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of Ukraine

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Impact of Ukrainian Migrants on Economies of Recipient Countries

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According to the UNHCR data, as of 15 November 2022, 7.6 million Ukrainian citizens remained abroad because of the war. That said, around 3 million people stayed in Russia and Belarus, including due to their forced deportation to Russia. Therefore, approximately 4.5 million Ukrainians stayed in other European countries.

An increase in labor force and Ukrainian migrants' spending abroad are positive for the economies of host countries, although a large wave of migration created a number of challenges, including for state finances. At the same time, the net fiscal effect will be positive for Europe in the long run, as Ukrainians are actively integrating into the European labor market and are paying taxes. Spending by Ukrainian migrants supports the economies of recipient countries primarily in the form of private consumption (partially offsetting the [adverse effect the war in Ukraine has on real private consumption in the EU](#)). In particular, Ukrainians' expenses abroad more than tripled in 2022 compared to the previous year, reaching USD 2 billion per month. Spending on Ukrainian migrants also spurs government consumption, particularly on housing infrastructure, healthcare, and education (taking into account the large percentage of children, which ranges from 28% to 44% in various countries).

According to our calculations, which are based on estimates in the IMF paper (2020) and survey results by the UN and Razumkov Center, all other things being equal, the contribution by Ukrainian migrants will boost the output in 2026 compared to the baseline scenario with no migration: by 2.2%–2.3% in Estonia, Poland, and Czechia, and by 0.6%–0.65% in Germany.

Number of Ukrainian Migrants Abroad

The number of migrants abroad excluding those staying in Russia and Belarus is around 4.5 million people, which are mostly women with children.

As of November, Poland provided the status of temporary protection to the largest number of migrants – nearly 1.5 million, with more than 1 million provided by Germany and 450 thousand by Czechia. More than 100 thousand Ukrainians are registered in Italy, Spain, Bulgaria, the United Kingdom, and France. REACH survey held on the Polish border showed that the main factors for choosing the destination country were: family or friends in the destination (39%), proximity to Ukraine (31%), and advice received at reception centers (17%). However, the macroeconomic environment and labor market conditions are likely to play an important role in the choice of country by migrants. According to , the migrants from Ukraine consisted mainly of women with kids (87%), 65% of female migrants were of working age (18–59). About 70% of respondents had a higher education.

Figure 1. Number of Ukrainian migrants abroad* (excluding in Russia), thousand persons

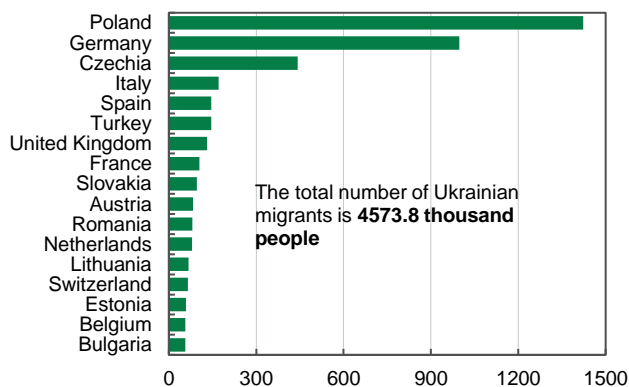
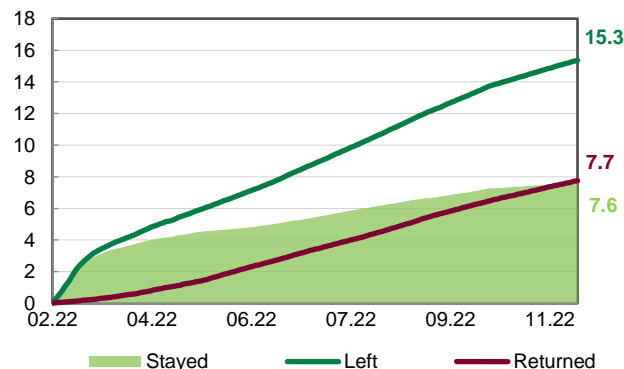


Figure 2. Number of citizens who crossed the Ukrainian border (as of 15 November 2022), million persons



* As of 3 October.

Source: Antezza et al. (2022) *The Ukraine Support Tracker* Kiel WP.

Source: UNHCR.

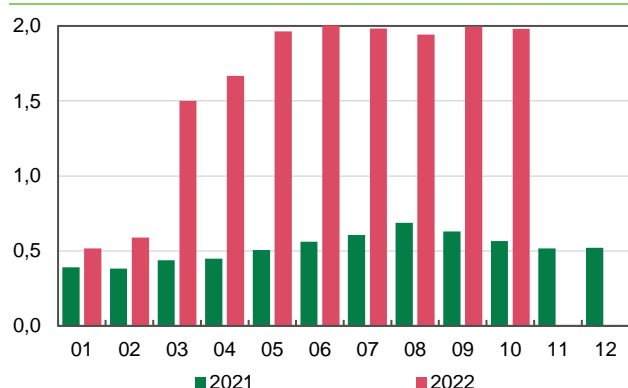
Ukrainian Migrants' Expenses Abroad

According to [estimates of the European Investment Bank](#), Russia's war against Ukraine can cause a 1.1% decrease in real private consumption in the EU due to inflation, primarily in Central-Eastern and South-Eastern European countries. However, spending by migrants supports private consumption in these countries.

Indeed, expenditures of Ukrainians abroad (USD 2 billion per month) rose more than three times in 2022 compared to the previous year. At the start of the full-scale war in Ukraine, migrants mostly covered their expenses from their savings with Ukrainian banks using cards to make payments and withdraw cash. However, only FX account balances of individuals in Ukrainian banks declined in the first months of the full-scale war, whereas balances of hryvnia accounts grew. The latter might

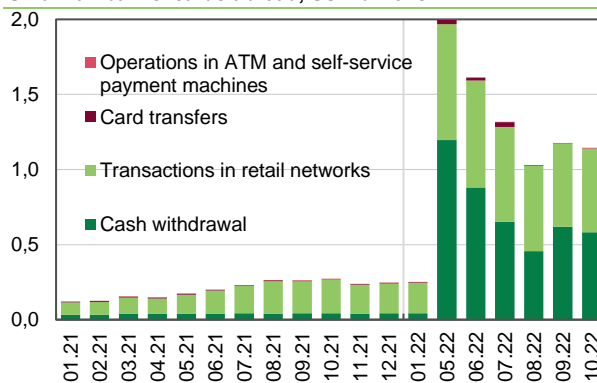
have been driven by a large increase in allowances to service people and their greater number, as well as compensations for those being wounded or families of those being killed.

Figure 3. Imports of travel services, USD billions



Source: NBU.

Figure 4. Usage of funds (hryvnia and foreign currencies) on Ukrainian banks' cards abroad, USD billions



* No data for February–April 2022.

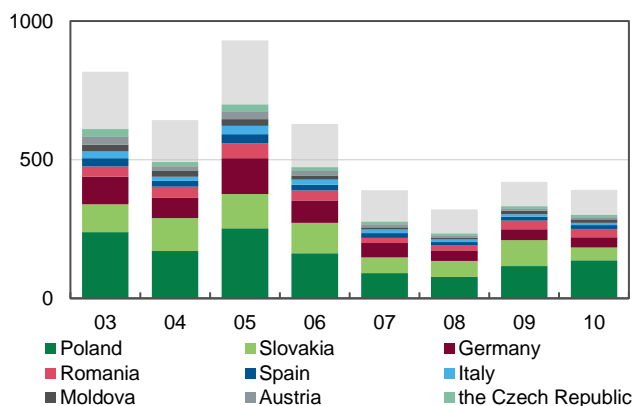
Source: NBU.

Further on, average monthly volumes of cash withdrawals decreased noticeably from USD 990 millions¹ in March–June to USD 580 millions in July–October. This was facilitated by both migrants applying for and receiving social benefits in recipient countries and the NBU introducing limits on withdrawing foreign currency cash abroad, which also helped stop the so-called card tourism. As expected, migrants withdrew the largest amounts of cash in Poland. However, it should be noted that, before FX restrictions were imposed, cash withdrawals were also significant in other countries bordering Ukraine – particularly, in Slovakia and Romania.

Total volumes of card transactions abroad decreased as restrictions were imposed on withdrawing cash. Meanwhile, transactions in retail networks declined less. Their volumes decreased from a peak of USD 770 millions in May to USD 560 millions in October. As expected, the largest volumes of transactions with Ukrainian cards in retail networks were made in Poland (28% of total volumes) and Germany (10%). Other sources of Ukrainians' expenditures abroad were cash they brought from Ukraine, state support programs, and wages earned in host countries.

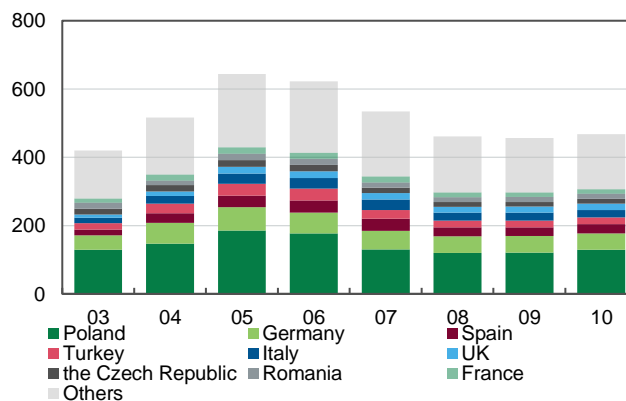
As Ukrainians started to be more actively employed abroad, wages earned in host countries have become the main source of financing migrants' expenses.

Figure 5. Geography of cash withdrawals abroad* in 2022, USD millions



* Based on surveys of five banks; data cover 70% of total. Source: bank survey.

Figure 6. Geography of retail network transactions* in 2022, USD millions



* Based on surveys of five banks; data cover 84% of total. Source: bank survey.

Impact on Economic Activity

Ukrainian migrants' spending abroad is positive for the economies of host countries as it spurs private consumption.

Some economists point to Ukrainians' large impact on retail sales. Ukrainian migrants drove a short-term surge in retail trade and private consumption in Poland and Estonia, although they returned to pre-war levels already in June. In particular, [Credit](#)

¹ 100% coverage data were absent for March–April 2022 and calculated by extrapolating the portion of data from bank surveys for May 2022 to the total figure. Overall, the data from surveys of five banks covered 70% of the total volume of cash withdrawals and 84% of transactions in retail networks in March–October 2022.

[Agricole](#) determined inflows of migrants from Ukraine as the main driver of accelerated growth in retail sales in Poland in March, which offset the negative influence inflation and lower consumer confidence had on household expenditures. Among other things, this was evidenced by a sizeable growth in sales of clothing and footwear (41.9% yoy versus 2.6% yoy in February) and furniture, electronics, and home appliances (2.8% yoy versus (-4.4) yoy in February). In other countries, the impact of migration from Ukraine can be assessed as rather small due to either a small number of migrants compared to the population of the recipient country (Germany), or higher cost of living (Germany, Czechia, Austria, France, Switzerland, the Netherlands, and the United Kingdom).

Overall, while research data on the impact of Ukrainian migrants on the economies of recipient countries differ greatly and are based on various assumptions, they all conclude that the impact is positive. For example, [Strzelecki et al. \(2022\)](#) studied economic consequences of labor migration of Ukrainians to Poland for the period from 2013 to 2018. The labor force then increased by 0.8% per year, and Ukrainian migrants added 0.5 pp to annual GDP growth. Using [OECD](#) calculations of Ukrainian migrants' contribution to European countries' labor force and estimates by [Strzelecki et al. \(2022\) of their impact on GDP growth in Poland, an assumption was made regarding the impact of migration from Ukraine on the economies of other countries by means of extrapolating effects of the impact based on the number of migrants](#). As a result, the additional contribution to annual GDP growth in Czechia, Poland, and Estonia will reach around 1.2 pp per year, and migrants' contribution to GDP of Hungary, Latvia, Slovakia, Lithuania, and Romania will be close to 0.8 pp. However, such estimates may be overstated, as unlike with economic migration of 2013–2018, migration in 2022 is forced and differs by demographic structure. Therefore, there may be less integration.

A study made by [Oxford Economics](#) in May provides more conservative assessments. If 650,000 Ukrainian migrants stay in Poland, the country's labor force will grow by 210 thousand (1.2%) by 2030, and its potential GDP will increase by 1.2% compared to the baseline forecast by Oxford Economics. On the other hand, an inflow of 1 million migrants would increase the labor force by 370 thousand (2.1%) and potential GDP by 2.0% by 2030. The positive impact will increase over the long term (by 2050): potential GDP will exceed the baseline forecast by 1.7% in the first scenario (+650 thousand migrants) and even by 2.9% in the second scenario (+1 million migrants). According to a [report by Deloitte](#), the integration of Ukrainian migrants in Poland might add 0.2%–3.5% to Poland's GDP growth every year during the first five years depending on the efficiency of the country's integration policy. That said, more flexibility in the labor market and solved housing market problems would be favorable factors for this. [Kancs and Lecca \(2018\)](#) estimate that an inflow of around 2.3 million migrants to the EU in the first three years (with a subsequent sharp decline in the number of new migrants) would boost GDP by 0.2% in the first year and by 1.3% until 2040 provided that they fully integrate. At the same time, long-term financial gains (in over nine years) from migrant adaptation (social protection payments, language courses, and professional training) exceeded short-term expenses on these programs.

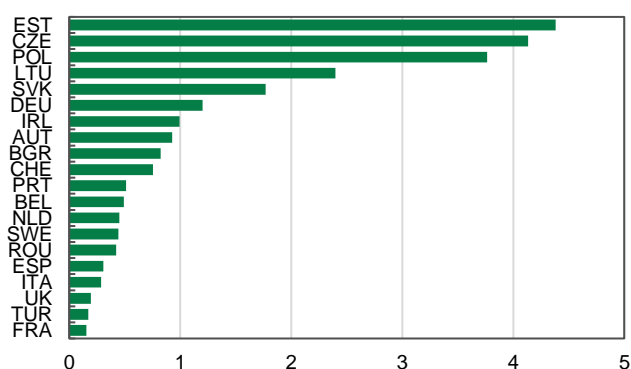
According to our calculations based on estimates from the IMF research (2020) and surveys by the UN and the Razumkov Center, all other things being equal, the impact of Ukrainian migrants will push up the output in Estonia, Poland, and Czechia by 2.2%–2.3% compared to the baseline scenario without migration, and by 0.6%–0.65% in Germany. The calculations used data from UN surveys, which determined the share of women with children in the total number of migrants at 87%, and the share of migrants aged 18–59. The estimates also took into account the ratio of 1.2 children per one woman in Ukraine and the assumption that 70% of working-age migrants would be employed over the entire period. It was also assumed that the above proportions were equal for all countries.

Figure 7. Retail turnover, December 2016=100, seasonally adjusted data



Source: state statistics offices, NBU staff estimates.

Figure 8. Ratio of the number of Ukrainian migrants* to population of recipient countries, %**



* As of 3 October. ** Population in 2021.

Source: WorldBank, Antezza et al. (2022) *The Ukraine Support Tracker* Kiel WP, NBU staff estimates.

Despite the positive effects, the presence of migrants also causes some challenges. Expenditures of Ukrainian migrants was an additional factor for high growth rates of inflation in the EU, where it was decade-high on the back of the surge in energy prices. Thus, inflation was more than 20% yoy in Lithuania, Estonia, Latvia, and Hungary, around 18% yoy in Czechia and Poland, and almost 10% yoy in the euro area. Moreover, the presence of Ukrainian migrants also impacted real estate

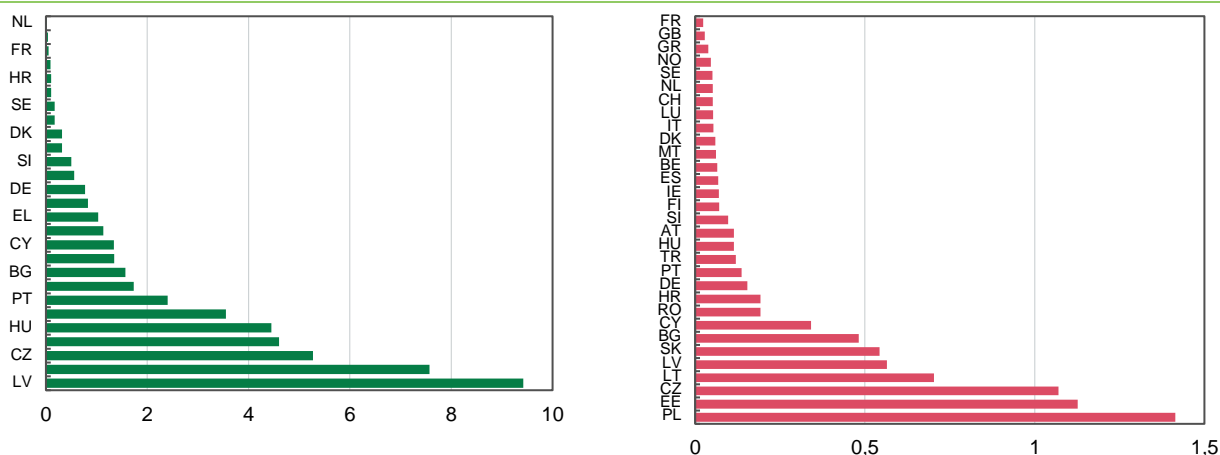
markets of their host countries. Although only a quarter of migrants could rent out housing, rentals rose significantly in many cities. In Poland, rentals [grew by 20%](#) compared to the start of the year, with similar estimates for [Estonia](#).

Impact on Public Finances

Support to economic growth will also come from government expenditures, in particular on education, healthcare, and utilities infrastructure. At the same time, it will increase the challenges for public finances of these countries. Countries bordering Ukraine and Baltic countries will be the most affected. However, the net fiscal effect will be positive for Europe in the long run, as Ukrainians are actively integrating into the European labor market.

[Bird and Amaglobeli \(IMF, 2022\)](#) estimated the short-term fiscal impact of Ukrainian migrants on economies of EU countries at around EUR 30–37 billion, or 0.19%–0.23% of the EU’s GDP. In their calculations, researchers assumed the number of migrants of 4.1–5.0 million people and average costs per one migrant at EUR 11,577 ([OECD data for 2017](#) adjusted for inflation). In turn, [Darvas \(2022\)](#) suggests a broad range from EUR 9 thousand to EUR 25 thousand (in prices of 2022) of government expenditures per one migrant per year. If two thirds of Ukrainians currently registered in the EU require state support, total expenditures will range from EUR 26.4 billion to EUR 73.3 billion per year. That said, countries bordering Ukraine and Baltic countries will bear the largest expenditures. According to calculations by [EIB \(2022\)](#), 9% of GDP could be spent on migrant adaptation by Latvia, more than 7% of GDP by Estonia, and 4%–6% of GDP by Hungary, Poland, and Czechia. On the other hand, [IFW Kiel \(2022\)](#) provides estimates that are much more moderate: expenditures could exceed 1% of GDP only in Poland, Estonia, and Czechia. Such a difference may be driven by different assessments of both the number of migrants and expenditures per one person (EUR 10,000 according to the EIB and EUR 6,000 according to Kiel).

Figure 9. Expected spending on hosting migrants in the EU in the first year of their stay, estimates by various expert organizations, % of GDP



Estimates by the EIB are based on the assumption of 3.5 million Ukrainian migrants and expenditures of EUR 10,000 per one migrant. Source: EIB.

Six-month estimates by IFW Kiel were doubled to reflect annual expenditures of EUR 6,000 per one migrant. Source: IFW Kiel.

Overall, the actual short-term fiscal impact can be both lower and higher than the preliminary estimates. On the one hand, reduced bureaucratic procedures, lower expenses on initial accommodation (thanks to the help of private individuals and volunteers), and faster integration of Ukrainians in labor markets of respective countries will lead to a decline in expenditures of host countries. On the other hand, the demographic structure of migrants (the percentage of children ranged by country from 28% to 44%) differs compared to previous waves of migration, which could cause large increases in expenditures on education, healthcare, and adaptation. [Estimated expenditures on elementary and secondary education](#) in Poland for 560 thousand Ukrainian children who received the temporary protection status reached EUR 2.2 billion, or 0.34% of GDP (EUR 3,932 per year per one child). In turn, the coverage of [medical services could require](#) additional EUR 1.5 billion (0.23% of GDP) in Poland and EUR 0.85 billion (0.31% of GDP) in Czechia. These estimates used data on the number of Ukrainian migrants as of July 2022 and did not take account of special medical needs they might have.

Considering the large increase in fiscal needs, the European Council in April 2022 officially approved reallocation of financing from other funds in the amount of up to EUR 17 billion in order to help the countries accepting Ukrainian migrants. By 29 April, the European Commission allocated EUR 3.5 billion in assistance to EU member countries, with the largest support received by Poland (EUR 562 million), Italy (EUR 452 million), and Romania (EUR 450 million). [According to the IMF’s estimates](#), the net fiscal effect will be positive for Europe in the long run, as Ukrainians are actively integrating into the European labor market. Tax payments by Ukrainian migrants in Poland are a vivid example of such integration into the labor market. In particular, according to estimates by the [Center for Migration Research at the University of Warsaw](#), Ukrainians in Poland paid PLN 10 billion (around USD 2.4 billion) of taxes, which exceeds the amount of aid provided to them, although this amount [does not include expenditures on education and health care](#).

Impact on Labor Market

Integration of Ukrainian migrants will influence the labor market performance of recipient countries. Ukraine's geographical and cultural proximity to Europe, the existence of Ukrainian diaspora, and the temporary protection status will contribute to increased participation of displaced persons in the labor force. In particular, the [European Central Bank](#) expects 25% to 55% of Ukrainian working-age migrants to participate in the euro area's labor force over the medium term. That said, the EU's labor force will grow by 0.2%–0.8%, or by 0.3–1.3 million people.

Although migrants create additional challenges for state finance in the short run, they are likely to make a positive impact on the budget and economy of recipient countries if migrants stay in these countries longer than several years and actively participate in the labor market. Migrants who are allowed to work and move around without restrictions will behave as economic migrants and create respective value added over time. On the other hand, the lack of investment in migrants' human capital from countries of their stay at early stages could lead to greater expenses over the long term. At the same time, if migrants return to their country of origin after an adaptation, [the impact on the host country is rather negative](#), as initial expenses are not compensated by gains from migrants' employment in the long run.

The process of integrating migrants and engaging them in the labor market of host countries takes long and is especially difficult in the beginning. Restraining factors that keep migrants from participating in the labor force are the language barrier, irrelevant qualification and/or the need to prove qualification, and impossible or difficult access to childcare facilities. The majority of countries where Ukrainians are staying conduct active labor market policies, which include job search support, training, adult education, and language courses. Using the example of Denmark, [Arendt et al. \(2020\)](#) found that migrants learning Danish had a strong impact on long-term revenues. Compared to the cost of language courses (around USD 2,800 per person), the estimated net present value (NPV) of this training was USD 40,100 over 18 years, that is 15 times more.

Ukraine's geographical and cultural proximity to Europe, the existence of Ukrainian diaspora, and the temporary protection status will contribute to increased participation of displaced persons in the labor force. In particular, [OECD \(2022\) estimates](#) show that labor force of all EU countries will cumulatively grow by 0.5% by the end of 2022, which is two times more than during the previous migration wave in 2014–2017. The impact is expected to be the strongest in Czechia (2.2%), Poland (2.1%), Estonia (1.9%), and in several other countries (1%–1.5% in Hungary, Latvia, Slovakia, Lithuania, and Romania). In turn, employment in the EU can grow by 0.4%. Whereas the average migrant in 2014–2017 was a young man with basic education, in 2022 it is a woman with higher education, often with children. As a result, migration will influence different segments of the labor market: demand will likely shift from manual labor jobs to the services sector, particularly part-time jobs with fewer hours to be worked at night.

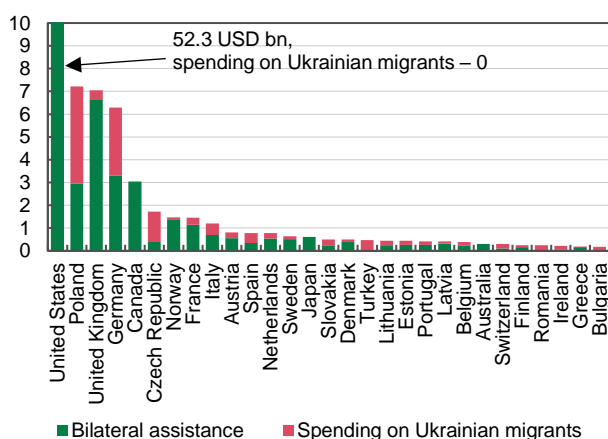
Due to the structural deficit of labor force, the unemployment rate in Ukrainian migrants' main European host countries (in particular, Poland, Germany, and Czechia) was lower than 3% before the war, which was much below the average level in the EU (6.2%). Although the war in Ukraine affected economic activity through price growth, strong labor markets and the shortage of labor in some professions and industries provide opportunities for Ukrainians. In particular, employer associations in Poland expressed confidence that they would be able to hire new labor force. Considering labor force needs of main recipient countries, the inflow of Ukrainian migrants is highly unlikely to have a negative impact on employment or wages of local population, according to [OECD estimates](#).

However, despite positive assessments for Ukrainians' recipient countries, available data show that displaced persons' integration in their labor markets is moderate. Whereas 63% of surveyed migrants were employed before the full-scale invasion, only 28% were employed in September ([UNHCR, 2022](#)). In June, more than [350 thousand Ukrainians](#) were looking for a job in Germany, but [less than 10%](#) managed to find it. [According to ifo survey](#), this figure is 22%. Only around 15% of migrants have been employed in France, due to the language barrier and the relatively small diaspora, in Spain – [13%](#) out of 90 thousand working-age Ukrainians. On the other hand, 1.2 million migrants in Poland received social insurance numbers and [around a half of them](#) found job. However, these migrants mostly worked in the areas with lower wages – logistics, industrial production, agriculture, construction, hotel business – although many of them were highly qualified. The latest [ILO report](#) shows that employment statistics of Ukrainians' recipient countries start to reflect the impact of migration on their labor markets, which does not pose a threat as of now. For example, the growth in unemployment in Germany is due to migrants having been included into the statistics from June 2022, but the labor market shows no signs of structural changes. The unemployment rate declined in Poland despite the large inflow of migrants.

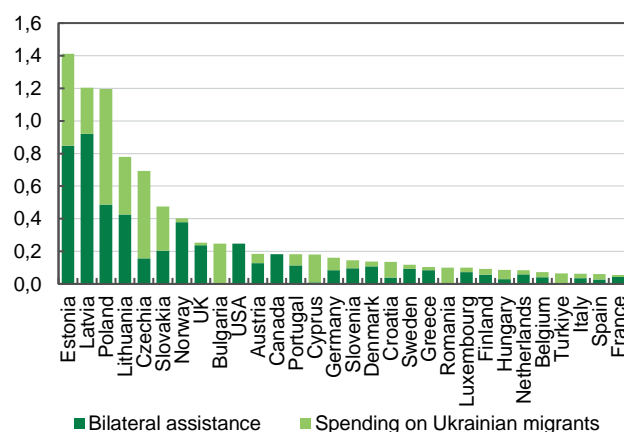
Therefore, in spite of the initial challenges put on recipient countries by inflows of migrants from Ukraine, gains for the economies of these countries are higher over the medium and long term thanks to migrants' active integration in the labor market and in the society as a whole.

Annexes

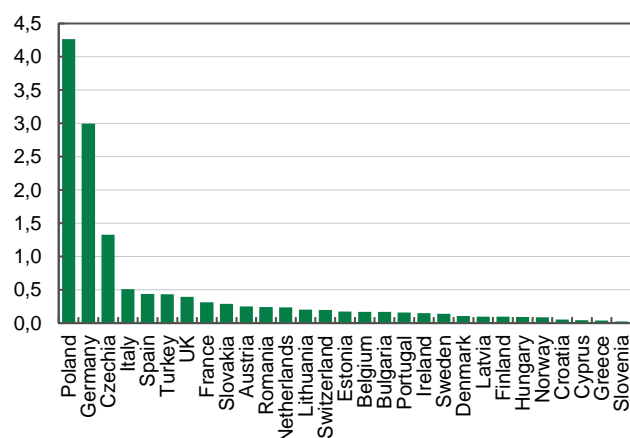
Support to Ukraine from international partners*, USD billions



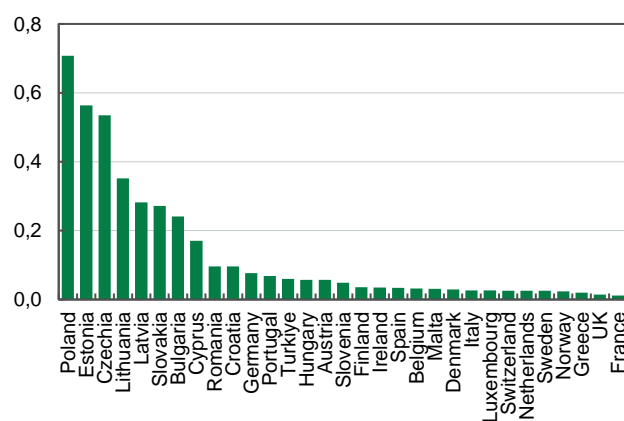
Support to Ukraine from international partners*, % of GDP



Expenditures on migrants from Ukraine*, USD millions



Expenditures on migrants from Ukraine*, % of GDP



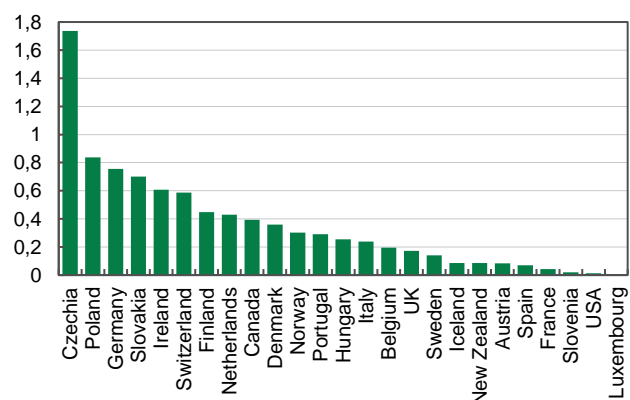
* Declared over the period from 24 January to 3 October 2022.

Source: Antezza et al. (2022) *The Ukraine Support Tracker* Kiel WP.

* Declared over the period from 24 January to 3 October 2022.

Source: Antezza et al. (2022) *The Ukraine Support Tracker* Kiel WP.

Estimated expenditures on migrants* from Ukraine in 2022, % of budget expenditures



* In-donor migrant costs are budget expenditures aimed at development and support for migrants in the first year of their stay in the recipient country. Expenditures on migrants are estimated based on estimated costs of the recipient country per one migrant (official data on the number of migrants and the country's total expenditures on migrants in 2018–2021) and the number of registered migrants staying in each country.

Source: SEEK Development's Donor Tracker, OECD DAC databases, UNHCR Migrant Statistics Data Portal, UNHCR's Operational Data Portal for Ukrainian Migrants, IMF Fiscal Monitor.