ANALYTICS

HOW EUROPEAN COMPANIES ARE FARING IN RUSSIA IN 2026

Amid Russia's economic slowdown and a regime of mutual restrictions, most of the European companies still operating in Russia are "carrying on unchanged", holding back from investment and bracing for more sanctions. There is little cause for optimism in 2026, but foreign businesses see growth potential in sectors such as IT, telecoms, agriculture and food processing

A worsening business climate

In 2026 the difficulties European companies face in Russia from sanctions and counter-sanctions have been compounded by an unfavourable economic backdrop: against a background of high interest rates, a strong rouble, labour shortages and a rising tax burden on business, the pace of economic growth has slowed markedly. In the first quarter of 2026 Russia's GDP shrank by 0.2 % year on year and by 0.6 % against the fourth quarter of 2025. The Russian government currently forecasts that the economy will grow by just 0.4 % over the year as a whole.

More than 70 % of the European companies (predominantly German) surveyed by the Russian-German Chamber of Commerce (AHK Russland) between March and May 2026 believe the economic situation in Russia will worsen in the second half of the year, and only 15 % expect an improvement. The survey drew 265 of the chamber's members (nearly 170 companies with German capital, 29 from other EU countries as well as British and Swiss firms, and 66 Russian companies).

European companies believe the outlook is worst in sectors such as construction, the car industry, metals and retail. Yet there is also optimism about certain parts of the Russian economy. Some 14 % of respondents see the greatest growth potential in information technology and telecommunications, 13 % in agriculture and food processing, 12 % in energy and raw materials, and 11 % in healthcare.

Sanctions expectations

Respondents most often named EU sanctions against Russia as an obstacle to doing business there, with 14 % ranking it among their five most damaging factors, followed by the armed conflict between Russia and Ukraine (12 %), difficulties with banking payments (9 %), the state of the economy (7 %) and supply-chain problems (6 %).

About 58 % of companies reported a strong or very strong impact from western sanctions on their operations in Russia, and more than 80 % said they had incurred losses as a result. The pessimism with which respondents view the future is somewhat striking: 57 % of the companies surveyed expect new sanctions to be imposed. That said, respondents may have had in mind chiefly European restrictions, which are indeed introduced regularly — the EU's 21st sanctions package is currently under discussion. On US sanctions, by contrast, almost 30 % of companies expect a slight easing. That view may have been shaped by the temporary relief granted by Donald Trump's administration, in force from March until 17 June, on purchases, by third countries, of Russian oil already loaded on tankers.

Russia's retaliatory measures had little or no impact on more than three-quarters of the companies surveyed: 46 % reported a negligible effect and 30 % none at all. Even so, 24 % of the firms were affected significantly: 16 % reported a strong impact and 8 % a very strong one.

Risks in Russia

Among the retaliatory measures that had the greatest impact on European companies' operations, respondents named restrictions on the payment of dividends (32 %) and difficulties in obtaining approval for transactions involving foreign investors (22 %). Only 3 % are under temporary external administration or fear its imposition. At the same time, the risk of external management is a serious source of concern, representatives of foreign business associations had said previously.

In late April 2026 Moscow hosted a meeting of the International Council for Cooperation and Investment, an advisory body set up by the Russian Union of Industrialists and Entrepreneurs back in 2008. The mechanism of temporary management of foreign-owned assets, introduced by a decree of the Russian President in 2023, is damaging the business climate and creating a "highly nervous environment", representatives of the American Chamber of Commerce in Russia (AmCham), AHK Russland and the Association of European Businesses said. In particular, there are cases where a company appears to have "firmly decided" to keep operating in Russia, only to be suddenly placed under temporary management, Matthias Schepp, chairman of the board of AHK Russland, said at the time. The pretexts for taking a company under control are often "entirely created out of thin air", Schepp said.

Prospects for a return

Nevertheless, the overwhelming majority of both German companies and firms in the wider sample intend to stay in the Russian market, the survey showed. Four German companies, or 2 %, plan to leave it. For 26 % of companies the Russian market may become more important in the long term, but 57 % expect no change. And almost 80 % of the firms surveyed do not plan to invest in Russia in 2026.

The European companies that remain in Russia are not confident that a mass return of departed businesses to the country will take place in future. Almost 60 % of respondents said they expected "only a few" European companies to return to the Russian market, while 37 % believe "many companies will return".

This is somewhat at odds with statements by Russian officials. In June, for example, Kirill Dmitriev, the president's special representative for investment and economic co-operation with foreign countries, said in an interview to Berliner Zeitung that European companies that had left were signalling that they wanted to regain access to the Russian market, and that many were continuing to do business in Russia — "but don't announce it".

"I know of several companies that are ready to return to Russia and resume operations at the first opportunity," Robert Agee, head of AmCham Russia, told Vedomosti in June. "In my view, energy companies would be first in line for new investment in the Russian economy," he said.

In the AHK Russland survey, more than 70 % of companies said Germany should resume buying gas from Russia as soon as possible.

If you have any questions, please, do not hesitate to contact Alphabet’s experts: connect@alphabet.pro.