

Migrations from Ukrainian perspective, impact on Ukrainian economy

Nataliia Kolesnichenko

19th Joint NBP–SNB Seminar

Remittances and Labour Market

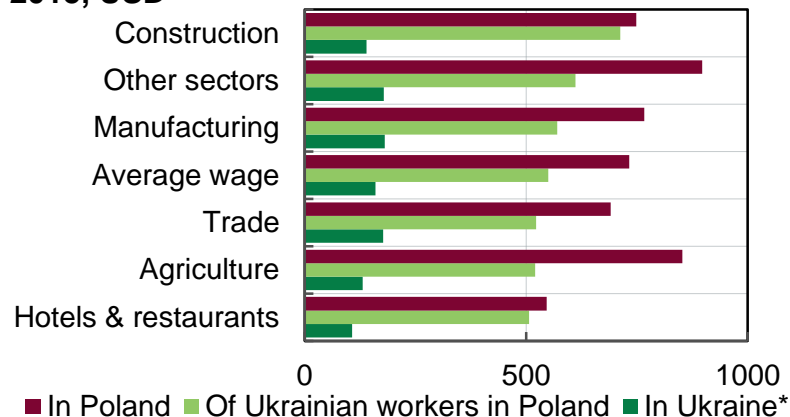
Warsaw, Poland

November 28, 2023



Ukraine faced several waves of migration

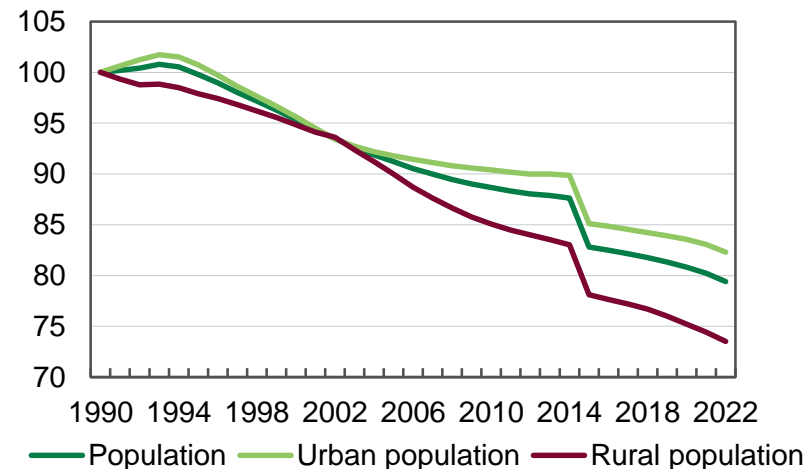
Net wages in Poland, Ukraine and of Ukrainian migrant workers in Poland by sector, as of autumn 2015, USD



* Net wage in Ukraine was estimated by subtracting social security tax (3.6%), PIT (15%) and military tax (1.5%).

Source: NBU staff estimates based on SSSU, NBP, IMF IFS.

Population of Ukraine, index 1990=100%



* Since 2015 excluding the temporarily occupied territories of the Autonomous Republic of Crimea, and the city of Sevastopol.

Source: SSSU, NBU staff estimates.

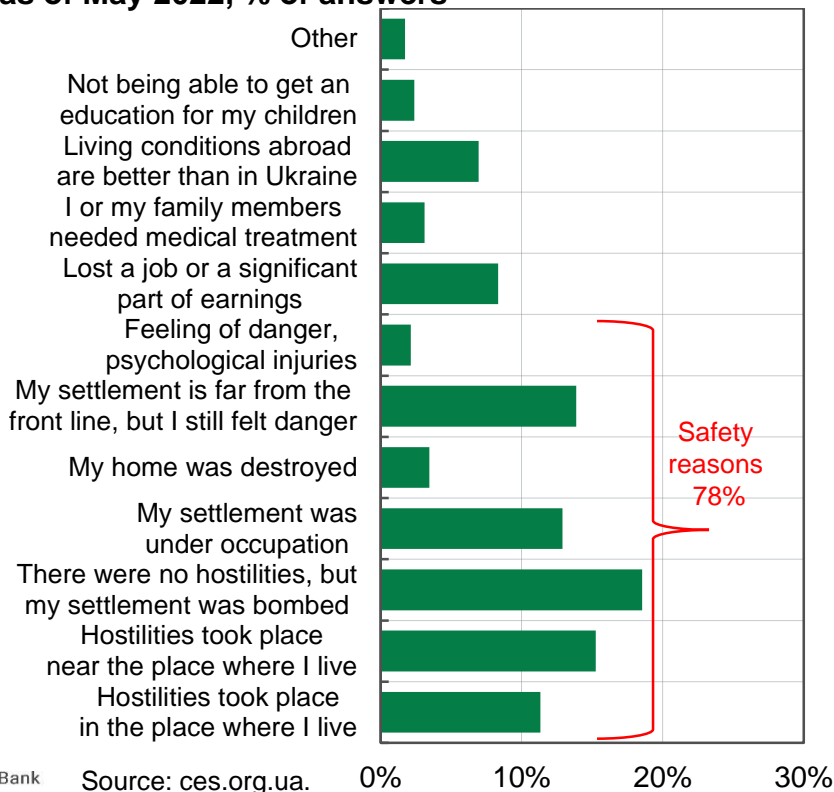
- “Looking for a better life” amid Ukraine’s weak economic development was the main reason for long-term and labour migration both within Ukraine and outside the country
- The number of Ukrainians outside the country was estimated to be nearly 6 million in 2017–2018 with 2.7 million labour migrants among them. The number of IDPs from occupied territories in 2014–2015 was estimated at 1.4 million (*according to the Institute for Demography of Ukraine*)

The impact of the pre-war migration on Ukraine's economy was almost similar to that of other countries with active migration

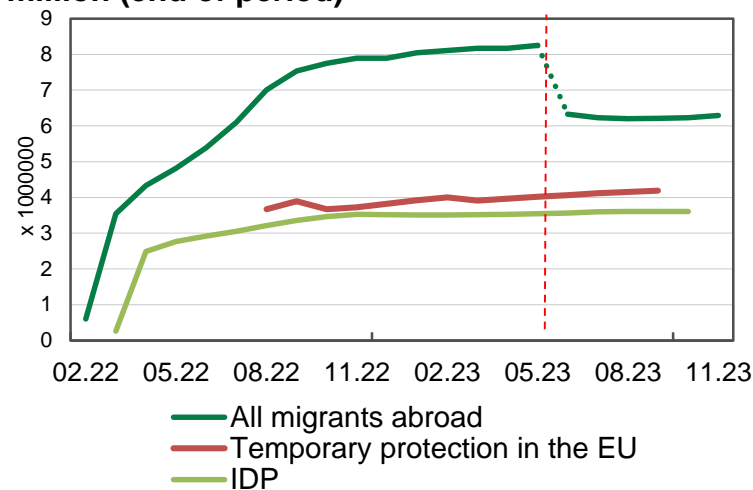
Migration type	Positive impact	Negative impact
Short-term 5-7% of labour force	<ul style="list-style-type: none"> • Impact on the exchange rate • Decrease in poverty • Investment resources • Decrease in unemployment 	<ul style="list-style-type: none"> • Wages inflation • Decrease in labour force • Deterioration of public financial resources • Stratification of the population
Long-term 5% of labour force	<ul style="list-style-type: none"> • Diaspora investment resources • Increase in trade with recipient countries 	<ul style="list-style-type: none"> • Decline in labour force • Negative demographic trends • Lower remittances
High qualified 0.1% of labour force	<ul style="list-style-type: none"> • Investments/venture capital inflow 	<ul style="list-style-type: none"> • Lower human capital quality and labour productivity • Loss of public spending on the education of migrants
Returning of migrants 3% of labour force	<ul style="list-style-type: none"> • Higher human capital quality • Inflow of technologies and innovations • Labour productivity growth • Increase in labour force 	<ul style="list-style-type: none"> • Inflation in real estate prices

The full-scale Russia's war against Ukraine led to the largest migration since World War II

The main factor behind the decision to go abroad, as of May 2022, % of answers



The number of Ukrainians fleeing from the war, million (end of period)

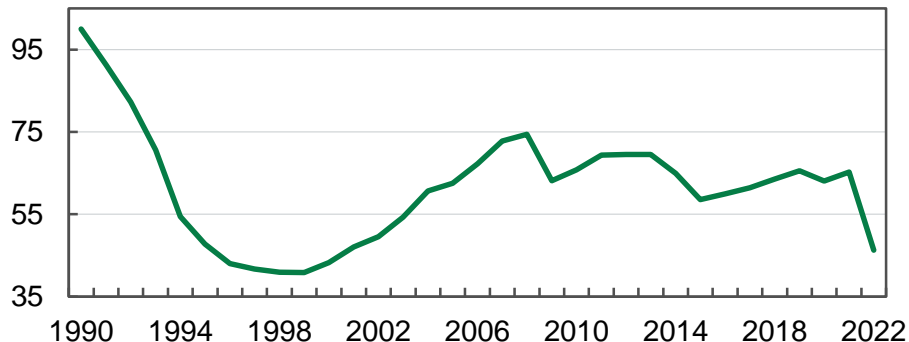


Source: UNCHR, ESTAT, Ministry of Social Policy of Ukraine.

- At some point, over 10 million Ukrainians became internally and externally displaced persons – more than 20% of the population (as of the end-2021, the population of Ukraine was estimated at around 41 million)

Ukraine's economy is suffering from the full-scale war, and migration is only part of the story

Change in real GDP, index 1990=100%



* Since 2010 – without the temporarily occupied Autonomous Republic of Crimea, since 2014 – without the temporarily occupied parts of Donetsk and Luhansk regions. Source: SSSU, NBU staff estimates.

- russia's full-scale war against Ukraine has led to both a dramatic plunge in business activity and the loss of the economy's medium-term growth potential
- Although the economy is gradually recovering from the initial shock of the war, it is still operating far below the pre-war levels: in 2022, real GDP fall was the deepest in the history of Ukraine, and the GDP level returned to that of the early 2000s

Nightlights in Ukraine



Source: nasa.gov.

In 2022–2023, external migration allowed to soften the humanitarian crisis in Ukraine

Migrant's profile in 2017



Picture: zz.te.ua.

A man (57%) under the age of 40 (62%), with secondary special education (44%), rural or a small town resident (75%), from the West or Center of Ukraine, blue-collar (42%) dissatisfied with his earnings and economic situation in the country

Migrant's profile in 2022



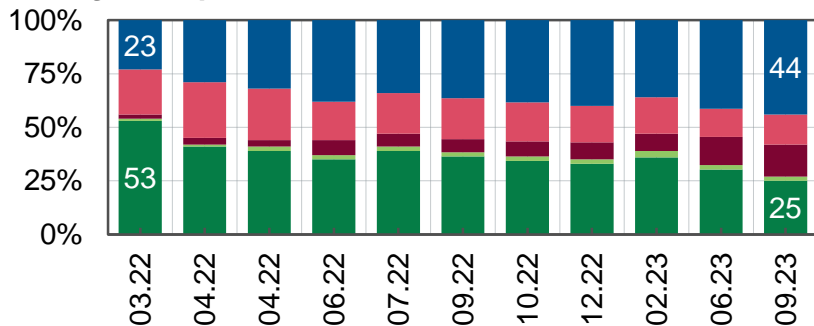
Picture: censor.net.

An absolute majority of the migrants are women (83%), almost half of migrants are aged between 35 to 49, and almost 70% of them have a high education. About 63% of migrants went abroad with their children. Safety reason was the main factor that pushed migration

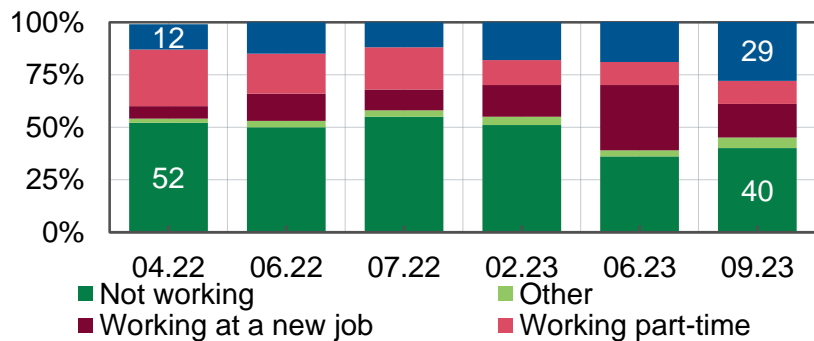
War led to a fall in employment in Ukraine...

Current status of those who had a job before
24 February 2022, % of answers

Among all respondents



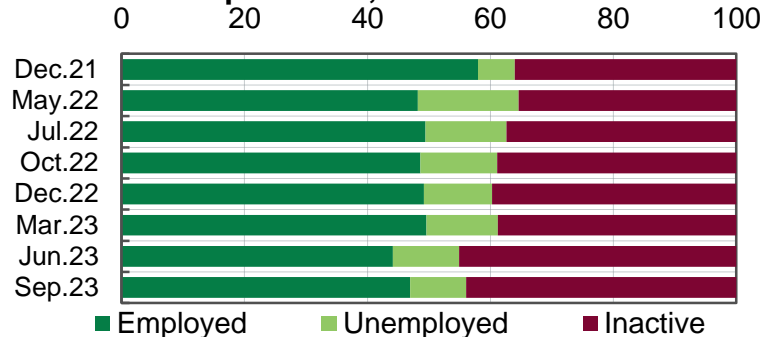
Among IDP's



■ Not working
■ Working at a new job
■ Working as usual
■ Working part-time
■ Other

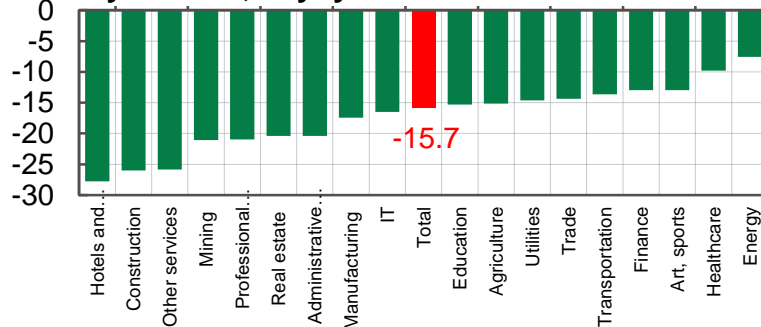
Source: ratinggroup.ua.

Share of employed and unemployed in the
structure of respondents, %



Source: InfoSapiens, NBU staff estimates.

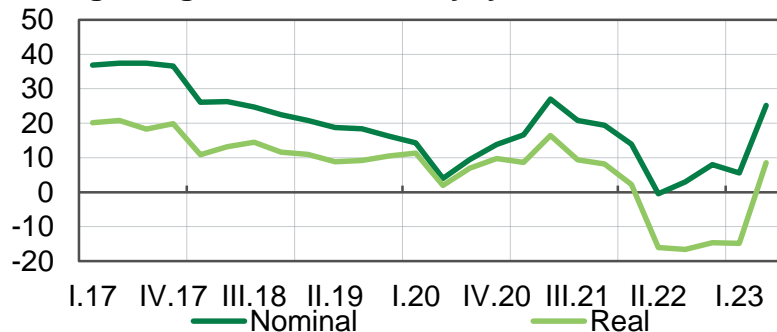
Number of employees by the type of economic
activity in 2022, % yoy



Source: SSSU, NBU staff estimates.

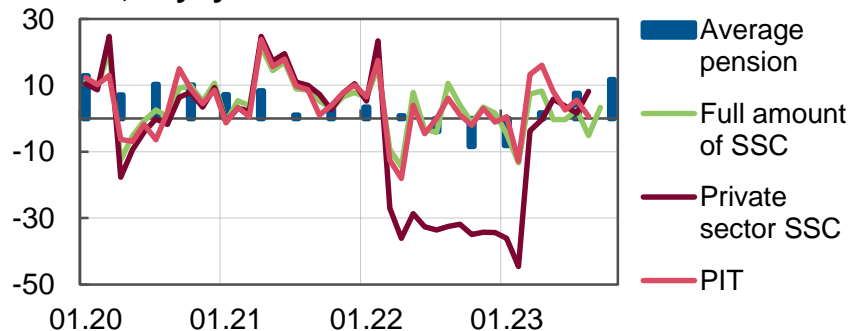
...and a decline in the earnings of Ukrainian households

Average wages in Ukraine, % yoy



Source: SSSU, NBU staff estimates.

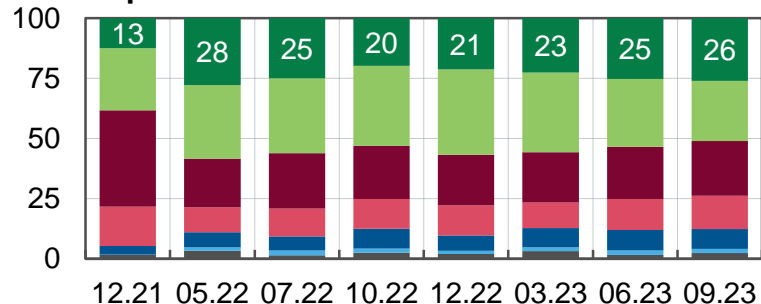
Indirect indicators for estimating real household income*, % yoy



* Deflated by CPI.

Source: PFU, SSSU, STSU, NBU staff calculations.

Self-assessment of household's financial situation, % of responses



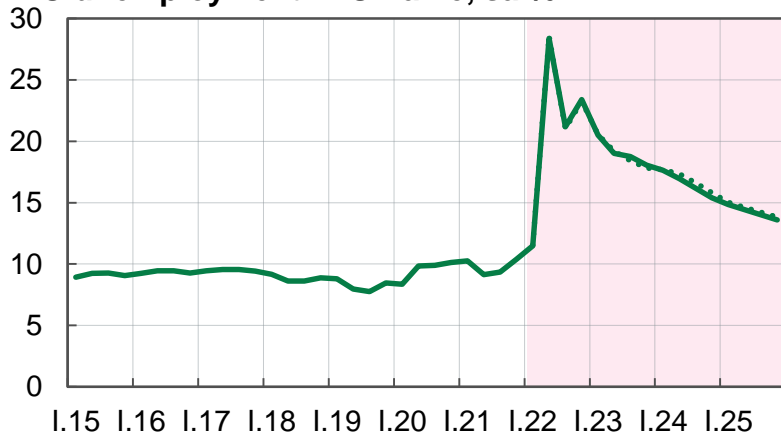
- 1. Saving on food
- 2. Enough money for food. Need to save/borrow to buy clothes and shoes
- 3. Enough for item 2. Need to save/borrow to buy small appliances
- 4. Enough for item 3. Need to save/borrow to purchase large appliances
- 5. Enough for item 4. Need to save/borrow to buy a car/apartment
- 6. We can afford any purchases
- 7. Hard to tell

Source: InfoSapiens.

- The loss of household income from work was partially compensated by social benefits and higher pensions, financed mainly by international aid, and a significant increase in military allowances

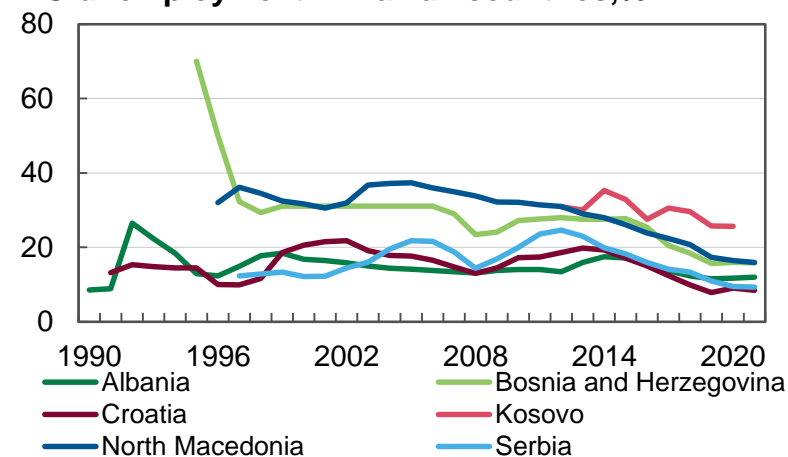
Migration helped restrain unemployment as well as support household income in Ukraine

ILO unemployment in Ukraine, sa %



Source: SSSU, NBU staff estimates (Inflation report October 2023).

ILO unemployment in Balkan countries, %

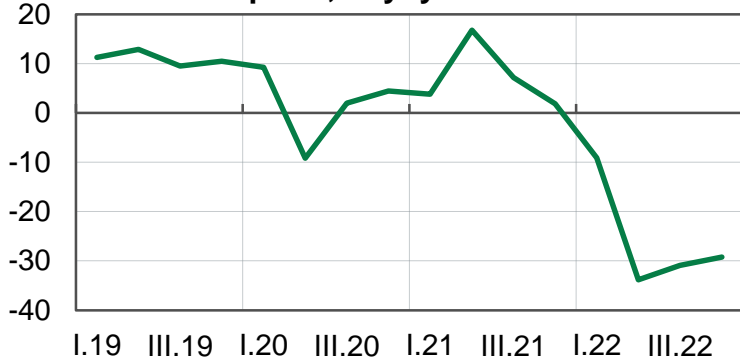


Source: IMF.

- Unemployment rose to around 21% in 2022 (up from 9.8% in 2021), peaking at the start of the full-scale invasion and gradually declining thereafter to an estimated 19% in 2023. Such estimates were comparable to the experience of other countries that underwent war and Ukraine's own in 2015
- Without migration unemployment would be higher: migration led to a shrinking of the labour force and number of unemployed people
- Remittances remained an essential part of households' earnings in Ukraine, having decreased by 10.5% yoy in 2022 (to USD 12.5 bn or 8% of GDP) and 8% yoy in 2023

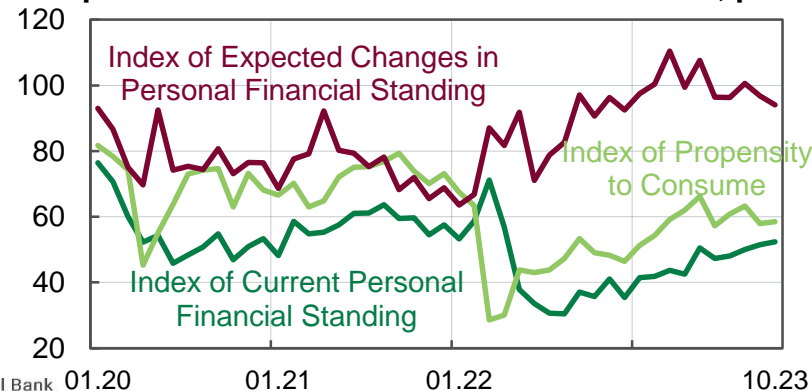
However, migration contributed to a decrease in consumption and foreign currency pressures

Private consumption, % yoy



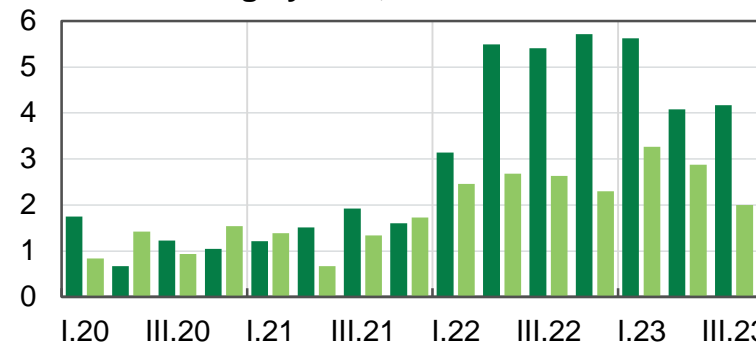
Source: SSSU, NBU staff estimates.

Components of the consumer sentiment index, p.



Source: InfoSapiens.

Imports of services under item "travel" and FX cash outside banking system, USD bn

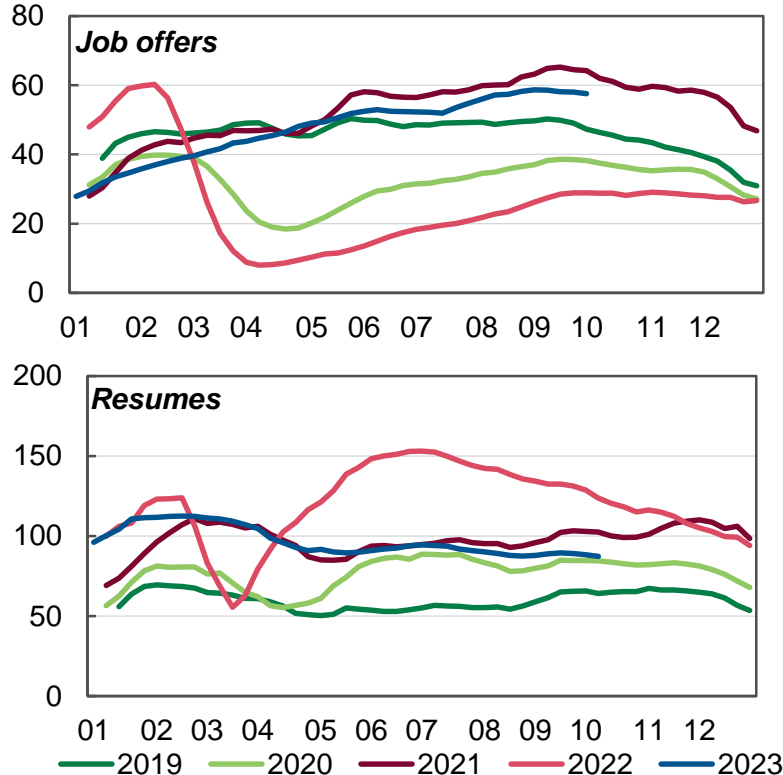


■ Imports of travel services ■ FX cash outside banks
Source: NBU.

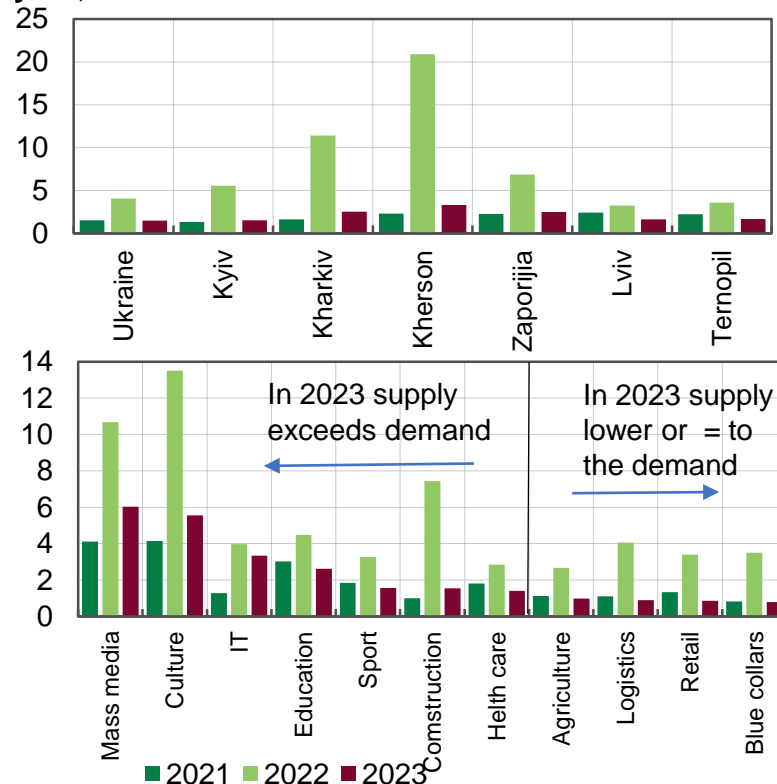
- The plunge in private consumption was due to a decrease in real household incomes, a decline in the number of consumers due to migration abroad, material losses of Ukrainians due to the war, changes in consumer behavior, as well as limited supply of certain goods and services due to the destruction of production facilities, trade and warehouse infrastructure

Migration contributed to the deepening regional and professional mismatches in the labour market, indicating structural unemployment

Labour demand and supply, 4-week moving average, thousands

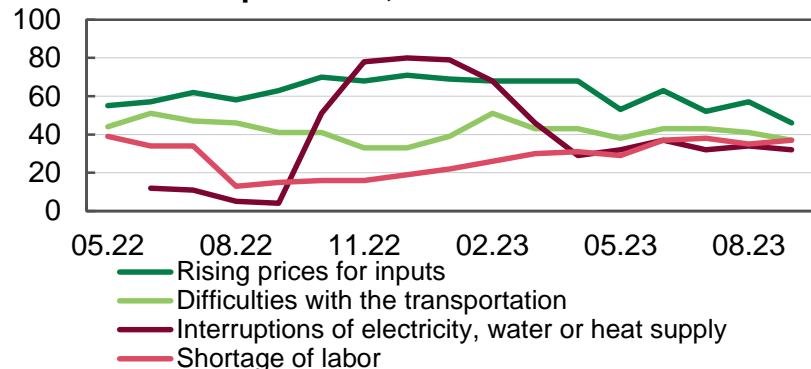


The load on one vacancy in October of respective year, units



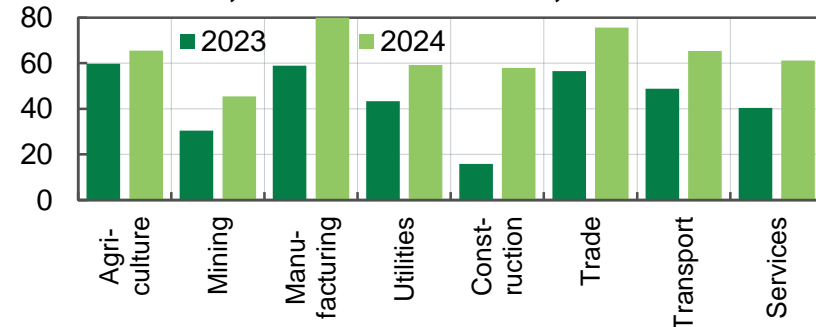
Deficit of skilled workers grew and put pressure on wages

Main business problems, % of answers

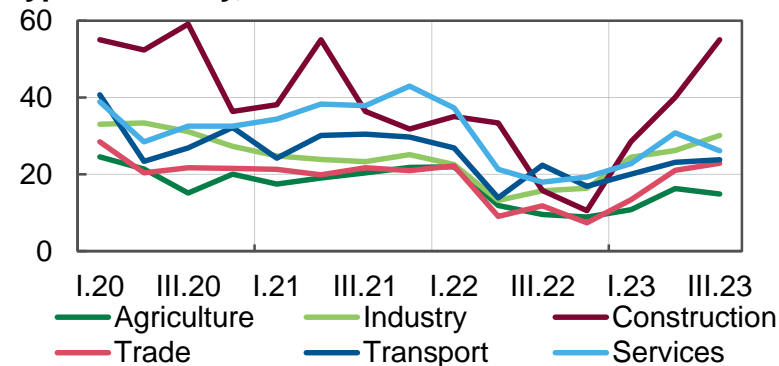


Source: www.ier.com.ua.

Have you implemented/planned salary revisions in 2023 and 2024, balance of answers*, %

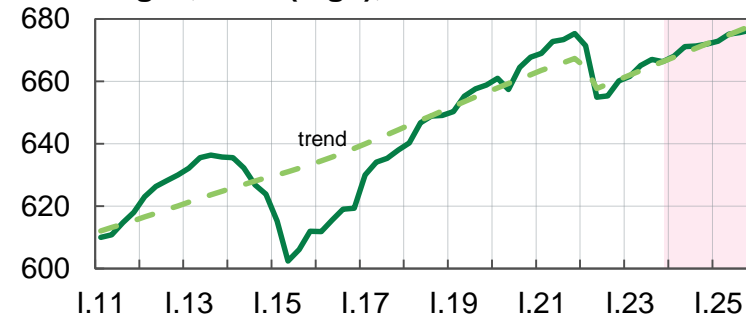


Enterprises reporting a deficit of skilled workers by type of activity, % of answers



Source: NBU.

Real wages, level (logs), %

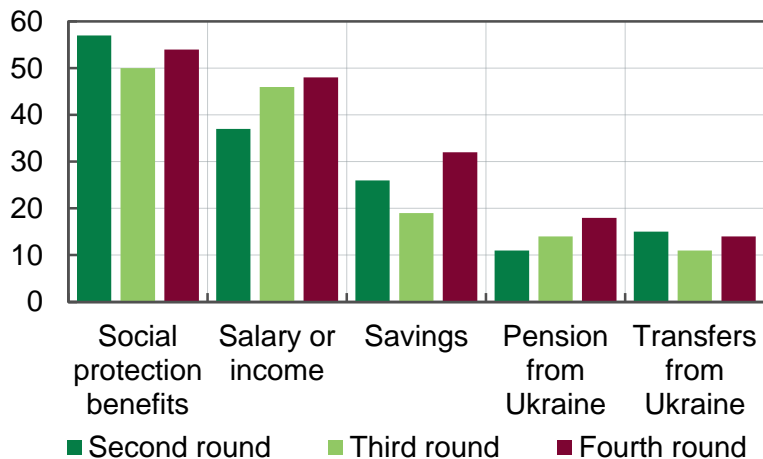


Source: SSSU, NBU staff estimates (Inflation report October 2023).

*Balance of answers – the difference between the share of "increase" and "decrease" responses. Source: NBU.

Migrants have gradually adapted to hosting countries. Long-term impact depends on returning of migrants

Changes in refugees' income sources across data collection rounds, % of answers



Source: UNCHR.

Field of activity in Ukraine (up to 2022) and in the Czechia among employed refugees, % of answers

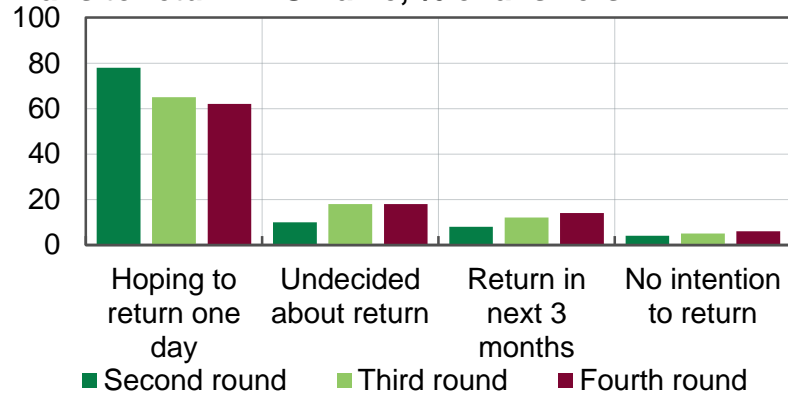


Source: PAQ Research (Czechia).

- According to a UN survey (4th wave in May 2023), 42% are employed or self-employed, 48% have a salary as a major income source, 55% renting apartment on their own in host country (27% in 2nd round)
- However, most migrants work in jobs well below their qualifications and 33% of them still live below the poverty line

War and migration change the country's demographic landscape and pose long-term risks for the Ukrainian labour market

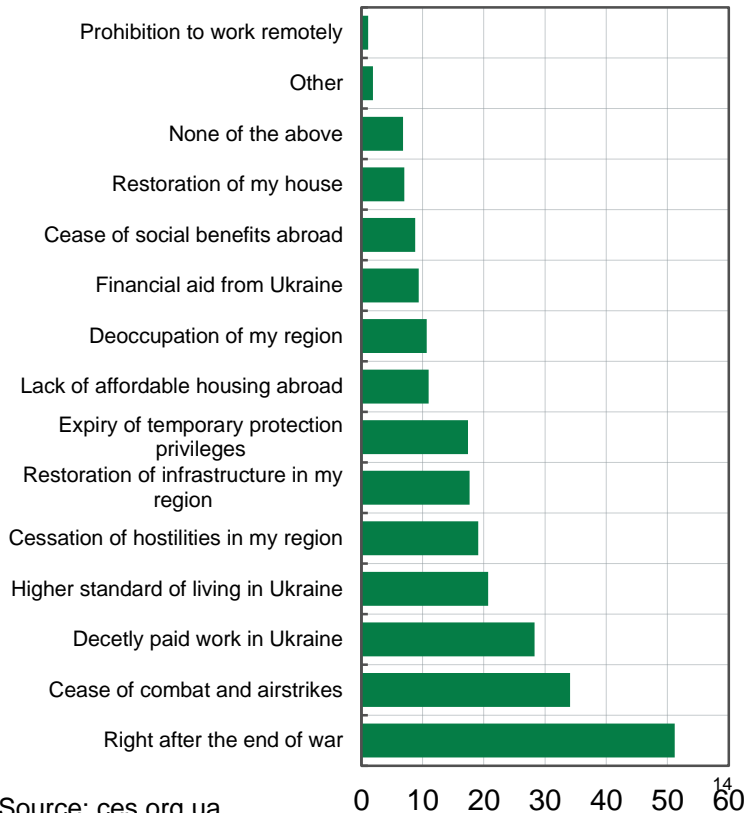
Plans to return in Ukraine, % of answers



Source: UNCHR.

- Despite the majority still plans to return, the share of those, who are uncertain or have decided to stay in the hosting country, increased
- Security factors are the main ones, but job opportunities and a higher standard of living can also encourage Ukrainians to return
- The non-return of migrants could create a labour shortage and negatively contributed to GDP growth. Natural population growth will not compensate it given the low birth rate, so an effective migrant return policy is important
- Total losses may be partly offset by an increase in investments and successful reforms in the process of EU accession

Factors encouraging Ukrainians to return, % of answers



Source: ces.org.ua.

Stand with Ukraine!



National Bank
of Ukraine

[Web](#) ▪ [Facebook](#) ▪ [Twitter](#) ▪ [Flickr](#) ▪ [Youtube](#) ▪ [Instagram](#)