



Press release  
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## Results of the AEB Annual Survey “Strategies and Prospects for European Companies in Russia”

**Having survived the biggest external shock in recent history, European business is regaining confidence and continues to adjust to the new realities.** 2022 was undoubtedly the most challenging year for European businesses in Russia in recent history. Still, despite unprecedented sanctions pressure, significant shifts in the regulatory environment, general uncertainty regarding the future, and reduced turnover, the AEB annual business climate index 2023 showed a strong recovery of investor confidence as the comprehensive AEB index increased by 36 pts versus last year to 116 pts out of possible 200, just slightly short of the area of positive expectations.

“Against the backdrop of a more or less constant flow of new challenges and bad news, this year’s results of the AEB annual business climate index survey came as a positive surprise. In our view, this renewed optimism and investor confidence can be explained by the following factors: First, the economy performed significantly better than initially expected and has recently returned to positive growth rates in m-o-m terms. Second, a lot of companies have already adapted to the new realities and undergone the necessary adjustments in their business model and setup and are thus ready to look ahead. And third, psychologically, this year companies view their situation and the outlook more positively against the background of the events of 2022, while last year their present and future was overshadowed by dark clouds in comparison to the 2021 post-Covid recovery,” so Tazio Schilling, AEB CEO, commented on the results of the study.

### *Summary of the main findings:*

- More than a third of AEB member companies (39%) experienced decreasing volumes in 2022 (9% of companies in 2021). Only 43% of companies reported an increase in turnover in 2022 (75% in 2021).
- Still, despite the decline in turnover, most companies did not resort to radical HR measures, but on the contrary tried to retain staff. Thus, 36% of respondents reported that the number of employees in the company has not changed, while 17% even report an increase.
- As for expectations regarding 1Q23, 32% of the respondents said the economy performed better than expected (8% in 2022), and 28% reported that business results surpassed their expectations (14% in 2022).
- This year 48% of respondents expect that revenue will increase over the next 3 years (24% last year) and 42% expect that profits will grow as well (19% last year); the number of those expecting decreasing revenues and profits has decreased by 29% and 31% respectively.
- The recovery of investors confidence is most pronounced in the long term, as 71% expect the economy to grow over the next 6-10 years (60% in 2022), while only 55% (38% in 2022) and 37% (vs 9% in 2022) expect the economy over the next 3-5 and 1-2 years respectively.

- Despite the significant improvement of expectations regarding the Russian economy, only few companies are ready to restart investments (17%), while 38% of the companies still plan to cut their investments in Russia in 2023.

### Barriers to business

- Despite renewed optimism, there remain significant barriers to the activities of foreign companies in Russia. As the most significant obstacles for operations in Russia in 2023 the companies named:
  - a) restrictions due to the U.S., EU and other sanctions towards Russia (70%),
  - b) refusal of foreign partner companies to do business in Russia (56%),
  - c) the economic crisis and uncertainty of development of the situation in Russia (51%).

The top list of negative factors also includes restrictions due to Russia's countermeasures, difficulties with making payments and settlements, reputational risks for businesses from working in Russia, difficulties with logistics, supplies, incl. lack of materials and component parts, threat of Russia's economic isolation, FX rate volatility.

### Impact of sanctions and countermeasures

- 83% of the surveyed companies were affected by sanctions and Russian countermeasures to a certain extent. The most significant impact was related to:
  - a) export and import restrictions (59% of respondents)
  - b) sanctions targeting Russian financial organizations (53% of respondents)
  - c) transport restrictions (40% of respondents)
  - d) freezing of Russia's currency assets / SWIFT disconnection (31% of respondents)
- In response to the unprecedented level and scope of external sanctions as well as respective Russian counter-measures, companies reacted in the following ways:
  - a) change investment plans (48% of respondents)
  - b) cut marketing budgets (37% of respondents)
  - c) take HR measures (24% of respondents)
  - d) postpone launch of new products (22% of respondents).

In addition, every fifth company (18% of respondents) had to change its ownership structure due to the sanctions and Russia's countermeasures, primarily by orchestrating management buy-outs or selling to new investors (financial or strategic).

### **About the survey**

The survey "Strategies and Prospects for European Companies in Russia" was conducted by the Association of European Businesses for the sixteenth time (since 2008). The current survey was conducted in April-May 2023. 93 AEB member-companies participated in the survey this year. The comprehensive AEB index increased to 116 points. Survey results fixed an upward trend in all Index components, except current business situation. The integrated AEB index is in the area of neutral expectations at the level of 2020 and 2014.

### **Association of European Businesses**

The Association of European Businesses (AEB) was founded in 1995. AEB is an independent non-profit organization. The Association brings together more than 500 member companies from the EU member states, the European Free Trade Association (EFTA) and other countries operating in the Russian Federation. The AEB includes more than 80 sectoral and intersectoral committees, subcommittees and working groups, whose activities are aimed at protecting the interests of members of the association.

*The full survey is published on the AEB website: [AEB Annual Survey - AEB \(aeb.ru\)](https://www.aeb.ru/annual-survey)*

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