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NEWSLETTER
GEORGIA

German Economic Team

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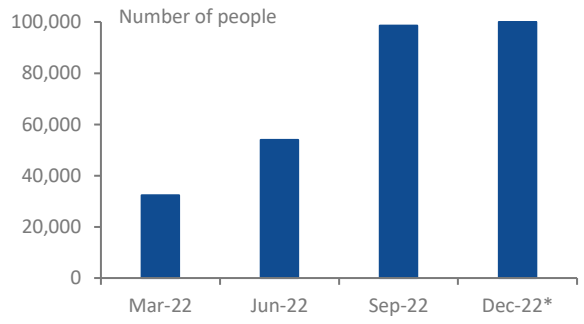
Relocation from Russia and Belarus: still crucial for the economy

Last year, approx. 100,000 people from Russia and Belarus relocated to Georgia due to the war in Ukraine. The German Economic Team conducted a second survey of this group. The survey also includes the second wave of migration, following the announcement of partial mobilisation in Russia. The differences between the first and second wave are less pronounced than initially expected. High average consumption expenditures make relocated people a crucial economic factor. We estimate that the influx generated additional consumption expenditures of 2.0% of GDP in 2022, which may reach 3.2% of GDP in 2023. Relocation is thus a positive short-term shock to GDP. Many people are employed in IT, so relocation may contribute to the development of the sector. However, there are also downside risks in case of a reversal of migration flows.

Relocation of approx. 100,000 people in 2022

In response to the war in Ukraine and sanctions against Russia and Belarus, there was a strong influx of people from these countries to Georgia. It is estimated that around 100,000 people (2.7% of the total Georgian population) have come from Russia and Belarus to Georgia in 2022. We exclude refugees from Ukraine from our analysis because their structure is very different.

Stock of relocated people from Russia and Belarus



*Sources: Ministry of Internal Affairs, National Bank of Georgia, TBC Capital, GET calculations; *limited data availability*

Two waves of migration can be distinguished: the first wave started immediately following the beginning of the war in Ukraine and then slowly subsided until the summer. The second wave started in September in response to the partial mobilisation in Russia.

Second survey with additional insights

In summer 2022, the German Economic Team had conducted a first survey among these relocated people in cooperation with CRRC-Georgia, a local research institute. In December 2022, a second, extended survey was conducted, which also includes the second wave of migration. A total of 528 people were interviewed face-to-face. Due to the sample size and methodology, the results should not be generalized for the whole population of relocated people. On the other hand, it should be noted that a representative sample is hardly possible without further knowledge of the composition of relocated people and in light of the still ongoing migration.

Often young and mobile IT professionals

Overall, many findings in the second survey were similar to the first edition. Relocated people tend to be young urbanites with higher levels of education. The employment rate among the surveyed people is relatively high (51%). Roughly an equal share of people works for a company or as freelancers. A relative majority (34%) of people work for a Russian company, while about a quarter work for a Georgian company. When looking only at the relocated IT professionals, around one third each works for a Russian company or as a freelancer, while only 3% work for a Georgian company. Of the respondents, 13% live alone, while about half have come with a partner. With only 18% of the surveyed people living with children, most of the relocated people seem to be relatively mobile. Survey results suggest a median household size of two people.

First and second wave with comparable incomes

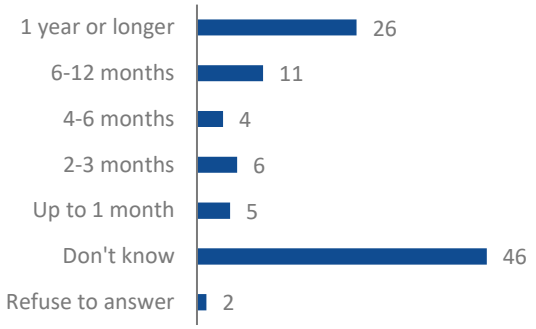
Regarding income sources, earned income by oneself or a partner are most important (together around 72%), while savings and remittances only account for a small share. Relocated people tend to have high incomes by Georgian standards. Average monthly household incomes of those who relocated during the first wave are only slightly higher than of those who arrived during the second wave (USD 2,330 vs. USD 2,207), contrary to initial expectations at the start of the partial mobilisation in September. Income variation among relocated people is sizeable, a quarter of the sample has an income of over USD 2,500 per month. This may partially be explained by higher average incomes of IT professionals (USD 3,179). Average monthly household expenditures are high as well with a similar difference between the two waves as for income (USD 1,576 vs. USD 1,441).

No clear intention to leave in the short-term

Georgia was chosen as a destination mainly because of the affordability of living, safety and the ease of getting there. Many respondents (46%) have not experienced any major problems in everyday life and satisfaction

rates with services are generally very high (e.g. transportation and banking at 88% and 78%, respectively).

Planned length of stay (% of sample)



Sources: GET survey results

Looking forward, a key question is the length of stay and its determining factors. However, a large proportion of respondents (46%) do not yet have any concrete plans in this regard, with 67% naming the duration of the war as the decisive factor. About a quarter plan to stay one year or longer. One fifth do not want to return to Russia even once the war ends. These results show that there is no clear intention of relocated people to leave Georgia in the short term. There is also a possibility that relocation will continue, as 38% of the respondents said that they have friends or relatives who are considering moving to Georgia.

Development of relocation is of crucial importance

Given the scale of relocation and the high expenditures, relocated people have become a sizeable factor for Georgia's economy. Based on the survey results, we estimate that they generated around USD 498 m (2.0% of GDP) in additional consumption expenditures in 2022. This was a positive shock to aggregate demand, which was a key factor for the very strong GDP growth (10.1%). Assuming that the average stock of relocated people remains constant at approx. 100,000 people, consumption expenditures are estimated to reach USD 865 m (3.2% of GDP) this year.

Estimation of economic impact

	2022	2023
Avg. stock of relocated people (RUS/BLR)	64,200	100,000
as % share of Georgian population	1.7%	2.7%
Avg. stock of relocated households	32,100	50,000
Total impact (USD m)	**498.3**	**864.6**
Total impact (% of GDP)	**2.0%**	**3.2%**

Sources: Ministry of Internal Affairs, GET calculations

Relocation of people is also taking place in Armenia, mainly from Russia. The German Economic Team has also conducted a follow-up survey there. Results are often similar, but there are key differences. In particular, the longer planned length of stay stands out, with 45% planning to stay one year or longer. Overall, despite fewer people having relocated (approx. 55,000), higher average expenditures result in a similar effect on aggregate demand for 2022 (also 2.0% of GDP).

Outlook

The relocation of people from Russia and Belarus was a key factor last year and contributed to the strong growth in Georgia. Looking ahead, much will depend on the course of the war in Ukraine. In principle, there is further potential for growth impulses in the short term. In the medium and long term, the high proportion of young IT professionals also offers opportunities for the development of the local IT sector. However, while the current state of the war and the survey results do not point to a sudden reversal of migration flows, there is also a downside risk of a similar magnitude to the current positive shock if the relocated people were to leave the country.

This newsletter is based on the Policy Study "Relocation of people from Russia and Belarus to Georgia: results of 2nd survey and update of economic implications" and the related Policy Briefing on relocated IT professionals. The results for Armenia are 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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