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# Navigating Market Exits: Companies' Responses to the Russian Invasion of Ukraine

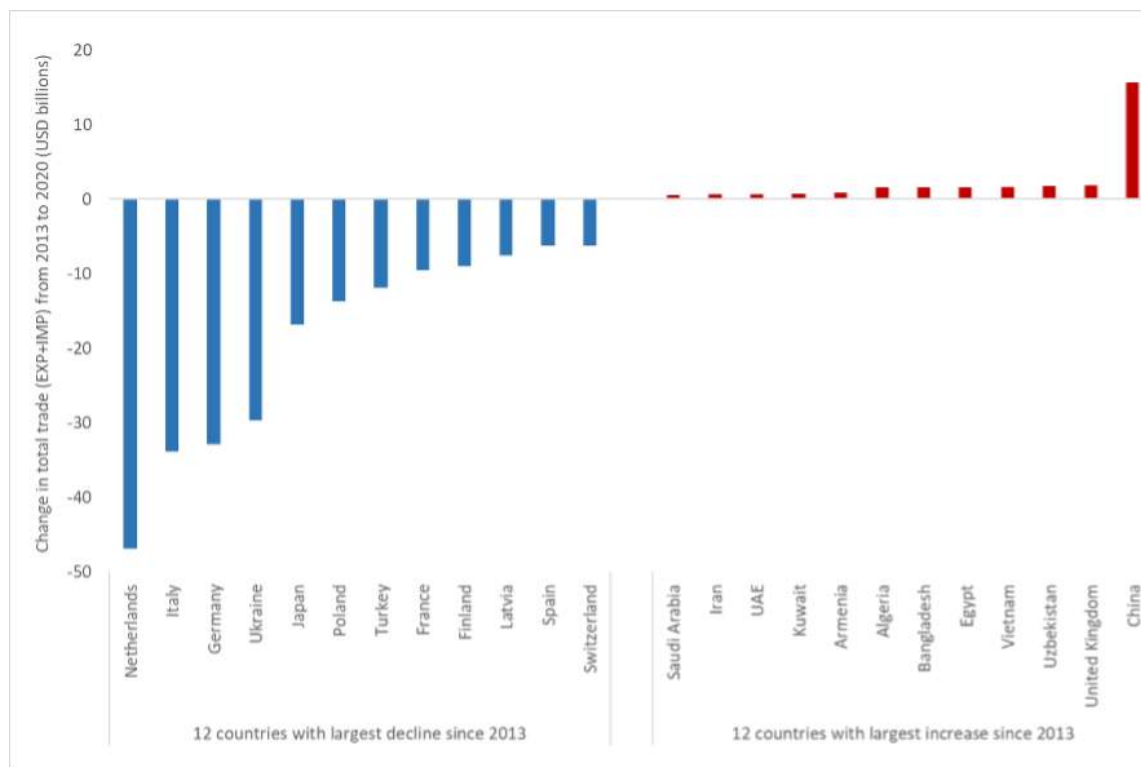
Russia's invasion of Ukraine on 24 February 2022 led to widespread international condemnation. As governments imposed sanctions on Russian businesses and individuals tied to the war, international companies doing business in Russia came under increasing pressure to **withdraw from Russia voluntarily**. In the first part of this policy brief, we show what kind of companies decided to leave the Russian market using data collected by the LeaveRussia project. In the second part, we focus on prominent Swedish businesses which announced a withdrawal from Russia, but whose products were later found available in the country by investigative journalists from Dagens Nyheter (DN). We collect the stock prices for these companies when available and show how investors respond to these news.

## Business Withdrawal from Russia

The global economy is highly interconnected, and Russia forms an important part. Prior to the invasion, Russia ranked 13th in the world in terms of global goods exports value and 22<sup>nd</sup> in terms of imports (Schwarzenberg, 2023). In the months following the full-scale invasion of Ukraine, Russia's imports dropped sharply (about 50 percent according to Sonnenfeld et al., 2022). Before February 24<sup>th</sup>, Russia's main trading partners were China, the European Union (in particular, Germany and the Netherlands) and

Belarus (as illustrated in Figure 1). While there is some evidence of Russia shifting away from Western countries and towards China following the annexation of Crimea in 2014 and the resulting sanctions, Western democracies still made up about 60 percent of Russia's trade in 2020 (Schwarzenberg, 2023). In the same year, Sweden's exports to Russia accounted for 1.4 percent of Sweden's total goods exports, of which 59 percent were in the machinery, transportation and telecommunications sectors. 1.3 percent of Swedish imports were from Russia (Stockholms Handelskammare, 2022).

Figure 1. Changes in trade with Russia, 2013-2020.



Source: IMF Direction of Trade Statistics, data until 2020. From Lehne (2022).

In response to Russia's invasion of Ukraine in February 2022, Western governments imposed strict trade and financial sanctions on Russian businesses and individuals involved in the war (see S&P Global, 2024). These sanctions are designed to hamper Russia's war effort by reducing its ability to fight and finance the war. The sanctions make it illegal for, e.g., European companies to sell certain products to Russia as well as to import select Russian goods (Council of

the European Union, 2024). Even though sanctions do not cover all trade with Russia, many foreign businesses have been pressured to pull out of Russia in an act of solidarity. The decision by these businesses to leave is voluntary and could reflect their concerns over possible consumer backlash. It is not uncommon for consumers to put pressure on businesses in times of geopolitical conflict. For instance, Pandya and Venkatesan (2016) find that U.S. consumers were less likely to buy French-



sounding products when the relationship between both countries deteriorated.

## The LeaveRussia Project

The **LeaveRussia project**, from the Kyiv School of Economics Institute (KSE Institute), systematically tracks foreign companies' responses to the Russian invasion. The database covers a selection of companies that have either made statements regarding their operations in Russia, and/or are a large global player ("major companies and world-famous brands"), and/or have been mentioned in relation to leaving/waiting/withdrawing from Russia in major media outlets such as Reuters, Bloomberg, Financial times etc. (LeaveRussia,

2024). As of April 5<sup>th</sup>, 2024, the list contains 3342 firms, the companies' decision to leave, exit or remain in the Russian market, the date of their announced action, and company details such as revenue, industry etc. The following chart uses publicly available data from the LeaveRussia project to illustrate patterns in business withdrawals from Russia following the invasion of Ukraine.

Figure 2a shows the number of foreign companies in Russia in the LeaveRussia dataset by their country of headquarters. Figure 2b shows the share of these companies that have announced a withdrawal from Russia by April 2024, by their country of headquarters.

Figure 2a. Total number of companies by country.

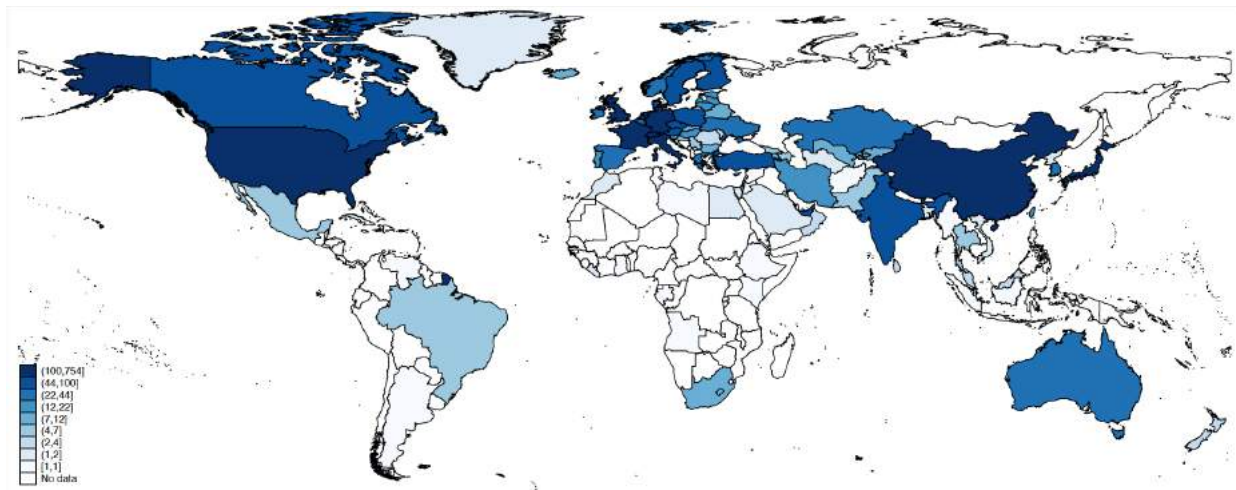
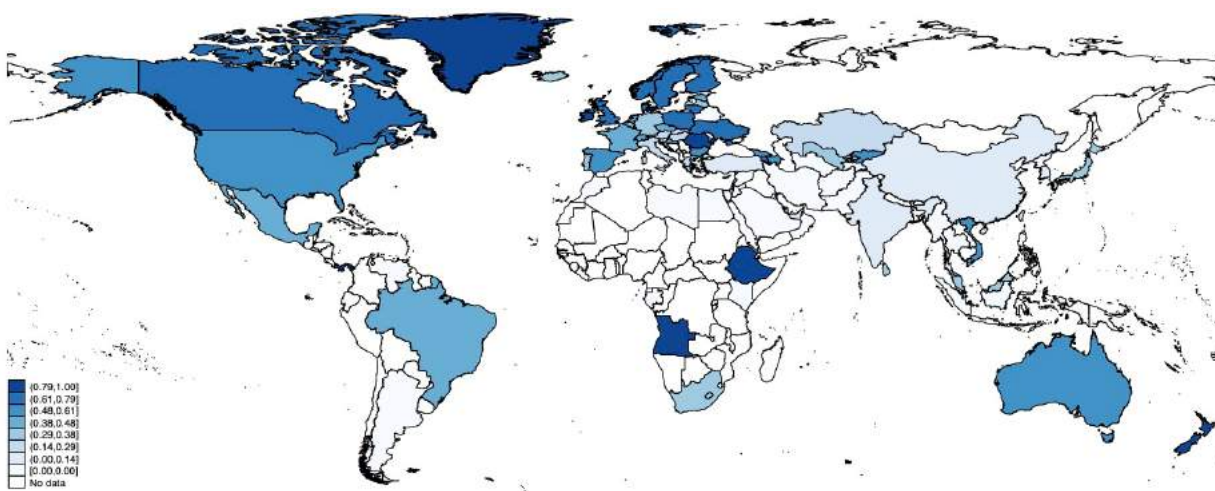


Figure 2b. Share of withdrawals, by country.



Source: Authors' compilation based on data from the LeaveRussia project and global administrative zone boundaries from Runfola et al. (2020).

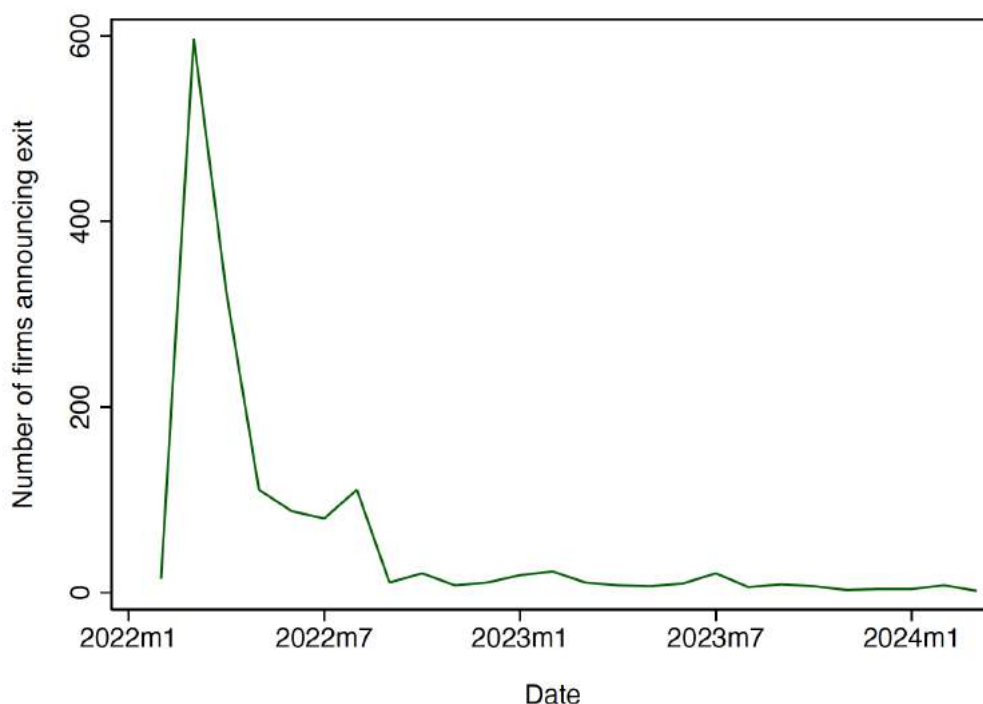


Some countries (e.g. Canada, the US and the UK) that had a large presence in Russia prior to the war have also seen a large number of withdrawals following the invasion. Other European countries, however, have seen only a modest share of withdrawals (for instance, Italy, Austria, the Netherlands and Slovakia). Companies headquartered in countries that have not imposed any sanctions on Russia following the invasion, such as Belarus, China, India, Iran etc., show no signs of withdrawing from the Russian market. In fact, the share of companies considered by the KSE to be “digging in” (i.e., companies that either declared they’d remain in Russia or who did not announce a withdrawal or downscaling as of 31st of March 2024) is 75 percent for more than 25 countries, including not only the aforementioned, but also countries such as Argentina, Moldova, Serbia and Turkey.

## Withdrawal Determinants

The decision for companies to exit the market may range from consumer pressure to act in solidarity with Ukraine, to companies’ perceived risk from operating on the Russian market (Kiesel and Kolaric, 2023). Out of the 3342 companies in the LeaveRussia project’s database, about 42 percent have, as of April 5<sup>th</sup>, 2024, exited or stated an intention to exit the Russian market. This number increases only slightly to 49 percent when considering only companies headquartered in democratic (an [Economist Intelligence Unit Democracy Index](#) score of 7 or higher) countries within the EU. Figure 3 shows the number of companies that announced their exit from the Russian market, by month. A clear majority of companies announce their withdrawal in the first 6 months following the invasion.

Figure 3. Number of foreign companies announcing an exit from the Russian market, 2022-2024.



Source: Authors’ compilation based on data from the LeaveRussia project.

Similarly to the location of companies’ headquarters, the decision to exit the Russian market varies by industry. Figure 4 depicts the top 15 industries with the highest share of announced withdrawals from the Russian market

among industries with at least 10 companies. Most companies with high levels of withdrawals are found in consumer-sensitive industries such as the entertainment sector, tourism and hospitality, advertising etc.



Figure 4a. Top 15 industries in terms of withdrawal shares.

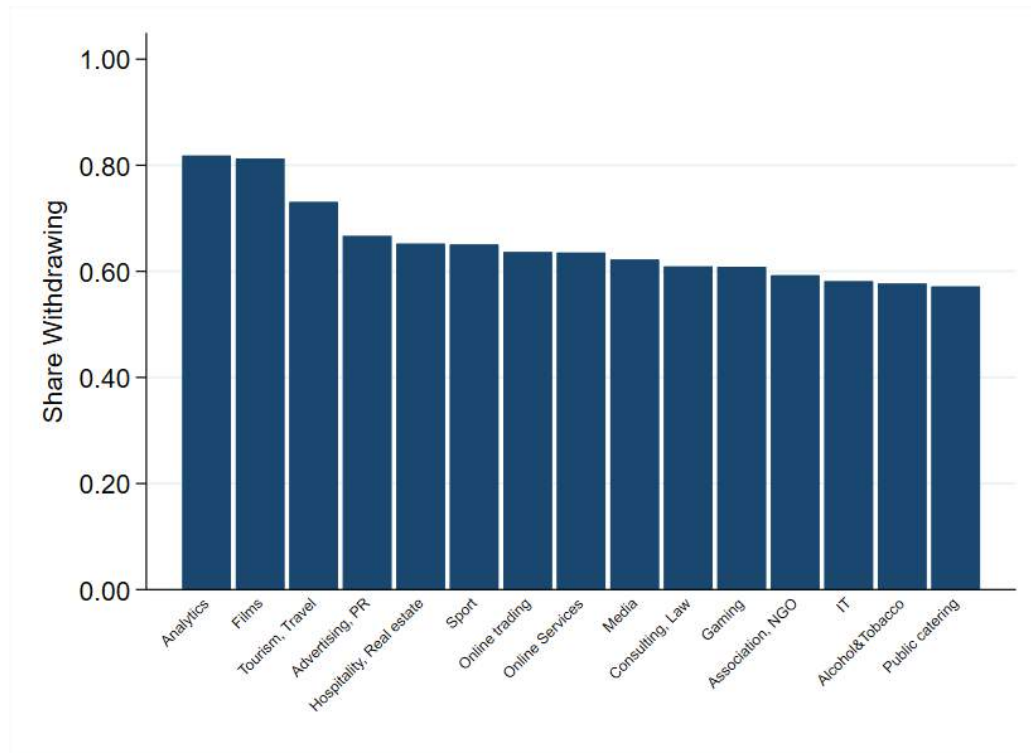
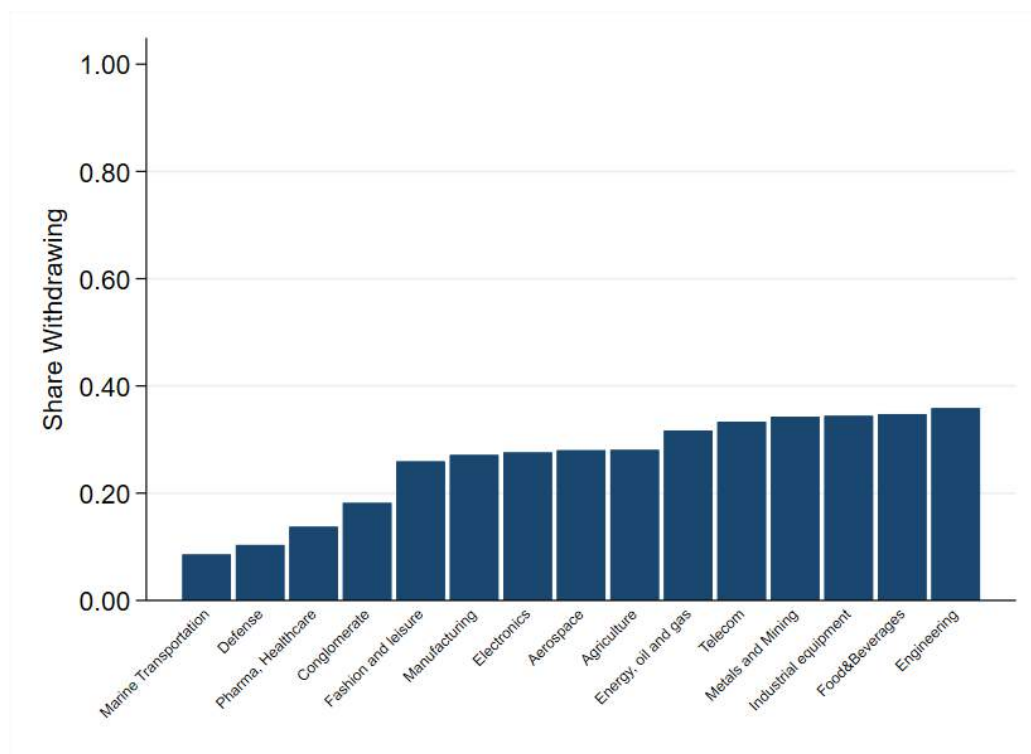


Figure 4b. Bottom 15 industries in terms of withdrawal shares.



Source: Authors' compilation based on data from the LeaveRussia project.

In contrast, Figure 4b details the industries with the lowest share of companies opting to withdraw from the Russian market. Only around 10 percent

of firms in the “Defense” and “Marine Transportation” industries chose to withdraw. Two-thirds of firms within the “Energy, oil and



gas” and “Metals and Mining” sectors have chosen to remain in business in Russia following the war in Ukraine.

Several sectors have been identified as crucial in supplying the Russian military with necessary components to sustain their military aggression against Ukraine, mainly electronics, communications, automotives and related categories. We find that many of these sectors are among those with the lowest share of companies withdrawing from Russia. Companies for which Russia constitute a large market share have more to lose from exiting than others. Another reason for not exiting the market relates to the current legal hurdles of corporate withdrawal from Russia (Doherty, 2023). Others may simply not have made public announcements or operate within an industry dominated by smaller companies that are not on the radar of the LeaveRussia project. Nonetheless, Bilousova et al. (2024) detail that products from companies within the sanction’s coalition continue to be found in Russian military equipment destroyed in Ukraine. This is due to insufficient due diligence by companies as well as loopholes in the sanctions regime such as re-exporting via neighboring countries, tampering with declaration forms or challenges in jurisdictional enforcement due to lengthy supply chains, among others. (Olofsgård and Smitt Meyer, 2023).

## And Those Who Didn’t Leave After All

The data from the LeaveRussia project details if and when foreign businesses announce that they will leave Russia. However, products from companies that have announced a departure from the Russian market continue to be found in the country, including in military components (Bilousova, 2024). In autumn 2023, investigative

journalists from the Swedish newspaper Dagens Nyheter exposed 14 Swedish companies whose goods were found entering Russia, in most cases contrary to the companies’ public claims (Dagens Nyheter, 2023; Tidningen Näringslivet, 2023). For this series of articles, the journalists used data from Russian customs and verified it with information from numerous Swedish companies, covering the time period up until December 2022. This entailed reviewing thousands of export records from Swedish companies either directly to Russia or via neighboring countries such as Armenia, Kazakhstan, and Uzbekistan. All transactions mentioned in the article series have been confirmed with the respective companies, who were also contacted by DN prior to publication (Dagens Nyheter, 2023b). DN’s journalists also acted as businessmen, interacting with intermediaries in Kazakhstan and Uzbekistan, exposing re-routing of Swedish goods from a company stated to have cut all exports to Russia in the wake of the invasion (Dagens Nyheter, 2023d).

For Sweden headquartered companies exposed in DN and that are traded on the Swedish Stock Exchange, we collect their stock prices and trading volume. Our data includes information on each stock’s average price, turnover, number of trades by date from around the date of the DN publications as well as the date of each company’s prior public announcement of exiting Russia. Table 1 details the companies who were exposed of doing direct or indirect business with Russia by DN and who had announced an exit from the Russian market previously. In their article series, DN also shows that goods from the following companies entered Russia; AriVislanda, Assa Abloy, Atlas Copco, Getinge, Scania, Securitas Tetra Pak, and Väderstad. Most of the companies exposed by DN operate within industries displaying low withdrawal shares.



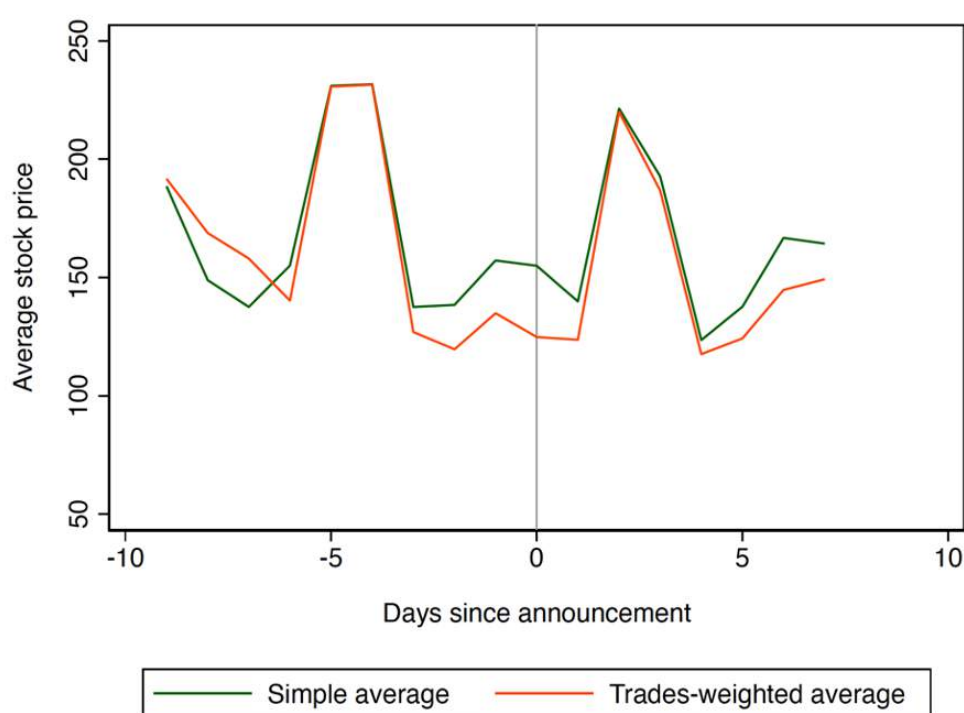
Table 1. Select Swedish companies', time of exit announcement and exposure in Dagens Nyheter and stock names.

Company Name	Decision	Date of announcement	Dagens Nyheter article	Stock name
Electrolux Professional	Exit	03/03/2022	12/10/2023	EPRO_B
Epiroc	Exit	14/4/2022	12/10/2023	EPI_A, EPI_B
Essity	Exit	22/03/2022	12/10/2023	ESS_A, ESS_B
SKF	Exit	22/04/2022	12/10/2023	SKF_A, SKF_B
SSAB	Exit	07/04/2022	20/10/2023	SSAB_A, SSAB_B
Trelleborg	Exit	07/04/2022	13/10/2023	TREL_B

Source: The LeaveRussia project, 2023; Dagens Nyheter, 2023b, 2023c, 2023d. Note: The exit statements have been verified through companies' press statements and/or reports when available. For Epiroc, the claim has been verified via a previous Dagens Nyheter article (Dagens Nyheter, 2023a).

In Figure 5, we show the average stock price and trades-weighted average stock price of the Swedish companies in Table 1 around the time when the companies announced that they are leaving Russia.

Figure 5. Average stock price of companies in Table 1 around Russian exit announcements.



Source: Author's compilation based on data from [Nasdaq Nordic](#).



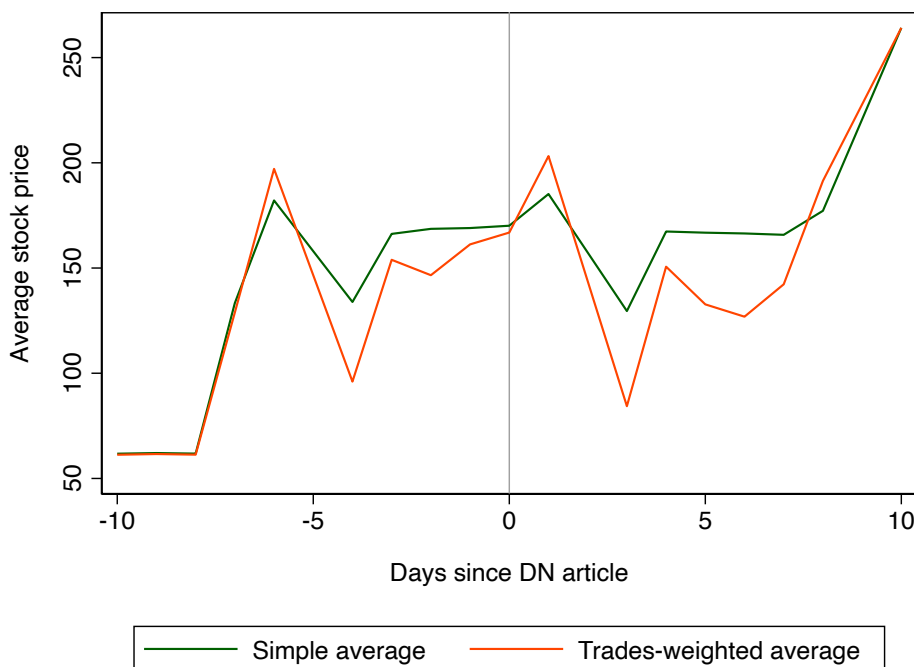
There appears to be an immediate increase in stock prices after firms announced their exit from the Russian market. Stock prices, however, reverse their gains over the next couple of days. In general, stock prices are volatile, and we also see similar-sized movements immediately before the announcement. Due to this volatility and the fact that we cannot rule out other shocks impacting these stock prices at the same time, it is difficult to attribute any movements in the stock prices to the firms' decisions to leave Russia.

The academic evidence on investors' reactions to firms divesting from Russia is mixed. Using a sample of less than 300 high-profile firms with operations in Russia compiled by researchers at the Yale Chief Executive Leadership Institute, Glamboosky and Peterburgsky (2022) find that firms that divest within 10 days after the invasion experience negative returns, but then recover within a two-week period. Companies announcing divesting at a later stage do not

experience initial stock price declines. In contrast, Kiesel and Kolaric (2023) use data from the LeaveRussia project to find positive stock price returns to firms' announcements of leaving Russia, while there appears to be no significant investor reaction to firms' decisions to stay in Russia.

When considering the effect from DN's publications, the picture is almost mirrored, with the simple and trades-weighted average stock prices dipping in the days following the negative media exposure before not only recovering, but actually increasing. Similar caveats apply to the interpretation of this chart. In addition, the DN publication occurred shortly after the Hamas attacks on Israel on October 7 and Israel's subsequent war on Gaza. While conflict and uncertainty typically dampen the stock market, the events in the Middle East initially caused little reaction on the stock market (Sharma, 2023).

Figure 6. Average stock price for companies listed in Table 1 around the time of DN exposure.



Source: Author's compilation based on data from [Nasdaq Nordic](#).





## Discussion

As discussed in Becker et al. (2024), creating incentives and ensuring companies follow suit with the current sanctions' regime should be a priority if we want to end Russia's war on Ukraine and undermine its wider geopolitical ambitions. Nevertheless, Bilousova et al. (2024), and Olofsgård and Smitt Meyer (2023), highlight that there is ample evidence of sanctions evasions, including for products that are directly contributing to Russia's military capacity. Even in countries that have a strong political commitment to the sanctions' regime, enforcement is weak. For instance, in Sweden, it is not illegal to try and evade sanctions according to the Swedish Chamber of Commerce (2024). There is little coordination between the numerous law enforcement agencies that are responsible for sanction enforcement and there have been very few investigations into sanctions violations.

Absent effective sanctions enforcement and for the many industries not covered by sanctions, can we rely on businesses to put profits second and voluntarily withdraw from Russia? Immediately after the start of Russia's invasion of Ukraine, as news stories about the brutality of the war proliferated, many international companies did announce that they will be leaving Russia. However, a more systematic look at data collected by the LeaveRussia project and KSE Institute reveals that more than two years into the war, less than half of companies based in Western democracies intend to distance themselves from the Russian market. A closer look at companies who are continuing operations in Russia reveals that they tend to be in sectors that are crucial for the Russian economy and war effort, such as energy, mining, electronics and industrial equipment. Many of these companies are probably seeing the war as a business opportunity and are reluctant to put human lives before their bottom line (Sonnenfeld and Tian, 2022).

Whether companies who announce that they are leaving Russia actually do leave is difficult to

independently verify. A series of articles published in a prominent Swedish newspaper (Dagens Nyheter) last autumn revealed that goods from 14 major Swedish firms continue to be available in Russia, despite most of these firms publicly announcing their withdrawal from the country. The companies' reactions to the exposé were mixed. A few companies, such as Scania and SSAB, have decided to cut all exports to the intermediaries exposed by the undercover journalists (for instance, in Kazakhstan, Uzbekistan and Kyrgyzstan). Other companies stated that they are currently investigating DN's claims or that the exports exposed in the DN articles were final or delayed orders that were accepted before the company decided to withdraw from Russia. Another company, Trelleborg – a leading company within polymer solutions for a variety of industry purposes – reacted to the DN exposure by backtracking from its earlier commitment to exit the Russian market (Dagens Nyheter 2023b, 2023d). Wider reaction to these revelations was muted. Looking at changes in stock prices for the exposed companies, we find little evidence that investors are punishing companies for not honoring their public commitment to withdraw from Russia.

In an environment, where businesses themselves withdraw at low rates and investors do not shy away from companies contradicting their own claims, the need for stronger enforcement of sanctions seems more pressing than ever.

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