

# Navigator

Now, next and how for business

Sweden



Together we thrive

# Overview

## Sweden shows its resilience

Swedish businesses remain upbeat, despite signs of some economic slowing. Like many countries, Sweden is facing the external challenges of sluggish global growth, the US-China trade tensions and the uncertain impact of Brexit<sup>1</sup>. Despite calls for stimulus, the government has signalled limited funds for spending next year, while insisting it has “the muscle to take measures” if necessary.

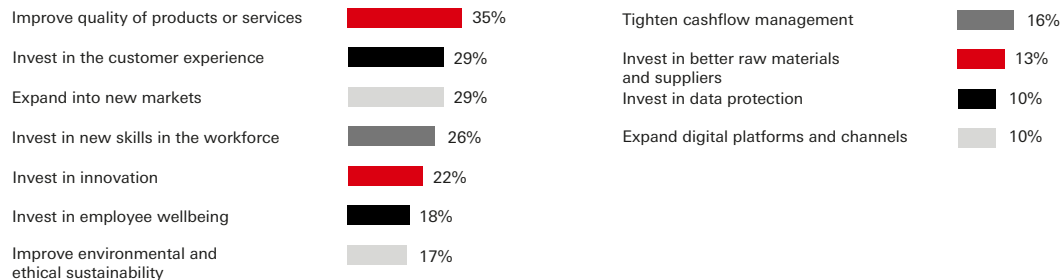
# State of play

## Tempered enthusiasm

Swedish businesses are positive about future growth, but they appear to be somewhat holding their collective breath as they await the outcome of various external risks. The proportion of businesses expecting to grow is only a little behind the global and European average (73% versus 79%). But a lower proportion of Swedish firms (36%) are feeling more optimistic than a year ago compared to the global average (47%).

Companies are also not transforming, a key component of the businesses HSBC has identified as high-growth firms – fast-growing firms that are more likely to innovate and change themselves to meet market challenges. Just 28% of Swedish firms expect their business to change totally or substantially in the next five years.

### Strategies to overcome the threats or potential decline of business



## What you need to know



One-fifth of Swedish businesses expect their growth in the next year will be 15% or more, on par with the global (22%) and European (18%) averages.



However, significantly fewer Swedish businesses are more optimistic than they were a year ago (36% versus 47% globally).



New markets, increased interest in sustainability and a motivated workforce are the main drivers of growth.

## What your business can do



Embrace transformation. Pull ahead of the competition by adopting an innovative mind-set that’s open to change.



Consider expanding into new markets, which is both a driver of growth and a strategy to overcome potential declines.



Put your customer first. More Swedish businesses are investing in the customer experience than the average globally.

<sup>1</sup> <https://www.bloomberg.com/news/articles/2019-08-22/sweden-cuts-economic-growth-forecasts-amid-clamor-for-stimulus>

# Trade outlook

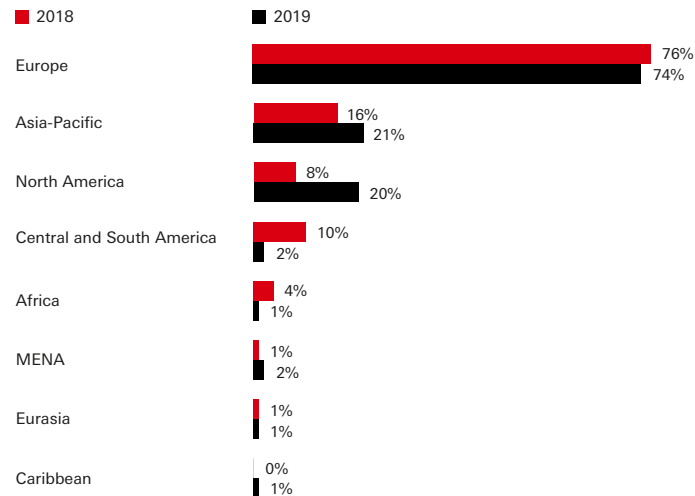
## Shifting trade routes

While Europe remains the most important trading region for Sweden, the biggest change is how North America has become a much larger piece of global business. North America, and mainly the US, is now the third most important trading partner for Swedish businesses, replacing Central and South America after growing from 8% in 2018 to 20% this year.

Within Europe, Germany, Denmark and the UK are the top three markets and, interestingly, the importance of the UK has increased significantly from 6% to 20%, causing it to leapfrog Finland. Of course, this also leaves Swedish firms more open to adverse impacts from Brexit.

Swedish businesses are in lockstep with their global peers, viewing trade as a force for good over the next five years. They believe international trade will provide new business opportunities (81%), improve efficiency (76%) and drive innovation (74%).

### Current top trading partners



## What you need to know



The proportion of Swedish companies naming the US among their top three trading partners has grown from 8% last year to 20% this year.



Unlike most markets, where international traders have been more optimistic in outlook than companies overall, in Sweden, the expectation for growth is lower.



APAC is the second most important region after Europe and is increasing in importance.

## What your business can do



Follow the trend for trade with APAC and North America. These regions are already growing and more Swedish firms are keen to expand there than last year.



Seek out markets where Swedish products or services are superior to the current offer there.



Find a strong customer base. Proven customer demand is one of the most attractive qualities for new markets.

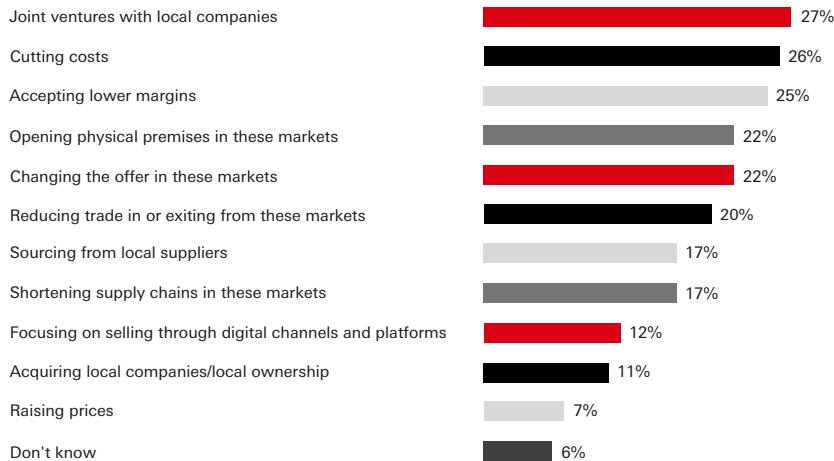
# Protectionism and geopolitics

## Diverse effects of protectionism

Significantly fewer Swedish businesses think that protectionism is rising compared with the global and European averages. Just 41% of businesses agree, more than last year's 36% but much less than the global average of 65% and the European level of 55%. Sweden also differs in how it feels the impact of protectionism.

Over a third (39%) of businesses believe that they have gained more than they lost, compared with 57% worldwide, a quarter believe they have lost more than they have gained and 35% think the impact is evenly balanced or feel no impact. Positive effects include increased competitiveness. Negative impacts include those mentioned most globally – tariffs and regulatory standards – but also that protectionism makes it more difficult to draw talent.

### Ways in which businesses are coping with protectionism



## What you need to know



More Swedish firms think protectionism is increasing compared with last year, but much fewer than worldwide or in Europe.



The proportion of Swedish firms that say they gain more than they lose from protectionism is lower than the global average (39% versus 57% globally).



56% of companies feel the impact of geopolitics, slightly below the global (64%) and European (60%) averages.

## What your business can do



Pursue local partnerships. Joint ventures with local companies mitigate for protectionism and geopolitical risk.



Analyse your supply chain. Swedish firms report changing to lower-cost suppliers and shortening the supply chain.



Defend when you can't attack. Swedish firms are cutting costs, accepting lower margins and decreasing borrowing.

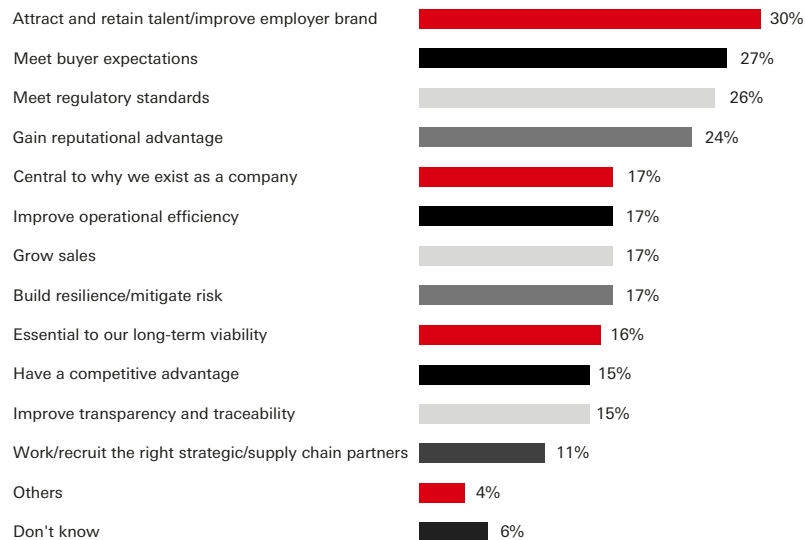
# The sustainable future

## Focus on sustainable growth

Sustainability is a hugely important driver of growth for Swedish firms. More Swedish businesses cite increasing interest in sustainability (34% versus 26% globally and 24% in Europe) and becoming more environmentally and ethically sustainable (23% versus 17% globally and 15% in Europe) as the fuel for growth, compared with their peers worldwide.

Swedish companies also have a wide range of motivations for implementing sustainable practices, including attracting talent, meeting buyer expectations, meeting regulatory standards and gaining reputational advantage. It is interesting, then, that far fewer Swedish firms believe they have a significant role to play in delivering the UN's Sustainable Development Goals (SDGs) (16% compared with 25% globally).

### Motivations for implementing sustainable practices



## What you need to know



Environmental, social and corporate governance (ESG) attributes are highly relevant for Swedish companies, which see sustainability as a major growth driver.



They feel equal pressure on sustainability from employees, customers and governments, but employee pressure is greater than the global and European averages.



Fewer Swedish firms feel they have a significant role to play in delivering the UN's SDGs than globally.

## What your business can do



Make people a business priority. The top ESG metrics in Sweden are fair treatment of employees, discrimination and diversity concerns, and workplace conditions.



Bring sustainability into every aspect of business. The broad range of motivations show the wide benefits sustainability can bring.



Invest in sustainable production and employee wellbeing, top priorities for Swedish firms.

## About HSBC Navigator Sweden

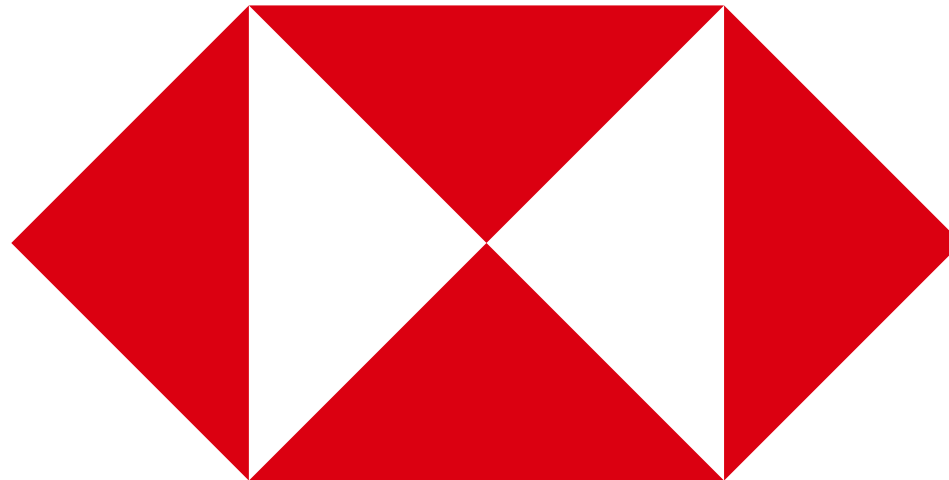
The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellbeing. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 100 businesses surveyed in Sweden. Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

Data visualisations based on the following:

Page 2 & 5: all companies. n=100

Page 3: international operators (trend). n=77/71

Page 4: companies who think governments are becoming more protective. n=46



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