

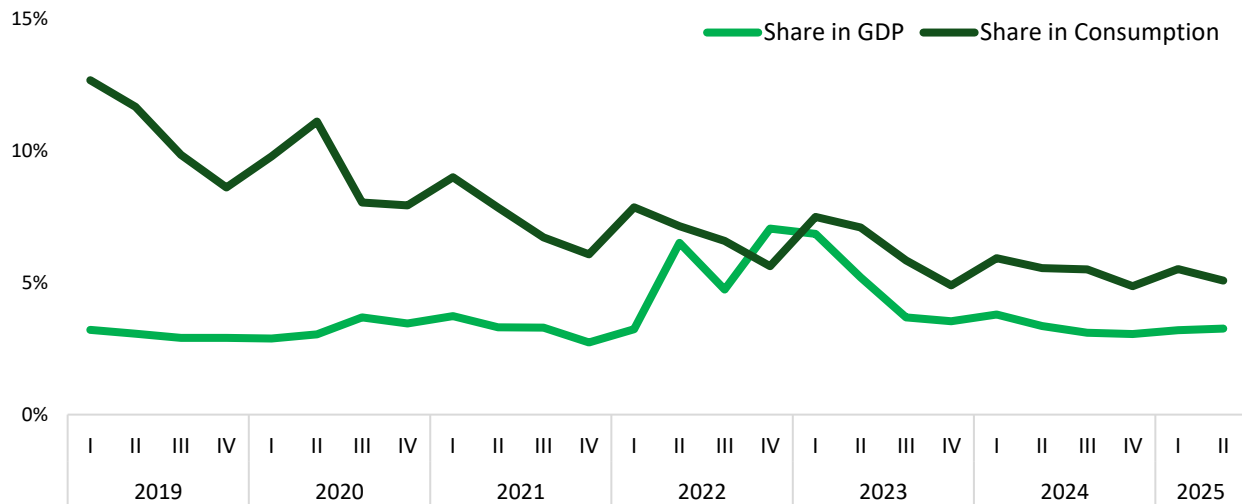
The contribution of remittances to Georgia's economic growth

Egnate Shamugia¹

Foreign financial inflows have played a central role in Georgia's economic development. Remittances, primarily associated with labor emigration, constitute a major component of these inflows. In Georgia, over two-thirds of total personal transfers are remittances from individuals employed abroad. In 2024, such income reached \$2 188.7 million.

Remittances received in the country represent a significant source of financing for domestic consumption and, consequently, serve as a substantial driver of economic growth². Prior to Russia's war in Ukraine, net remittances accounted for 3.2% of the economy, while their share of household consumption averaged 8.5%.

Figure 1: The ratio of Georgia's net remittances to GDP and household consumption



Source: Geostat; NBG; Author's calculation

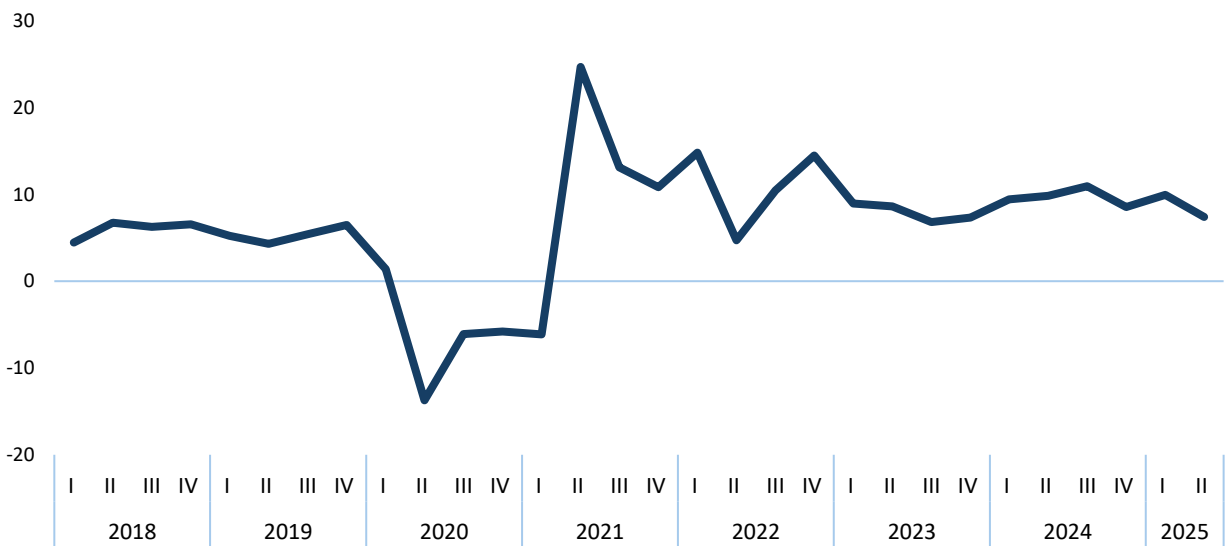
¹ Research Institute Gnomon Wise, e-mail: e.shamugia@ug.edu.ge

² Yang, D., & Choi, H. (2007). Are Remittances Insurance? Evidence from Rainfall Shocks in the Philippines. *The World Bank Economic Review*, 21(2), 219–248. <https://doi.org/10.1093/wber/lhm003>; Giuliano, P., & Ruiz-Arranz, M. (2008). Remittances, financial development, and growth. *Journal of Development Economics*, 90(1), 144–152. <https://doi.org/10.1016/j.jdevco.2008.10.005>; Cazachevici, A., Havranek, T., & Horvath, R. (2020). Remittances and economic growth: A meta-analysis. *World Development*, 134, 105021. <https://doi.org/10.1016/j.worlddev.2020.105021>

After the onset of the war, remittances became increasingly important in the Georgian economy. In the two years following the conflict's start, net inflows averaged 5.2% of total economic output. Remittances from Russia accounted for an average of 2.6%, compared to 0.6% prior to the war.

Remittances constituted a key channel through which the war accelerated Georgia's economic growth. Migration prompted by Western sanctions on Russia and the announcement of "partial mobilization" led to an influx of human capital from Russia, accompanied by increased remittance inflows.

Figure 2: Georgia's economic growth rate, %



Source: Geostat

In 2022, Georgia's economy grew by 10.4%, and net remittances from Russia increased more than sixfold compared to the previous year, totaling \$2 026.6 million. In 2023, net transfers from Russia reached \$1 482.8 million USD. The following year, remittances from Russia declined sharply to \$523.6 million, yet remained above pre-war levels. This decline is primarily attributed to the departure of Russian migrants from Georgia and the significant depreciation of the Russian ruble³.

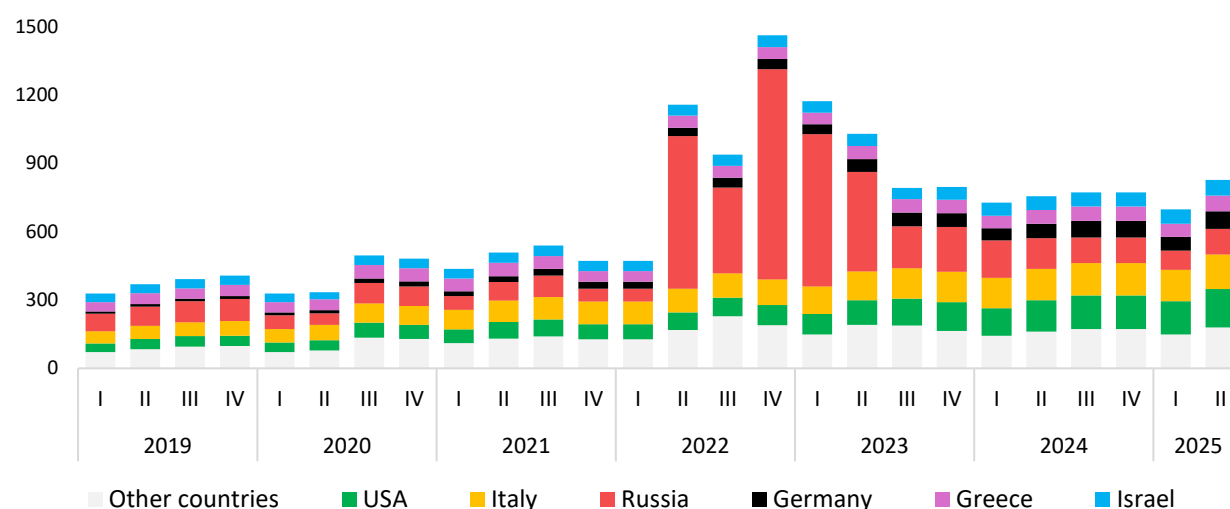
The downward trend in net transfers persisted into the current year, while economic growth remained robust. In the first half of 2025, net transfers from Russia totaled \$196.1 million, a 34.8% decrease from the same period in the previous year. Despite this decline, the economic growth rate reached 8.6%. The

³ Shamugia, E. (2024). The Impact of Russia-Ukraine War on Georgia's Economy has Faded Away. In *Gnomon Wise*. <https://gnomonwise.org/public/storage/publications/February2024/pfW7trrYr2QzFBA8cYno.pdf>

reduction in transfers from Russia has not impeded economic expansion, as increased financial inflows from other countries have offset the shortfall.

Despite the deceleration of remittances from Russia, the role of such financial flows has not diminished, because total net remittances remain elevated due to increased contributions from other countries. In the first half of 2025, total net transfers reached \$1 524.5 million, representing a 2.8% increase compared to the analogous period in the previous year. During this period, remittances from Russia decreased by 34.8%, accompanied by a 7.4 percentage-point reduction in Russia's share of net transfers.

Figure 3: Net remittances in Georgia, million USD



Source: NBG

The rise in total remittance inflows, despite declining transfers from Russia, is primarily due to increased financial flows from the United States. From the second half of 2024 onward, the United States emerged as the leading remittance source. In the first half of the current year, net transfers from the United States totaled \$314.7 million, comprising 20.6% of total remittances. Compared to the first and second quarters of the previous year, net transfers from the United States increased by 21.6%, with their share rising by 3.2 percentage points.

In summary, despite reduced remittance flows from Russia, net transfers to Georgia continue to play a vital role in supporting domestic consumption. In the current year, net inflows - driven primarily by direct transfers from the United States - constitute 3.3% of the total economy, slightly surpassing the pre-war average. The share of transfers from the United States in Georgia's economy has nearly doubled compared

to the pre-war period, while Russia's share has declined by almost half. Remittances, therefore, remain a significant contributor to domestic economic growth.