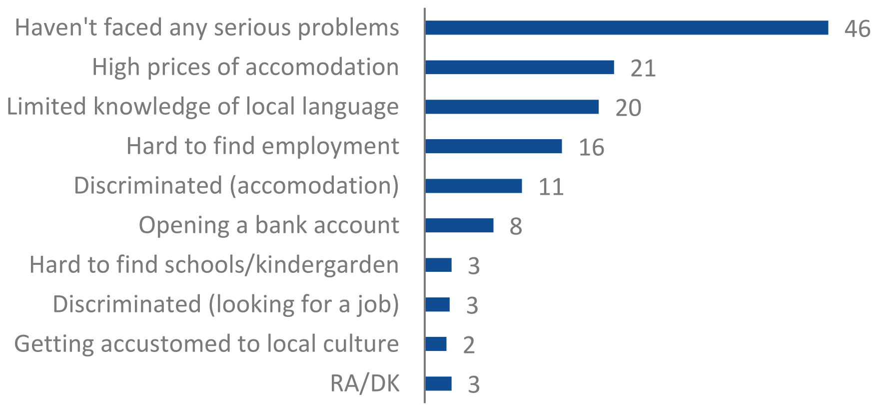
» Political factors (freedom/democracy 12% and safety from political persecution 11%) were also important

» Specific factors played only a minor role
- Attractive tax system (21%)
- Opportunity to move to Europe (9%)
- Relocation of employer (2%)

➢ **Low costs and safety are the most important reasons for moving to Georgia**

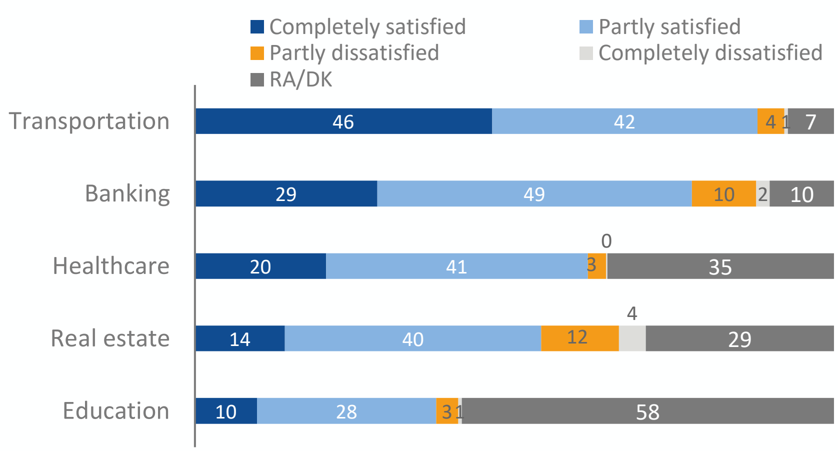
2.7 Integration and future plans (2/3)

Have you experienced any problems in Georgia?
(%, multiple choice)



Note: N=699

Satisfaction with specific services in Georgia
(% of total)



Note: N=527

Living in Georgia

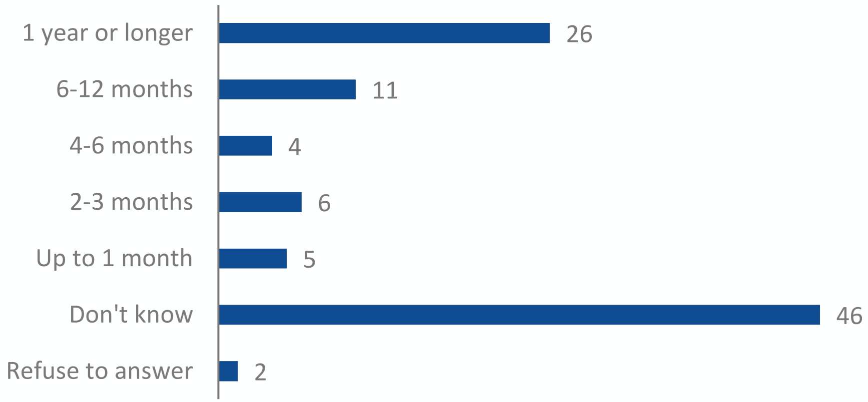
- » 46% have not experienced any problems while living in Georgia
- » Encountered difficulties
  - High price of accommodation (21%)
  - Limited knowledge of Georgian (20%)
  - Finding a job (16%)
- » 38% have friends or relatives who are considering coming to GEO

Satisfaction with services

- » Most are satisfied with transport (88%) and banking services (78%)
- » Only very low dissatisfaction rates (highest for real estate services at 16%)
- » Education does not appear to be relevant for many respondents (58%)
- ➢ **Limited problems and high satisfaction with services in GEO**

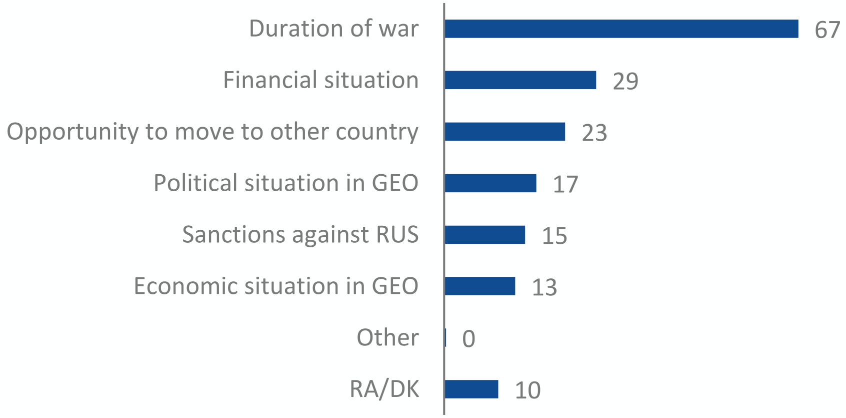
2.7 Integration and future plans (3/3)

How long do you plan to stay in Georgia?
(%, single choice)



Note: N=528

Factors influencing length of stay
(%, multiple choice)



Note: N=927

Length of stay

» Over a fourth of the relocated people (26%) plan to stay for more than 1 year

» High uncertainty: 46% don't know

» Crucial factor: duration of war (67%)

» Most people (47%) do not plan on settling as a permanent resident, only 11% have already applied

Opportunity to move

» When the war ends, 19% people stated that they don't want to return to RUS

» If given the opportunity, 34% would not move anywhere from GEO soon / at all

  - EU and USA (20% each) most desired destinations

» **No clear intention of relocated people to leave GEO in the short term**

3. Estimation of economic impact

3.1. Methodology and assumptions

Calculation of total consumption of relocated persons

- Combining the data on the inflow of people from RUS and BLR with insights obtained in the updated survey allows to estimate the total consumption of relocated persons
- Assumptions:
  - 2022: increase in the visitor stock from 24 Feb onwards is mainly attributable to relocation of people from RUS and BLR to GEO*
  - 2023: stock of relocated people is constant at 100,000 people
  - Average household (HH) size: two people per HH (based on survey results)
- As such, total consumption can then be calculated as follows:

Total consumption = [Number of households] **×** *[Consumption per household]* **×** *[Respective time period]*

* Assumption on the stock of visitors:

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

3.2. Estimation of consumption in GEO

Structural relevance	2022*	2023**
Stock of relocated persons from RUS and BLR, average	64,200	100,000
as % share of GEO population	*1.7%*	*2.7%*
Stock of relocated households, average [1]	32,100	50,000
Consumption of relocated households, USD m [2]	498.3	864.6
as % of GDP of corresponding year [3]	*2.0%*	*3.2%*
Impact on the business cycle	**2022**	**2023**
Change in consumption due to relocation (to previous year) [4]	USD 498 m	USD 366 m
as % of GDP	***2.0%***	***1.4%***

*Sources: MIA, GET calculations; * Estimated weighted period average; ** Two scenarios based on reports on stock of visitors and potential changes in migration*
(1) Assumption: two people per household (2) Assumption: average expenditures of USD 1,552 for Mar-Dec 2022 (weighted average) and USD 1,441 for 2023 based on current survey results; (3) GDP based on IMF estimates from Dec-22; (4) as relocated HH already consumed in 2022, their additional consumption in 2023 (and thus the impact of GDP) will be lower

- » 2022: we estimate that the influx of people from RUS and BLR has created additional consumption of approx. **USD 498 m (2.0% of GDP)**
  - Positive shock on aggregate demand/GDP; key reason for very strong growth of the economy
  - On top: exports of services and personal transfers imply a positive balance of payment shock
  - As such: contribution to appreciation of Georgian lari vs the US dollar; moreover: negative implications for social policy (rents)
- » 2023: we estimate additional consumption of approx. **USD 366 m (1.4% of GDP)** compared to 2022
  - Main part of the positive shock was already accounted for in 2022; less relevance in 2023
  - Overall stock is likely to vary depending on the situation in RUS

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.*

CONTACT

Sebastian Staske, Project Manager Georgia
staske@berlin-economics.com

German Economic Team
c/o BE Berlin Economics GmbH
Schillerstraße 59 | 10627 Berlin
Tel: +49 30 / 20 61 34 64 0
info@german-economic-team.com
www.german-economic-team.com

Our publications are available under
www.german-economic-team.com/en/georgia

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