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POLICY STUDY
ARMENIA

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

by Dmitry Chervyakov and Dr Ricardo Giucci

Executive summary (1/2)

Relocation of people from RUS to ARM

- » Stock of relocated people estimated at **approx. 55,000** (based on Nov-22 data)
- » Significant increase right after the start of mobilisation in RUS in Sep-22

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

- » Update of the [first survey](#) conducted by CRRC-Armenia on behalf of GET in Sep-22
- » Sample of 500 people with RUS citizenship who came to Armenia 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 are ethnic Russians (63%), but 14% are ethnic Armenians
- » 57% are full-time employees, working in high-skilled white-collar jobs, **mostly in the IT sector**; 43% for work for Armenian and 37% for Russian companies
- » So far, a sizeable amount (16%) of respondents have registered a business in ARM. In the future, **30% of those not yet registered plan to operate a business in ARM**
- » The average monthly income of a relocated household is approx. USD 3,100, while the **average monthly expenditure is around USD 1,600**
- » **45% of relocated people plan to stay in ARM longer than one year.** Remarkably, 34% do not plan to return to RUS. Given the chance, 30% would leave for the EU

Executive summary (2/2)

Structural relevance of relocation

	2022*	2023**
Stock of relocated persons from RUS, average	40,940	54,740
Stock of relocated households, average ¹	20,470	27,370
Consumption of relocated households, USD m ²	372.2	532.7
<i>as % of GDP of corresponding year ³</i>	2.0%	2.6%

Sources: Armstat, GET calculations; * Estimated weighted period average; ** Based on most recently available data for Nov-22, assuming that stock remains constant
 (1) Assumption: two people per household (2) Assumption: average expenditures of USD 1,823 for Mar-Dec 2022 and USD 1,622 for 2023 based on current survey results;
 (3) GDP based on IMF estimates from Dec-22;

- » 2022: consumption expenditures of relocated people from RUS of approx. **USD 372 m or 2.0% of GDP**; key reason for very strong economic growth
- » 2023: consumption estimated at approx. **USD 533 m or 2.6% 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 Russia
 - I. Motivation
 - II. Descriptive analysis
2. Results of the survey conducted by CRRC-Armenia
 - I. Methodology
 - 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. Estimation of total expenditures in ARM of migrants from Russia

1. Influx of people from RUS: descriptive analysis

1.1. Motivation

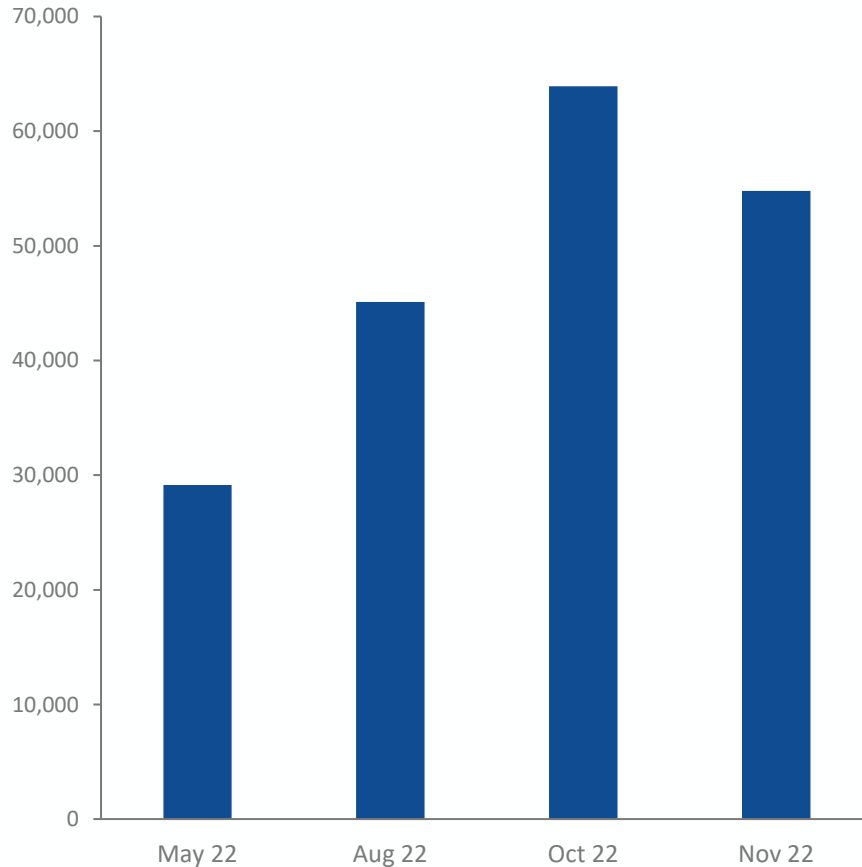
- » The war in UKR and the worsened living conditions in RUS have caused a significant relocation of people to Armenia
- » This influx has certainly had a positive effect on the economy of ARM
- » But: very limited data available on socio-economic background; first GET/CRRC survey from Sep-22 one of 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 ARM 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
- iv. Discussion on policy implications

1.2. Descriptive analysis

Stock of relocated people from RUS after start of the war



Sources: Armstat, GET calculations

Note: Stock of visitors calculated as the difference between incoming and outgoing visitors, excluding visitors in Jan-22 and Feb-22; end of month

Stock of relocated people

- » Significant influx of people from RUS after start of the war in UKR
- » Challenge: no differentiation in data between regular (short-term) tourists and relocated persons
- » Border crossings by citizenship best openly available data source
- » Calculation of the stock based on incoming and outgoing border crossings for the respective period
- » Overall, approx. 55,000 people from RUS (Nov-22) are estimated to have relocated after the start of the war
 - Significant spike after the announcement of mobilisation in Sep-22
- The current stock of relocated people from RUS is estimated at 55,000 persons

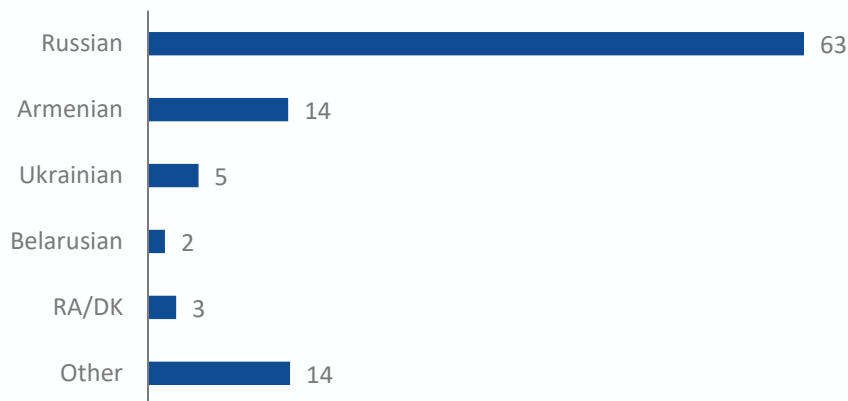
2. Results of the survey conducted by CRRC-Armenia

2.1. Methodology

- » The survey is based on **500 interviews** with people who entered ARM on or after 24 Feb 2022 and have a RUS citizenship
- » Interviews **administered mostly face-to-face, but also via phone** in the period Nov-Dec 22
- » Convenience and haphazard sampling approaches were used (quasi-randomness)
 - So-called “gatekeepers”, i.e. Russian speaking people with different backgrounds and own networks were used as interviewers (30 in total)
 - Thus: limited representativeness, as not a fully random sample
 - However: as characteristics of the RUS population in ARM not know, impossible to do random sampling of respondents
- » Due to the nature of the sample, **results cannot be generalized to the complete population of RUS migrants in ARM**
- » 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

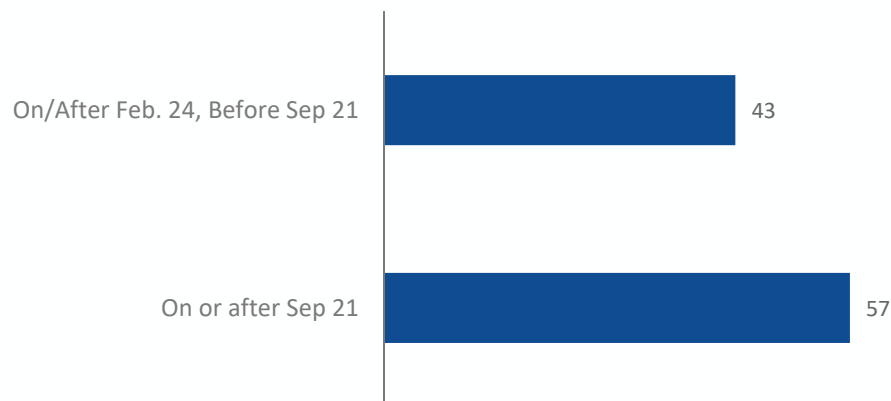
2.2 Demographic profile

Which ethnic group do you belong to?
(% of sample)



Note: N=500; 100% hold a RUS citizenship

When did you arrive in Armenia?
(% of sample)



Note: N=500

Citizenship and ethnicity

- » 100% hold RUS citizenship
- » But: only 63% are ethnic Russians
 - 14% are ethnic Armenians
 - Smaller part are ethnic Ukrainians (5%) and Belarussians (2%)

Demographics

- » Male 66%, Female 34%
- » Relatively young (median age 29)
- » Most (75%) hold a Master's or Bachelor's degree, or have a PhD

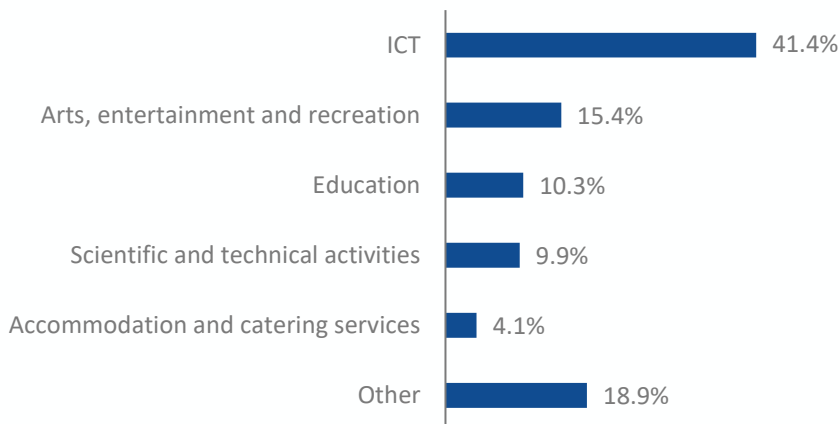
Arrival and residency

- » Majority (57%) have arrived after mobilisation on Sep-22
- » 91% of people reside in Yerevan
- Majority of the relocated people are ethnic RUS, but also some ethnic ARM
- Young people with a high education

2.3 Employment (1/2)

In which sector is your primary job?

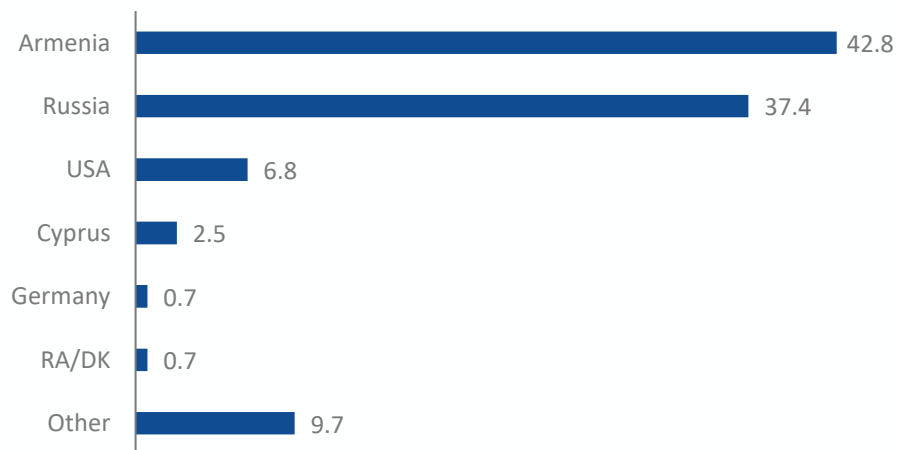
(% of employed respondents)



Note: N=435

Resident country of employer

(% of employed respondents)



Note: N=278

Employment profiles

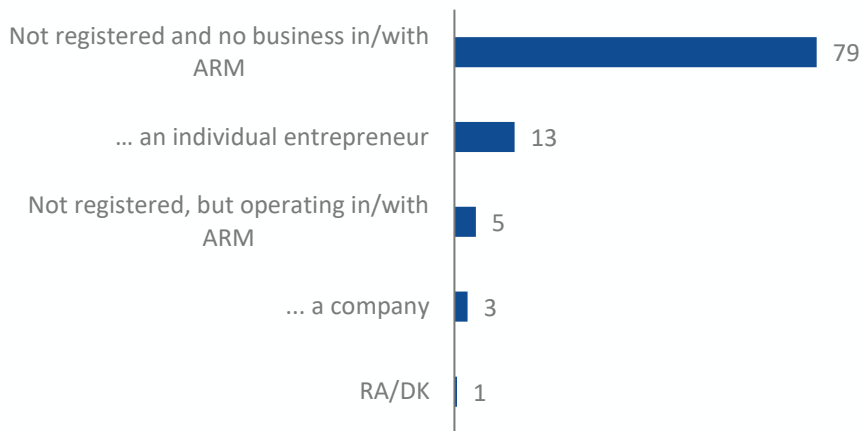
- » High employment (78%), of which
 - Full-time (57%)
 - Part-time (21%)
- » Main sector: ICT (41%) and specifically the IT sector (37%)
- » Majority (77%) perform high-skilled, white-collar activities (professionals, associate professionals, and managers)

Resident country of employer

- » 71% of the employed respondents work for a company, while about 28% are freelancers
- » Most work for a local company:
 - Armenia (43%)
 - Russia (37%), USA (7%)
- High level of skill and employment, many IT professionals

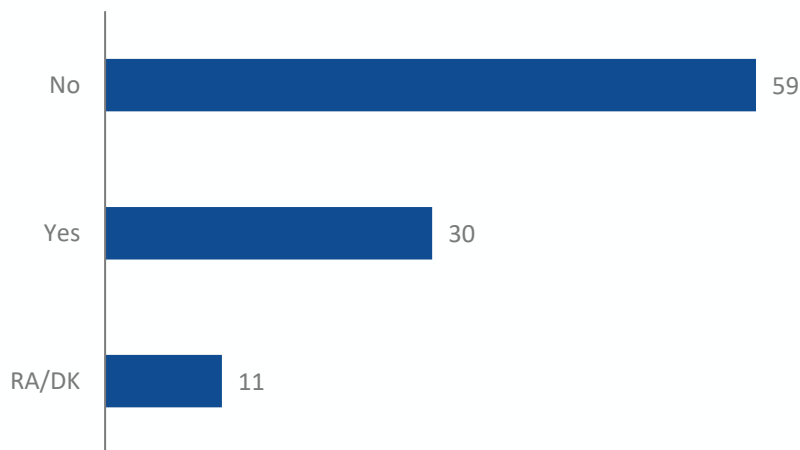
2.3 Employment (2/2)

Business in Armenia registered as ...
(% of employed respondents)



Note: N=390

Do you plan to register a business in Armenia?
(% of not registered respondents)



Note: N=328

Registration and entrepreneurship

- » A small part (16%) of respondents have already registered a business in ARM
- » 30% of the not yet registered respondents plan to engage in entrepreneurial activity in Armenia
 - Of those who want to open an own business, 73% would hire local workers

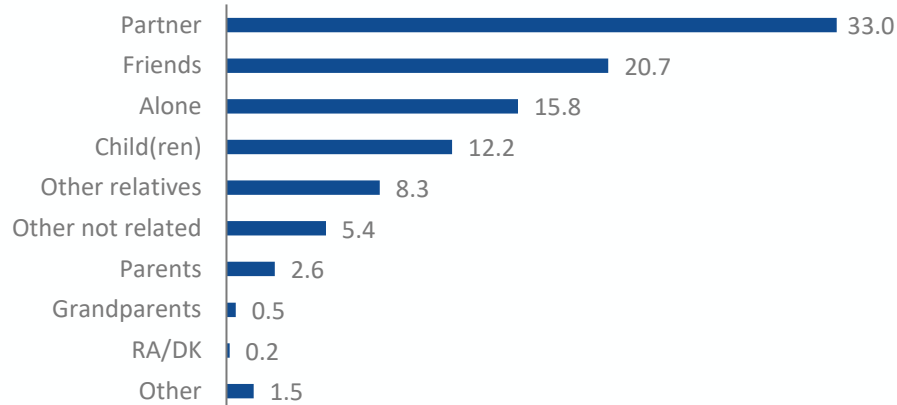
Taxes

- » 49% of the respondents do not pay taxes in Armenia
- » On average, the respondents stated to pay 6.9% of their income as tax
- » Excluding people who do not pay taxes, the average rate is 16.9%
- Small number of yet registered business in ARM, but significant start-up potential

2.4 Living and housing conditions

With whom do you live?

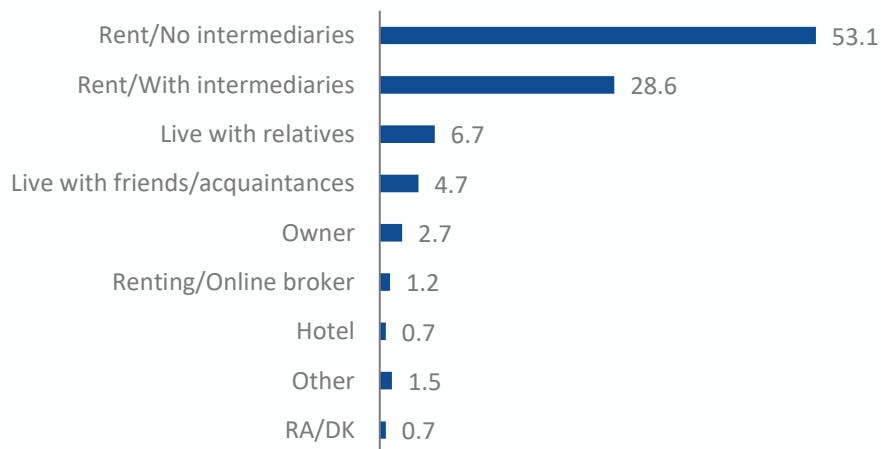
(%, multiple choice)



Note: N=615

Type of housing accommodation

(%, single choice)



Note: N=403

Household composition

- » Most live together with a partner (33%)
- » A fifth lives with friends and 16% live alone
- » Only 12% of respondents came with children
- » Household size
 - Median: 2
 - Average: 2.7

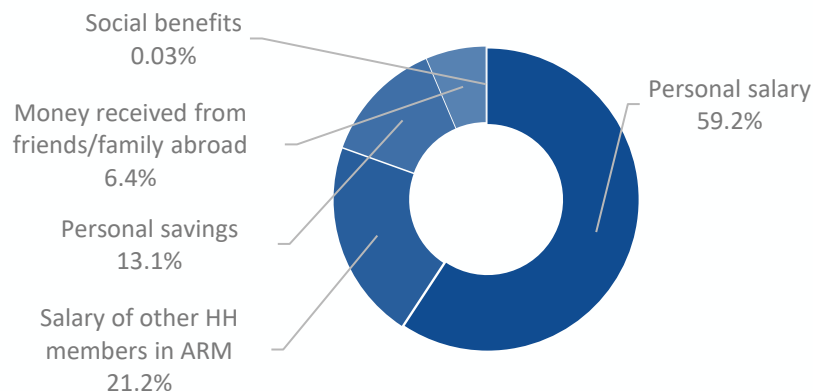
Type of housing accommodation

- » Most rent directly without an intermediary (53%), while 29% have an intermediary
- » Only a minority (11%) stays with friends or family; nearly nobody still lives in hotels
- » Most live in individually rented places with a partner, but without children

2.5 Income

Approximate share of income sources of household income

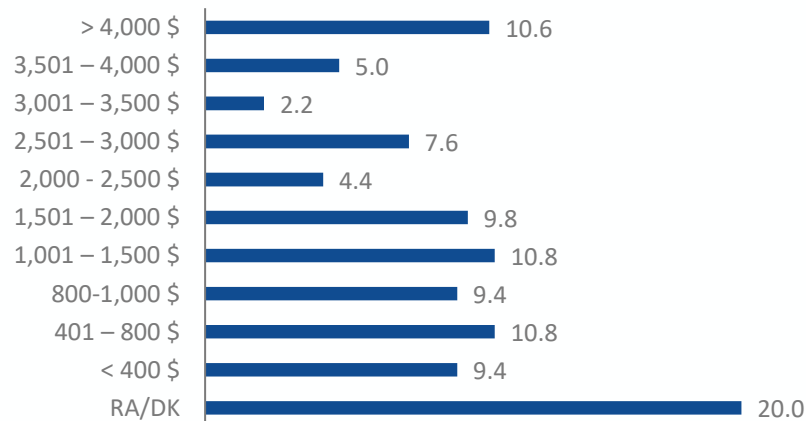
(% of total)



Note: N=500, RK/DA=34

Average monthly household income

(% of households)



Note: N=500

Income sources

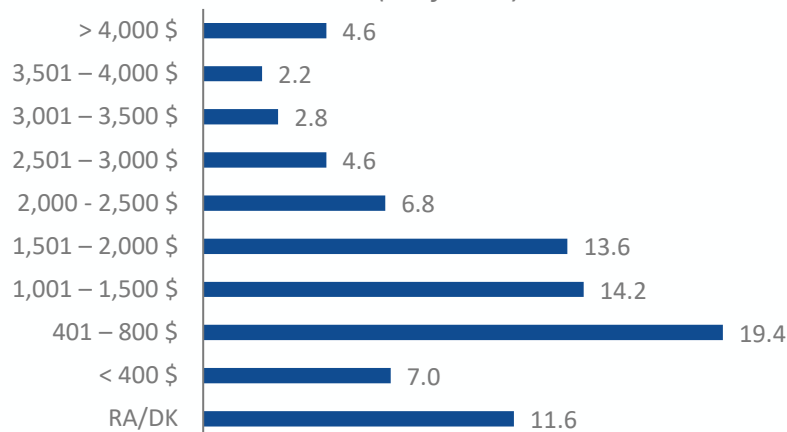
- » High reliance on own earned income (59%) and the income earned by other household members (21%)
- » Savings (13%) and money received from abroad (6%) play a less crucial role

Household income distribution

- » Average: USD 3,088 per month
- » Median: USD 1,500 per month
- » But: significant variation, 18% with incomes above USD 3,000 per month
- Own earnings are the most important source of income
- High level of average household income, but significantly lower median income

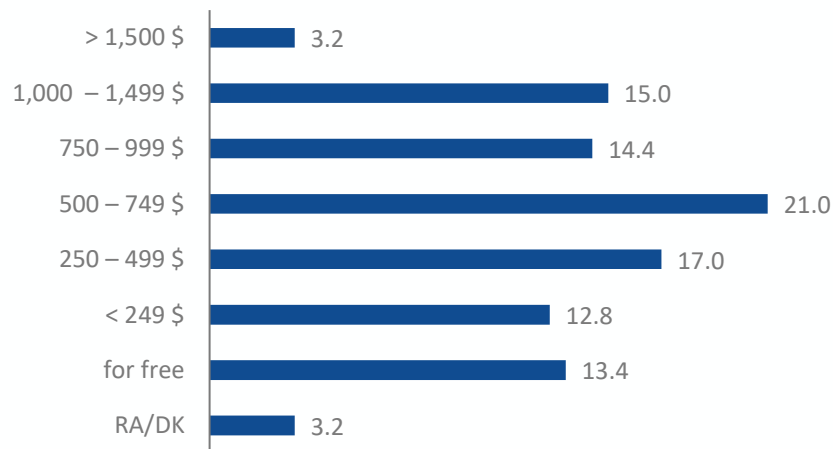
2.6 Expenditures

Average monthly household expenditures
(% of total)



Note: N=500

Average rent per month
(% of households)



Note: N=500

Household expenditures distribution

- » Average: USD 1,622 per month
- » Median: USD 1,200 per month
- » More even distribution than for income

Average rents

- » Mean: USD 558
- » Median: USD 500
- » 13% live in a place free of charge
- » Expenditure for the place of living amount to roughly a third of overall expenditures

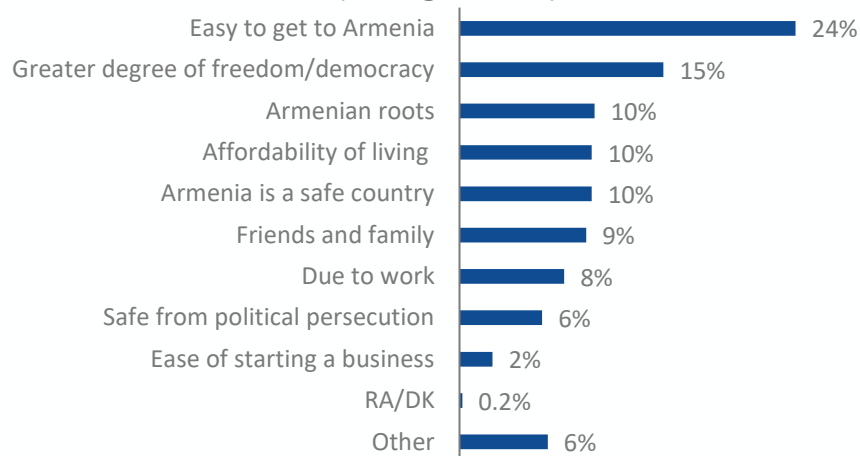
Residential property

- » Only 14% are thinking to buy a residential property in Armenia
- » 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 Armenia as a destination

(%, single choice)

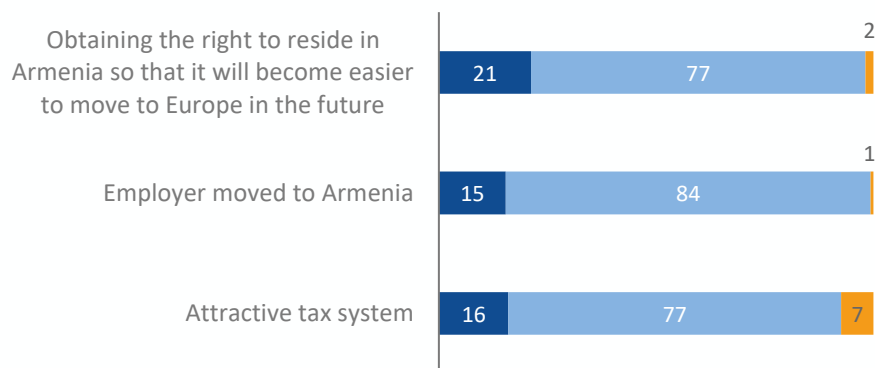


Note: N=500

Have specific factors contributed to choosing Armenia?

(% of total)

■ Yes ■ No ■ RA/DK



Note: N=500 for all questions

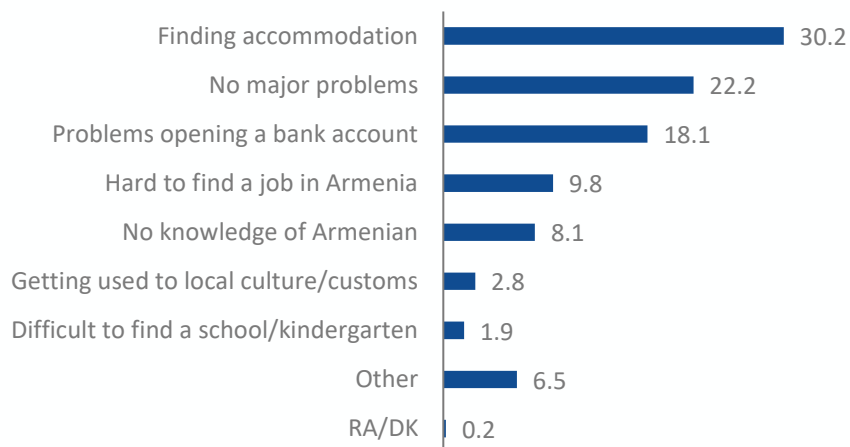
Reasons for relocation

- » Convenience and work-related matters were important reasons for relocation
 - Easy to get to Armenia (24%)
 - Affordability of living (10%)
 - Work (8%) and ease of starting a business (2%)
- » But also people with Armenian roots (10%) themselves or friends & family in Armenian (9%)
- » Only a minority came to Armenia only due to specific factors
 - Opportunity to move to Europe (21%)
 - Attractiveness of tax system (16%)
 - Relocation of employer (15%)
- » Convenience and work-related matters are the most important reason for moving to Armenia

2.7 Integration and future plans (2/3)

Problems encountered while living in Armenia

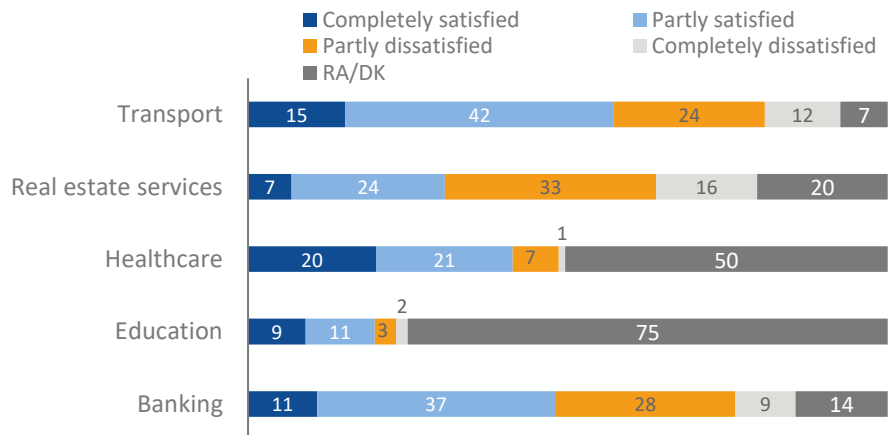
(%, multiple choice)



Note: N=810

Satisfaction with specific services in Armenia

(% of total)



Note: N=500 for all questions

Living in Armenia

- » 22% have not experienced any problems while living in Armenia
- » Encountered difficulties
 - Finding accommodation (30%)
 - Opening a bank account (18%)
 - Finding a job (10%)

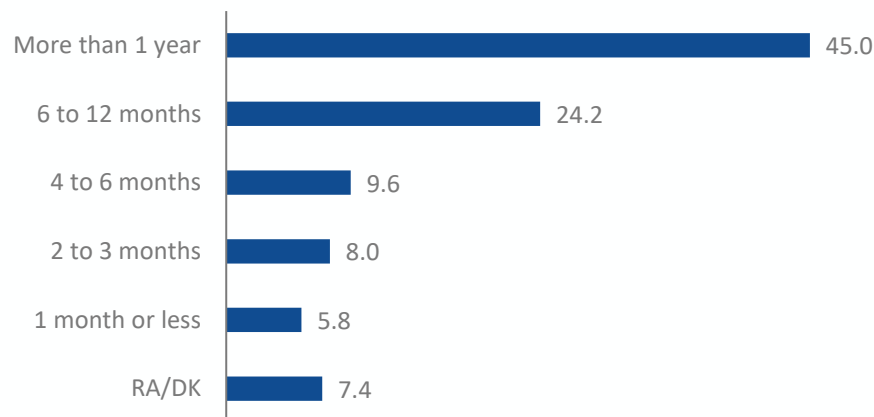
Satisfaction with services

- » Most are satisfied with transport (57%) and banking services (48%)
 - However, also 37% were not satisfied with banking
- » Healthcare and education do not appear to be of high relevance
- » Most dissatisfaction with real estate services (49%)
- Real estate and banking appear to be the main problems encountered in ARM

2.7 Integration and future plans (3/3)

How long do you plan to stay in Armenia?

(%, single choice)



Note: N=500

Factors influencing length of stay

(%, multiple choice)



Note: N=1,257

Length of stay

- » Close to half of the relocated people (45%) plan to stay for more than 1 year
- » Only 14% plan to leave again within 3 months or less
- » Broad range of factors play a role
 - Opportunity to move (20%)
 - Duration of war (20%) and political situation in ARM (17%)
 - Own financial situation (18%)

Opportunity to move

- » When the war ends, 34% people stated that they don't want to return to RUS
- » If given the opportunity, 27% would not move anywhere soon from ARM
 - EU with 30% most desired destination
- **No clear intention of relocated people to leave ARM in the short term**

3. Estimation of the economic impact

3.1. Methodology and assumptions

Calculation of total consumption of relocated persons

- » Combining the data on the inflow of people from RUS 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 fully attributable to relocation of people from RUS to ARM*
 - 2023: stock of relocated people remains constant at the level of latest available data from Nov-22
 - Average household (HH) size: two people per HH (based on survey results)
- » As such, total consumption can then be calculated as follows:

$$\text{Total consumption} = [\text{Number of households}] \times [\text{Consumption per household}] \times [\text{Respective time period}]$$

* Assumption on the stock of visitors:

- » The assumption does not imply that there was no vacation tourism from RUS 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. Estimation of consumption in ARM

Structural relevance	2022*	2023**
Stock of relocated persons from RUS, average	40,940	54,740
<i>as % share of ARM population</i>	<i>1.4%</i>	<i>1.8%</i>
Stock of relocated households, average ¹	20,470	27,370
Consumption of relocated households, USD m ²	372.2	532.7
<i>as % of GDP of corresponding year ³</i>	<i>2.0%</i>	<i>2.6%</i>
Impact on the business cycle	2022	2023
Change in consumption due to relocation (to previous year)	USD 372 m	USD 160 m
<i>as % of GDP</i>	<i>2.0%</i>	<i>0.8%</i>

Sources: Armstat, GET calculations; * Estimated weighted period average; ** Based on most recently available data for Nov-22, assuming that stock remains constant
 (1) Assumption: two people per household (2) Assumption: average expenditures of USD 1,823 for Mar-Dec 2022 and USD 1,622 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 has created additional consumption of approx. **USD 372 m or 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 Armenian dram vs the US dollar; moreover: negative implications for social policy (rents)
- » 2023: under the assumption of a constant stock of relocated people, we estimate a change in consumption of approx. **USD 160 m or 0.8% 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.*

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