Business Climate Survey
Mainland China

Business Climate Survey for Swedish companies in Mainland China 2026

A report from Team Sweden in Mainland China

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106 respondents

(total +2,250 respondents for 41 market reports)

Current business climate

3.2 /5

a significant improvement from 2.8 last year

Industry turnover

49%

expect their industry turnover to increase

Future investments

38%

plan to increase their investments in the next 12 months

Valued success factors

1. Cost efficiency
2. Product development/ adaptation
3. Brand awareness

Brand Sweden

94%

consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Infrastructure
2. Personal safety
3. Access to suppliers

Local conditions with least satisfaction

1. Transparency and equal treatment
2. Labour market regulation
3. Corporate taxation

Environmental considerations

57%

believe the environment is a considerable factor in their customers' purchasing decisions

Corruption

8%

have been exposed to corruption

Human rights violation and labour rights abuse

1%

have been exposed to human or labour rights violations

Foreword

This year's Business Climate Survey once again captures the operating conditions and sentiment of Swedish companies in China, offering insights into their recent performance, challenges, expectations, and future plans. Against a global backdrop of persistent geopolitical uncertainty and heightened economic and trade volatility, the findings provide a timely reflection of business realities on the ground.

The 2026 Business Climate Index stands at 3.2 out of 5, marking a notable improvement from the previous year and its highest level since 2023. This development is reflected in a larger share of Swedish companies reporting profitability, as well as year-on-year growth in both revenue and profit over the most recent financial year. It also indicates a modest strengthening of confidence in the Chinese market, supported in part by improved policy visibility.

At the same time, Swedish companies remain divided in their outlook for China's future business climate and concerns persist regarding the Chinese market, such as discriminatory domestic regulatory conditions, 'buy domestic' policies, and other practices leading to unfair competition. Furthermore, geopolitical developments, structural challenges in the Chinese economy, and intensified local competition pose additional challenges.

Within this context, assessing competitiveness remains a central focus of the survey. The results suggest that competition with local players has intensified further. Persistent price pressure continues to be identified as a key constraint on sustainable growth, despite many Swedish companies maintaining premium market positions. At the same time, respondents note that Chinese competitors are advancing rapidly in product development, technological capabilities, and service delivery.

Despite these challenges, most Swedish companies maintain a long-term commitment to the market. Companies in sectors such as advanced manufacturing, high-end components, healthcare, and maritime continue to perform relatively well. Many firms also benefit from China's manufacturing ecosystem, integrated supply chains, and fast pace of innovation and product adoption. 'China-for-global' strategies are increasingly being applied across sourcing, production, and R&D, while localisation and 'glocalisation' remain central to maintaining competitiveness.

This year's survey is based on responses from Swedish companies of various sizes and sectors, complemented by in-depth interviews that provide valuable qualitative context. Team Sweden extends its sincere thanks to all participating companies for their time and insights. We hope this report supports your strategic planning and encourages continued dialogue. Please do not hesitate to reach out to discuss your specific situation in the Chinese market.

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Executive summary

The 2026 Business Climate Survey, conducted by Team Sweden in Mainland China, offers a detailed and multifaceted view of Swedish enterprises' operating conditions in China. Against a backdrop of geopolitical uncertainty and structural challenges within the Chinese economy, the survey, which gathered responses from 106 Swedish companies, highlights both the enduring strategic importance of the Chinese market and the persistent concerns shaping investment decisions, operational performance, and business sentiment.

Economic outlook and market dynamics

Despite achieving GDP growth rate of 5 per cent in 2025, meeting official targets, China's economic development remains imbalanced. Structural weaknesses, including subdued domestic consumption and a distressed property sector, continue to weigh heavily on the economy. Swedish firms operating in China have observed this imbalance acutely. Investments remain heavily concentrated in infrastructure and manufacturing, driving overcapacity and deflationary pressure, despite greater policy emphasis on welfare improvements and boosting domestic consumption in China's 15th Five-Year Plan. Fierce price competition, mainly driven by Chinese companies, extends across industries and puts high pressure on profitability.

China's trade surplus reached a new record of approximately USD 1.2 trillion in 2025, while the low share of imports relative to GDP points to a growing disconnection between domestic demand and global trade, heightening tensions with major trading partners. At the same time, concerns remain for Swedish companies on the Chinese market, leading to an unlevelled playing field. One example is that 'buy domestic' policies and local procurement preferences have reportedly had adverse effects on 30 per cent of surveyed Swedish firms, particularly those in the industrial sector.

Business performance and confidence

Financially, Swedish companies performed better in 2025 than 2024, with 68 per cent of respondents reporting profits in 2025 (increased from 63 per cent in 2024). Revenue and profit growth has also seen an improvement with 47 per cent saw revenue growth and 44 per cent experienced profit growth. Professional services and industrial companies fared better than consumer companies. The business climate index rebounded from a record low of 2.8 to 3.2 out of five. However, confidence in the future business climate remains polarised: 35 per cent foresee improvement over the next three years, while 30 per cent expect conditions to deteriorate.

Investment and strategic positioning

China is positioned within the top five investment destinations globally for over half (52 per cent) of Swedish companies. Investment sentiment reversed the declining trend and recovered with 38 per cent of companies planning to increase investments in 2026, up from 31 per cent in 2025. Nonetheless, 83 per cent plan to maintain or grow their presence, underscoring China's long-term strategic relevance. Swedish firms highlight market size, growth potential, and cost efficiency as key opportunity drivers, though geopolitical risk and China's economic slowdown remain major concerns.

Professional services companies continue to have the strongest investment intention (46 per cent), followed by industrial companies. Consumer companies are more cautious in the context of weak domestic consumption.

Operations and market conditions

Swedish companies generally favour China's physical infrastructure, personal safety, and supplier access. However, transparency, labour market regulation, and corporate taxation are not considered satisfactory for business operations. Nearly half of companies (49 per cent) expect industry turnover to increase in 2026, and industrial companies are the main contributors to this outlook.

Localisation remains extensive, with most companies integrating deeply into local supply chains. Yet R&D operations remain less localised, primarily due to concerns over intellectual property rights.

Talent and sustainability

Foreign talent acquisition remains challenging for a small portion of Swedish companies (14 per cent). Convincing expatriates to relocate remains the most difficult, largely due to a stronger need for employment stability for candidates when they return home. Company culture and work-life balance are seen as key attractors, more so than compensation. Women make up about 38 per cent of the workforce, while expatriates account for less than 1 per cent, reflecting a high degree of localisation.

Swedish companies in China seize opportunities but also face challenges in their sustainability efforts. Improving brand perception is seen as the main benefit of sustainability efforts, although this is generally not enough to make customers willing to pay, or pay a premium, for sustainable offerings. Cost considerations play a decisive role in customers' purchasing decisions.

Corruption exposure has decreased significantly from 20 per cent to 8 per cent. However, relationship-based bidding remains challenging for some companies, even as others have experienced a fairer business environment due to tighter government regulations.

Conclusion

Swedish companies continue to demonstrate long-term commitment to the Chinese market, drawn by its market size, growth, potential, manufacturing, and innovation strengths, as well as a sense of stability. However, persistent structural and geopolitical headwinds, combined with a fast-changing competitive landscape and policy-driven constraints, require thoughtful yet timely actions from Swedish companies. The 2026 Business Climate Survey underscores the need for Chinese policymakers to convert reform promises into tangible actions to rebuild business confidence and sustain China’s appeal as a premier destination for global investment.

Economic outlook

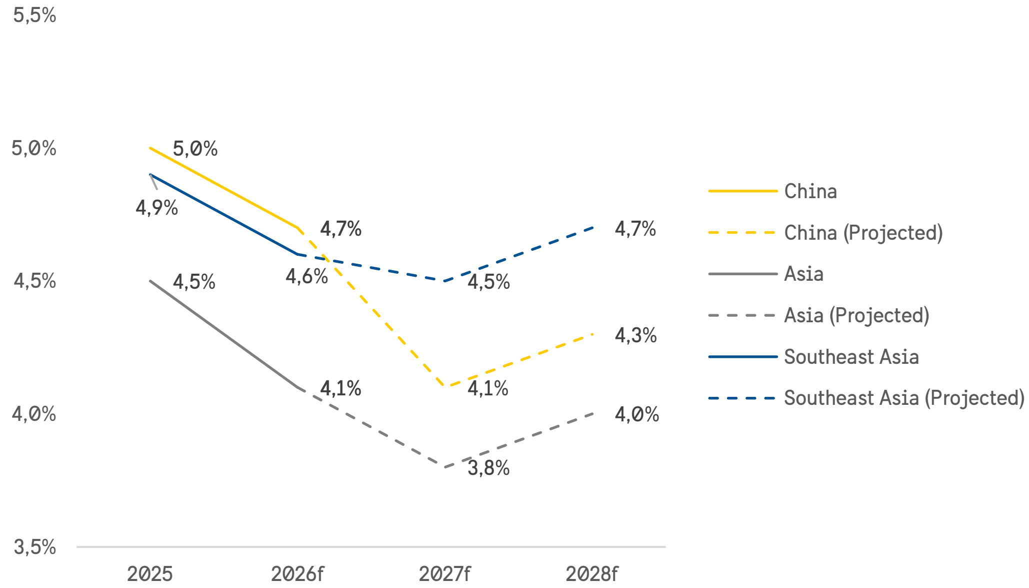
China has lowered its growth target for 2026

China's GDP grew by five per cent in 2025, marking a moderated but resilient closure of China's 14th Five-Year Plan period. As in previous years, this growth relied heavily on government-led investment in infrastructure and manufacturing, together with China's record-high annual trade surplus of around USD 1.2 trillion, despite a more challenging global trade environment.

Manufacturing remained a cornerstone of China's growth, continuing to account for about 30 per cent of global manufacturing output. Meanwhile, industrial upgrading became a defining feature of Chinese manufacturing, driven by rapid innovation and technological advancement. This growth model also helped offset deflationary pressures stemming from weak domestic consumption, a sluggish real-estate market, and demographic decline.

Looking ahead, China has lowered its GDP growth target for the coming year, setting a target range of 4.5 to 5 per cent instead of a fixed target for the first time. According to forecasts, China's GDP growth in 2026 is still expected to exceed growth in Southeast Asia and potentially Asia as a whole. From 2027 to 2028, growth is expected to fall between the projected growth rates for Southeast Asia and Asia overall.

Projected GDP growth in Mainland China, Asia and Southeast Asia



NOTE: Constant prices and exchange rates.
SOURCE: Oxford Economics (last updated March 2026).

Business performance

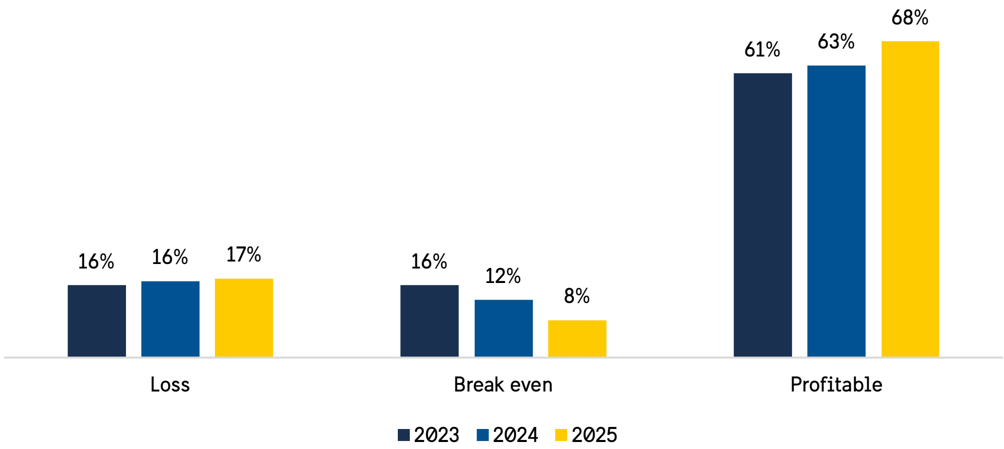
Financial performance further improved with 68 per cent being profitable; larger companies and industrial companies fared relatively better

Last year was a profitable year for 68 per cent of Swedish companies in Mainland China. It has been a continuous improvement from last year's survey showing a larger group of companies (up by 5 percentage points) making financial gains and a relatively stable proportion of companies making losses (17 per cent, up from 16 per cent in 2024).

Across company size, medium-sized companies again remained the most profitable, with 74 per cent of respondents reporting profitability (up from 67 per cent in 2024), followed by large companies (71 per cent, up from 62 per cent in 2024). Small companies continued to have the lowest share of profitable companies (62 per cent, up from 60 per cent in 2024), despite moderate improvement compared with previous years.

Across sectors, the same pattern as in last year's survey continues; industrial companies fared significantly better than professional services and consumer companies. Of all respondents, 81 per cent of industrial companies were profitable in 2025, up from 74 per cent in 2024, continuing an upward trend since 2023. Professional services companies saw a significant drop in the share of profitable companies (58 per cent, down from 68 per cent in 2024). Consumer companies fared better than last year but remained the least profitable group (57 per cent, up from 50 per cent in 2024).

How would you describe your company's financial performance in Mainland China in 2025?



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2026.

Revenue and profit growth expanded in 2025; medium-sized companies and industrial companies performed relatively better

While nearly 70 per cent of Swedish companies were profitable in 2025, companies also showed stronger growth in terms of revenue and profit. Among all companies, 47 per cent and 44 per cent saw reported revenue and profit growth, respectively, increasing from 41 per cent and 35 per cent in 2024. Meanwhile, 30 per cent and 25 per cent of companies recorded declines in revenue and profit, both lower than the previous financial year (36 per cent and 28 per cent respectively).

By company size, medium-sized companies reversed the weak position after underperforming on revenue and profit growth last year, with 58 per cent and 74 per cent reporting growth in revenue and profit in 2025, both higher than the other size groups. Half of small companies reported revenue growth, but only 44 per cent reported profit growth. Large companies faced a similar situation, with profit growth lagging revenue growth: 42 per cent reported an increased revenue, while only 35 per cent reported increased profit.

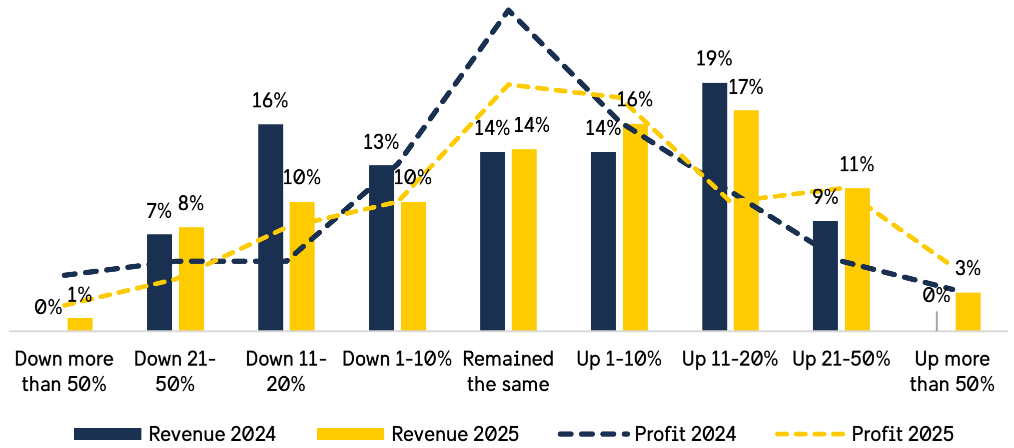
By sector, industrial companies performed significantly better than the other sectors with 58 per cent recording increases in revenue, while slightly more than half (51 per cent) recording growth in profit. In 2024, less than a third of industrial companies were able to increase revenue and profit.

Consumer companies performed between the other two sectors in terms of revenue and profit growth. Better than 2024, 43 per cent of consumer companies saw an increase in both revenue and profit in 2025, up from 38 per cent and 19 per cent respectively in 2024.

Professional services companies, which had previously performed relatively well, experienced a sharp decline in the share of companies reporting revenue and profit growth in 2025 compared to 2024. Only slightly more than one-third recorded a growing revenue and profit in 2025 (35 per cent respectively, down from 52 per cent respectively).

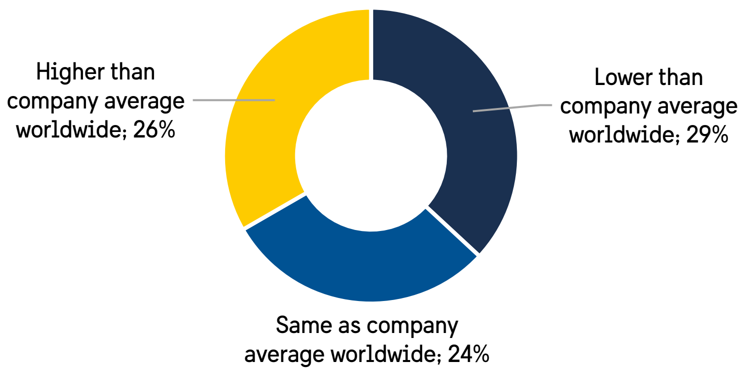
Comparing companies' EBIT margin in China with other global operations, China is not the most profitable market. Only a quarter of Swedish companies (26 per cent) achieved a higher EBIT margin in China than in other locations. More companies (29 per cent) made lower EBIT margins in China than in other regions.

How were your revenue and profit in Mainland China for 2025 compared with 2024?



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in China 2026.

How did the EBIT margin of your company's China operations evolve compared to your company's worldwide average EBIT margin in 2025?



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in China 2026.

Swedish companies remain more optimistic about their own revenue than their profit and industry turnover overall

For the coming year, companies are generally more positive about their financial performance than they were last year. They are more optimistic about their own revenue growth than their profitability and overall industry turnover. Among respondents, 59 per cent (up from 55 per cent last year) expect revenue from their operations in Mainland China to increase in 2026. Similarly, 54 per cent (up from 51 per cent in 2025) anticipate a corresponding rise in profits. Fewer than half of the companies (49 per cent, unchanged from 2025) expect overall industry turnover to improve. Nearly a quarter (23 per cent, up from 19 per cent) believe that industry turnover will at least remain at the same level next year.

Across company sizes, small companies are the most optimistic about their own revenue and profit for 2026 with 71 per cent and 62 per cent respectively expecting revenue and profit growth. This may partially reflect a recovery from having a weak financial performance in 2025. While 56 per cent of large companies expect revenue growth, only 46 per cent anticipate an increase in profit – a gap mainly explained by fierce price competition. Medium-sized companies are more positive about having profit growth (58 per cent) than revenue (53 per cent) in 2026.

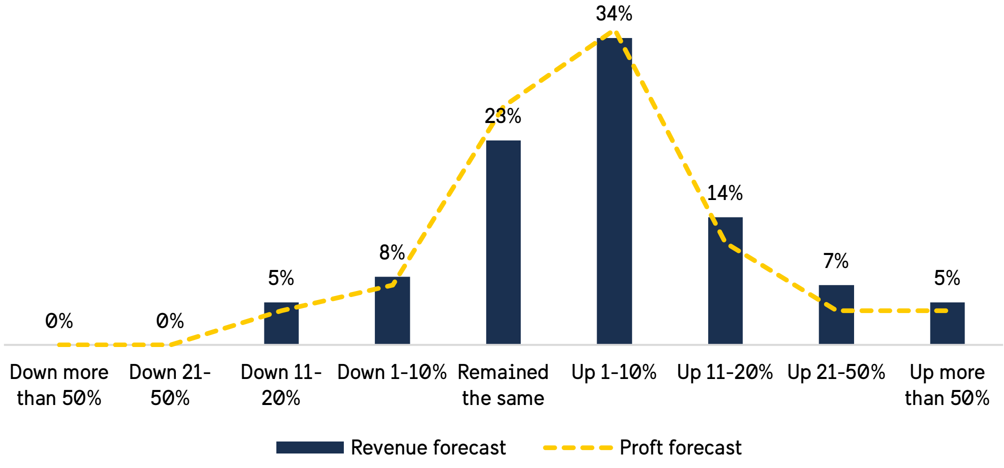
In terms of expectations for industry turnover in 2026, medium-sized companies (58 per cent) remain the most optimistic, as in the previous two years. Large companies (40 per cent) are the least optimistic about increasing turnover growth.

Across sectors, industrial companies became more positive than last year and compared to other sectors about growing their own revenue and profit. Nearly 70 per cent (67 per cent, up from 61 per cent last year) expect their revenue to increase and 60 per cent (up from 50 per cent last year) expect their profit to increase. Industrial companies are also anticipating a better industry turnover (53 per cent) than the other sectors, although they are more confident in their own performance compared to the industry average. A possible explanation for the positive outlook of industrial companies is that the Swedish offerings match the needs of China's strategy in upgrading traditional manufacturing and developing emerging and future industries outlined in the 15th Five-Year Plan.

Consumer companies which were the most optimistic sector in 2024 became the least positive this year, with less than half expecting revenue and profit growth for 2026 (48 per cent respectively). Nevertheless, only 43 per cent expect the industry turnover to grow and 30 per cent has a pessimistic view of their industry turnover in 2026. Despite the Chinese government's emphasis to boost domestic consumption, consumer confidence remains weak due to key structural challenges in China, such as the real estate downturn, labour market uncertainty and demographic decline.

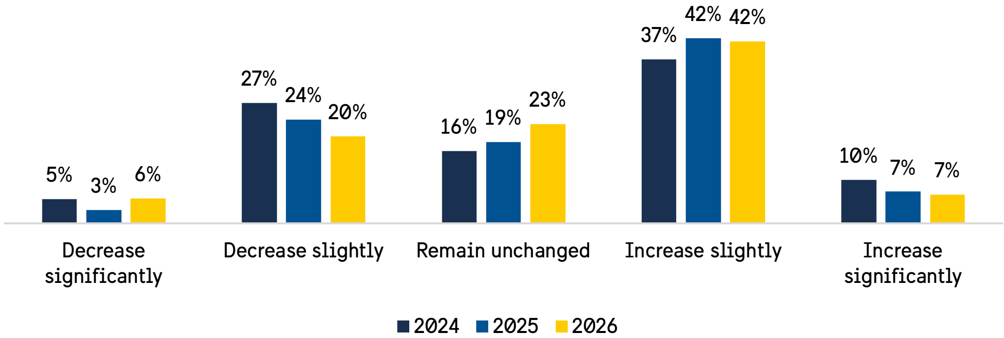
Over half of professional services companies (54 per cent) anticipate an increase in revenue but only 42 per cent expect their profit to increase in 2026. Professional services companies also expect their own performance to outperform overall industry turnover, for which only 42 per cent of respondents have a positive outlook.

What is the revenue and profit forecast of your operations in mainland China for 2026 compared with 2025?



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in China 2026.

Compared to the development in the past 12 months, what are your expectations for the coming 12 months for your industry in Mainland China regarding turnover?



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

> "China is stable and predictable, and the management likes this nowadays. When everything was stable, no one cared.
>
> Professional service company

Business climate

The business climate rebounded to 3.2/5; outlook of future business climate remains polarised

The business climate represents the core of this survey, and each respondent is asked to assess the current climate from very poor to very good. The assessment is by nature subjective and can be impacted by several factors – many of them explored through other questions throughout the survey. Even so, the business climate assessment provides a valuable indication of how the perceived business climate is developing over time.

This year, the business climate index halted its previous decline and rebounded significantly, rising from 2.8 last year to 3.2 out of 5 – its strongest level since 2023 (3.1). In line with overall financial performance, medium-sized companies reported the highest ratings among all size groups, exceeding the average at 3.4. Following a financial recovery compared to last year, consumer companies also reported a more favourable business climate, scoring 3.5 compared with 3.1 for the other two sectors.

How do you perceive the current business climate in Mainland China?

NOTE: The number of respondents for this question was 106. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

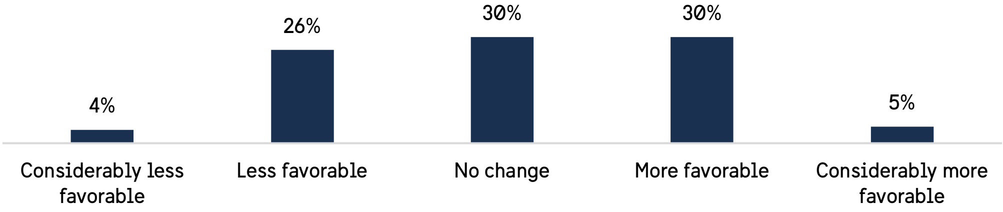
Continuing the polarising trend seen last year, 35 per cent of respondents believe the business climate in China will be more favourable or considerably more favourable in the coming three years. Less than one third (30 per cent, down from 33 per cent last year) of the respondents expect the business climate to deteriorate, keeping the overall balance marginally positive.

Small companies have the largest share of respondents (45 per cent) with a positive outlook, but also the largest share with a negative outlook (39 per cent). Medium-sized companies are primarily neutral

(47 per cent) or negative (37 per cent) in their outlook. For large companies, 38 per cent foresee either stable or improved business climate.

Consumer companies are the most optimistic about the future business climate with over a third (36 per cent) expecting it to improve, followed by industrial companies (34 per cent) and professional services companies (32 per cent). However, industrial companies have the largest share of pessimistic respondents (39 per cent) being pessimistic and professional services companies (47 per cent) hold the most neutral outlook regarding the future business climate.

How do you predict the future business climate in Mainland China the coming three years?



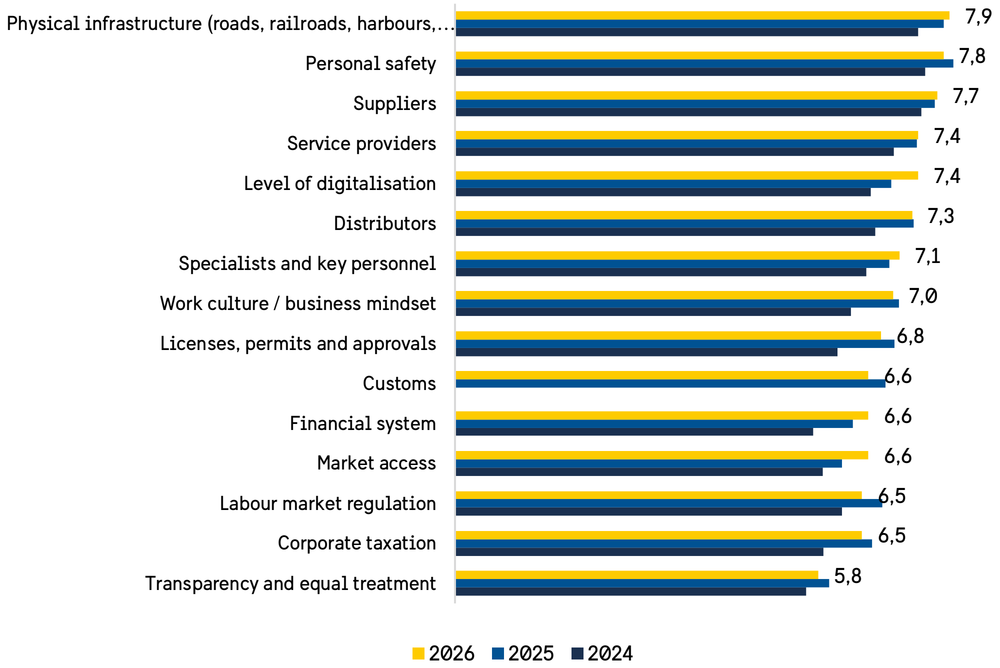
NOTE: The number of respondents for this question was 105. “Don’t know/Not applicable” responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

Swedish companies continue to favour the overall market conditions in China; perception of transparency and equal treatment deteriorated notably in 2026

In 2026, the overall market conditions in Mainland China continue to be viewed favourably by Swedish companies despite some fluctuations. Five of the fifteen indicators received higher ratings than last year, including physical infrastructure, level of digitalisation, access to specialists and key personnel, financial systems, and market access. At the same time, seven indicators declined, with the most notable drops observed in customs procedures, labour market regulation, and corporate taxation. Notably, transparency and equal treatment remain the least satisfactory aspects of the market environment and continued to deteriorate in 2026.

> **“Business climate is terrible financially speaking.**
>
> Industrial company

Please rate from 1-9, How well do the following conditions meet the needs of your company in Mainland China?



NOTE: The number of respondents for this question was 106.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

The fast-changing socio-economic structure makes a big challenge for a slow organisation like ours.

Consumer company

Economic slowdown and geopolitical risk remain key challenges

In 2026, the top three challenging external factors for Swedish businesses in Mainland China remain economic slowdown in China, global geopolitical risk and global economic slowdown. Impacts from structural challenges within China and geopolitical turmoil continue to create uncertainty and operational challenges for Swedish companies.

The economic slowdown in China is again rated as the top challenge for Swedish companies, with 58 per cent of respondents considering it the main challenge, down from 68 per cent. Although the GDP target of 2025 was met, the Chinese economy is still undergoing difficult restructuring to ensure stabilisation while paving the way towards 'high-quality development'.

Technological advancement, robust exports and expected efforts to boost domestic consumption have been identified as key components of China's sustainable growth, but tremendous work in the long term will still be required. At the start of the 15th Five-Year Plan period, the central government lowered the annual GDP growth target to a range of 4.5 to 5 per cent for 2026. According to forecasts from international institutions, the Chinese economy will remain below 5 per cent in the coming years.

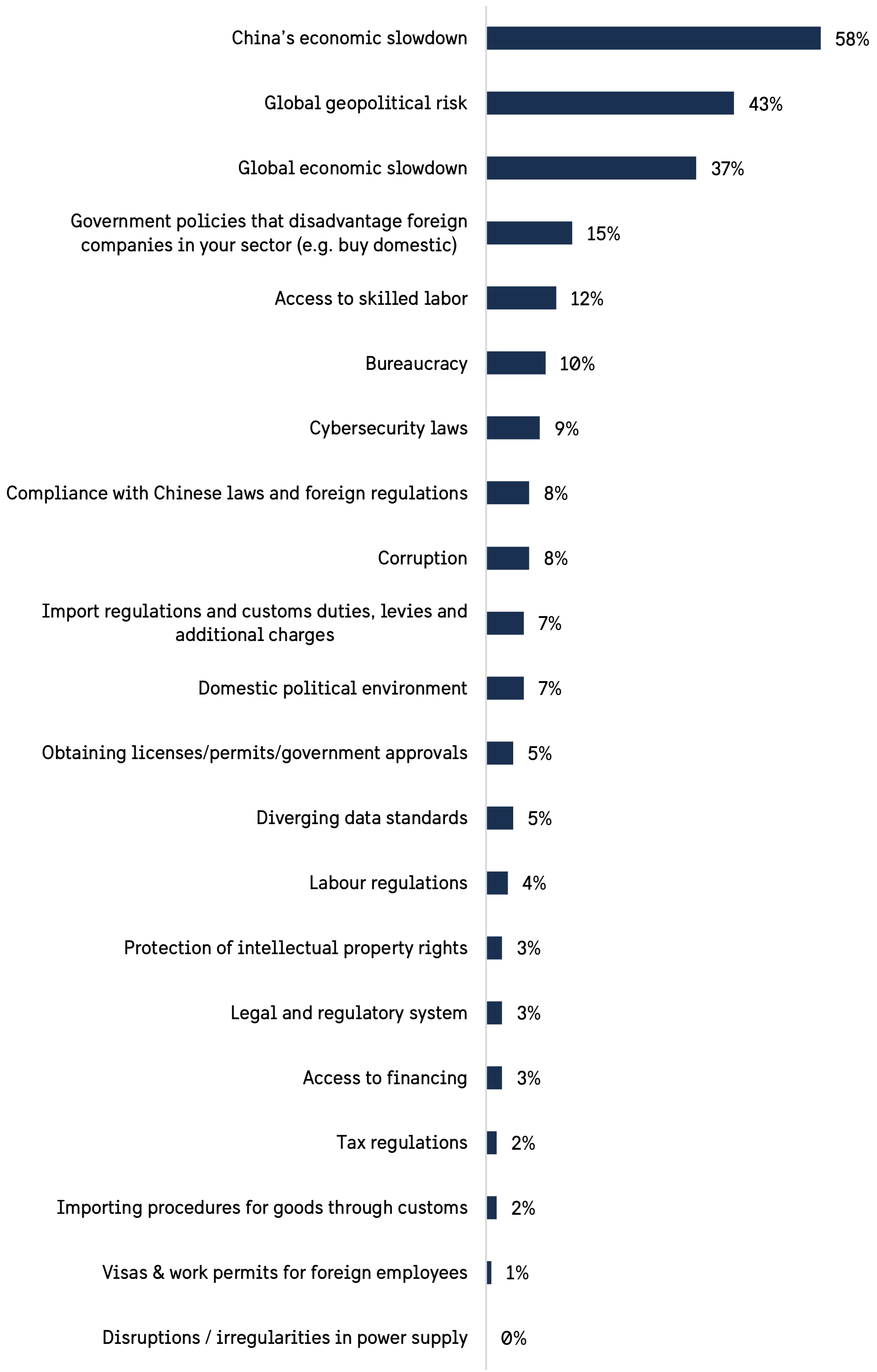
Global geopolitical risk remains the second most challenging factor, chosen by 43 per cent of the respondents, down from 53 per cent last year. This survey was sent out before the escalation of the conflict in the Middle East, meaning the results may not fully capture current sentiment regarding geopolitical risk.

Global economic slowdown stays in third place, selected by 37 per cent of respondents, up from 32 per cent from 2025.

Obtaining certification of new products in our sector is very costly in China and the process is very rigid.

Industrial company

Which external factors do you consider most challenging for your business in Mainland China?



> **"As long as our target segments are growing, the macro economy does not affect us much.**
>
> Industrial company

NOTE: The number of respondents for this question was 106. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in China 2026.

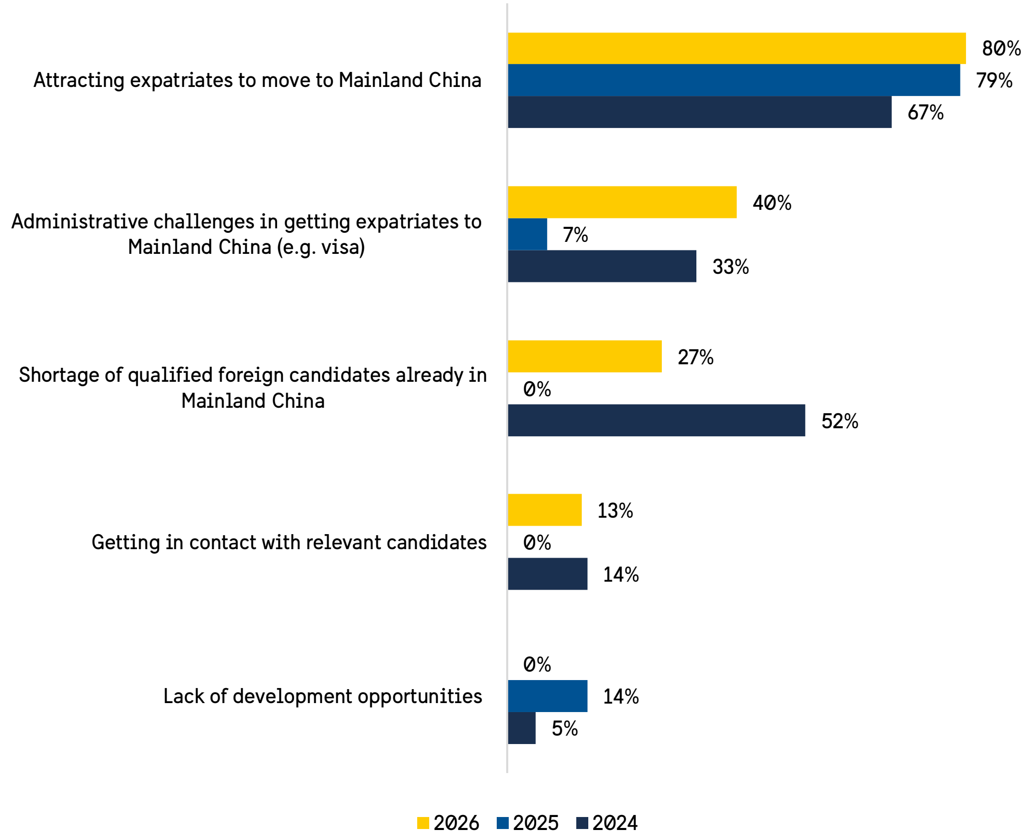
The same ratio as last year of Swedish companies (14 per cent) face challenges in recruiting foreign talent

As detailed later in this survey, foreign nationals make up 0.7 per cent of the workforce in Swedish companies in Mainland China. Since November 2025, holders of ordinary Swedish passports have been granted visa-free entry to China for up to 30 days, facilitating more frequent interaction between operations in China and headquarters in Sweden.

As in 2025, a relatively small proportion of companies (14 per cent) report difficulties in recruiting foreign talent to China, reflecting continued improvement since the peak challenges experienced during the COVID-19 period in 2022.

For the companies still impacted, the biggest challenge remains China's attractiveness to expatriates: 80 per cent of respondents (up from 79 per cent in 2025) reported challenges in attracting expatriates to move to China. The second most commonly reported challenge is administrative complications such as visa procedures for sending expatriates to China. A shortage of qualified foreign candidates already in China is an obstacle for over a quarter of respondents (27 per cent).

What are the main challenges you experience sending expatriates and / or hiring foreigners to your operations in Mainland China? (maximum 3 alternatives)



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

> **"People's reluctance to relocate to China is more due to their preference of keeping stability and having worries of losing the previous positions after returning to Sweden.**
>
> Industrial company

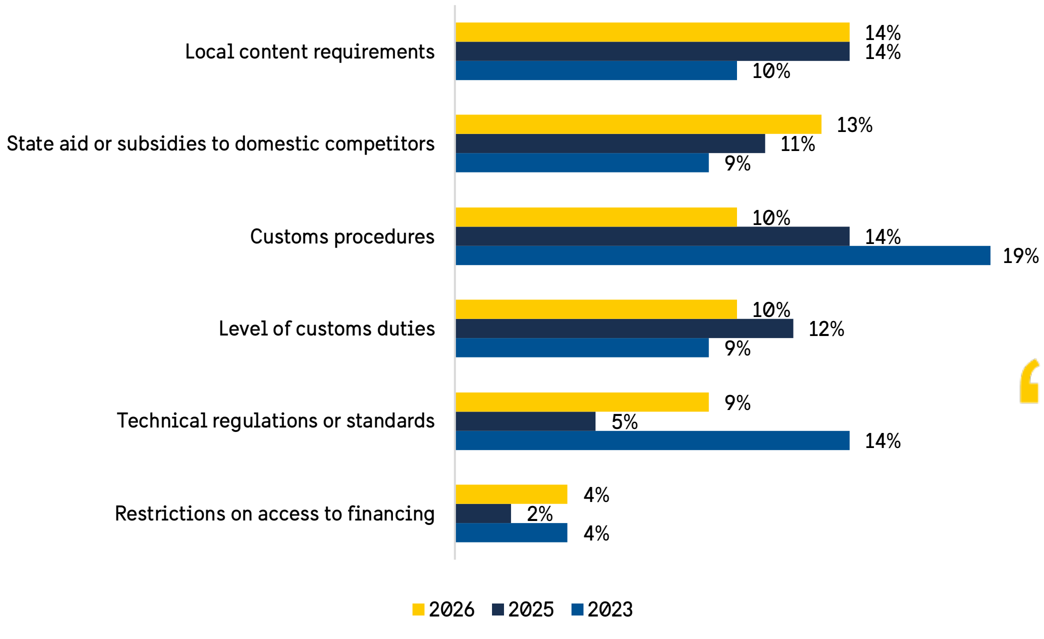
How Swedish companies succeed in Mainland China

Trade barriers remain stringent to 39 per cent of Swedish companies, local content requirement the most challenging

In recent years, around 40 per cent of Swedish companies in China have faced various trade barriers (39 per cent, down from 41 per cent last year). Local content requirements, topping the ranking last year, remains the most significant concern in 2026 with 14 per cent of respondents identifying them as a challenge. Another form of preferential treatment for local companies – state aid or subsidies to Chinese competitors follow closely as a key concern, chosen by 13 per cent of respondents, up from 11 per cent last year. Among other trade barriers, technical regulations or standards have seen a notable increase in the share of respondents identifying them as a challenge, while customs procedures appear to have improved, with the share of respondents selecting this option having almost halved. However, the changes in numbers could have been affected by the shifting industry split of companies participating in this year's survey.

Across sectors, industrial companies continue to be the most vulnerable group with over half (53 per cent, down from 58 per cent last year) reporting that they face trade barriers. Preferential treatment for domestic companies (26 per cent) and local content requirements (21 per cent) are the most commonly cited challenges. Around a third of consumer companies (35 per cent) and professional services companies (31 per cent) report being negatively affected by trade barriers that are more relevant to their business nature such as customs-related difficulties and regulatory challenges.

Has your company in the past year encountered trade barriers in Mainland China with a noticeably negative impact on operations, in any of the following areas?



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

> **"Export VAT refund for our products was removed in 2024, lowering the revenue after tax for exports.**
>
> Industrial company

30 per cent of Swedish companies are negatively impacted by "buy domestic" requirements; 42 per cent of industrial companies are affected

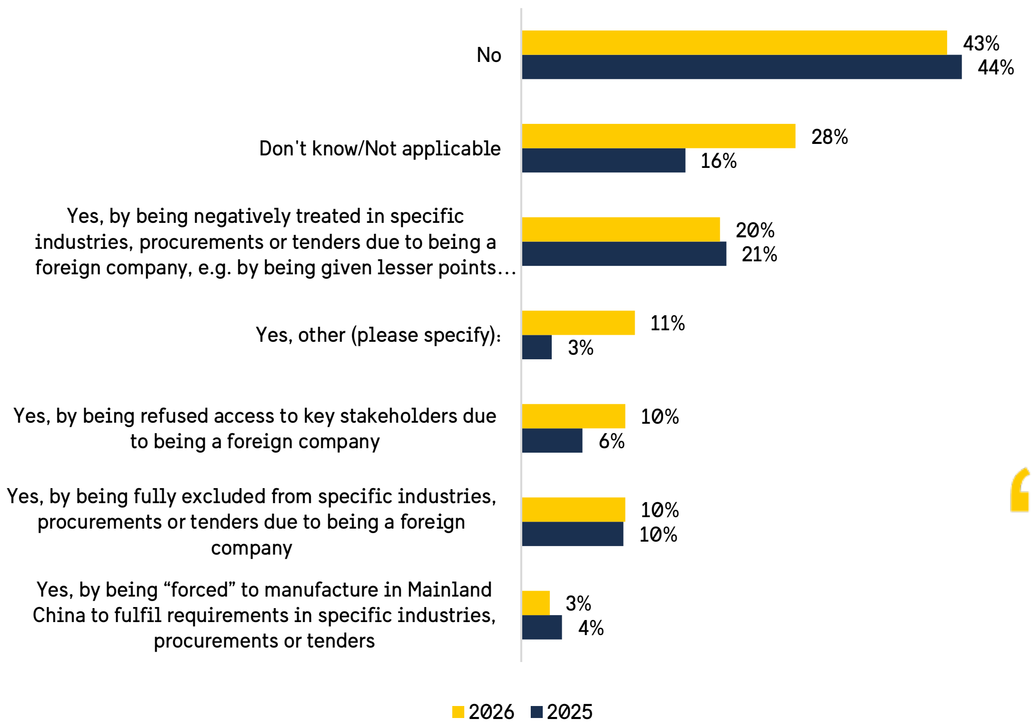
Over the past year, the share of Swedish companies being negatively impacted by 'buy domestic' requirements decreased to 30 per cent, down from 39 per cent in the previous survey. Industrial companies remain the most affected, with 42 per cent of respondents saying that their companies have been affected by 'buy domestic' requirements, down from 56 per cent last year. Among professional services and consumer companies, 19 per cent and 9 per cent reported similar challenges.

As in last year's survey, around a third of respondents (30 per cent, down from 31 per cent last year) reported negative treatment or full exclusion in specific industries, procurements or tenders due to their foreign ownership. Swedish companies have increasingly faced challenges accessing key stakeholders due to their foreign status. One in ten Swedish companies reported such challenges this year, compared with one in twenty in 2025.

Market segments with limited access for Swedish companies continue to be those linked to China's priorities around national security, self-sufficiency, and technological independence, including areas such as defence, security, aerospace, and infrastructure. At the same time, access appears to be narrowing in a broader range of sectors beyond these areas, particularly where Chinese clients are state-owned enterprises.

The government procurement policy granting domestic products a 20 per cent price advantage came into effect in January 2026. Although only 3 per cent of companies reported being forced to produce locally, several companies cited separate cases, such as tenders explicitly excluding imported products, or clients increasingly requiring a certain share of locally produced content.

Have you experienced any negative effects on your business in Mainland China due to "buy domestic" requirements, and, if so, how?



NOTE: The number of respondents for this question was 105. Numbers may not add up to 100% due to being rounded.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

> **"Unfair treatment in some biddings with SOEs. Local competitors won biddings when their prices are similar to ours (70% of bidding score) but having lower technical ratings (30% of bidding score).**
>
> Industrial company

> **"Some SOEs are asking more than 50 per cent of domestic components in their products.**
>
> Industrial company

Chinese SMEs remain the toughest competitors for Swedish companies in Mainland China, with price being the key factor

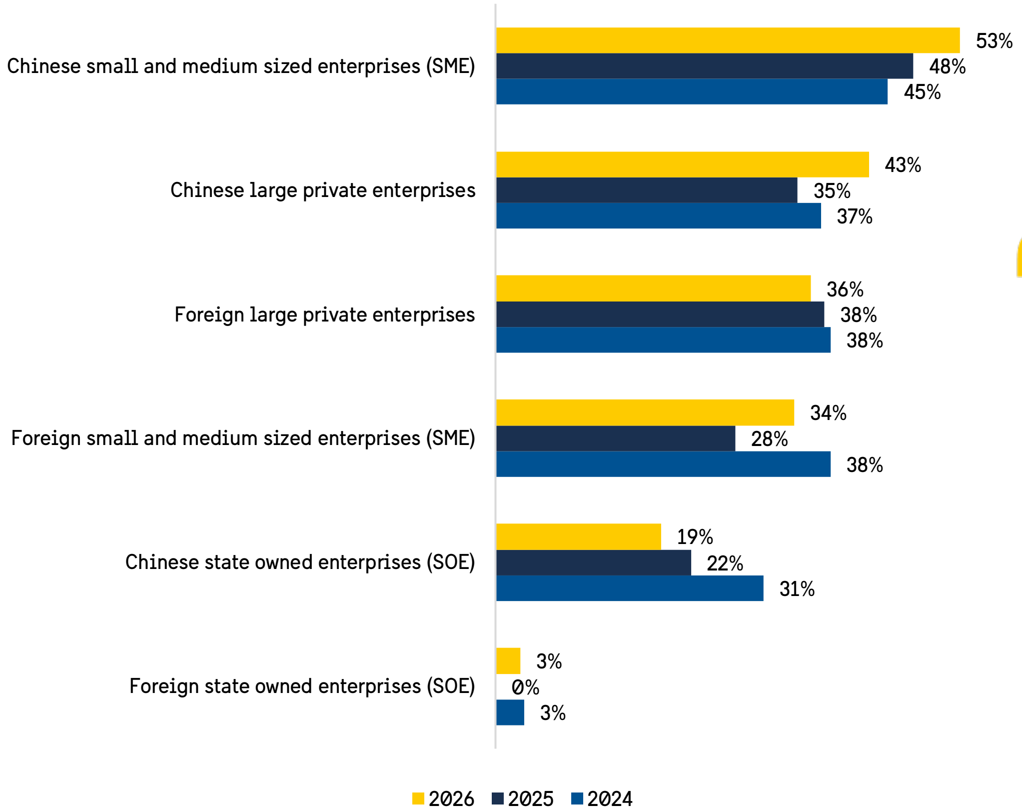
In 2026, the Chinese market remains intensely competitive, with the Chinese companies seemingly becoming more competitive, as reflected by Chinese companies leading the top two positions in the ranking.

As in previous years, Chinese small and medium-sized enterprises (SMEs) remain the leading competitors to Swedish companies (53 per cent, up from 48 per cent last year). The second most competitive is Chinese large private enterprises (43 per cent, up from 35 per cent last year), which was ranked the third last year. Large foreign private enterprises were replaced as the third-ranked competitor group in 2026 (36 per cent, down from 38 per cent last year). Foreign small and medium-sized enterprises (SMEs) remained in fourth place, as in last year's survey, with more than a third (34 per cent) of respondents considering them the biggest competitors.

As observed in previous years, Swedish companies tend to face the strongest competition from companies within the same size category. Small and medium-sized Swedish companies compete primarily with Chinese SMEs. Among large Swedish companies, the competitive landscape has shifted notably. In 2026, 61 per cent of large Swedish companies identified large Chinese private enterprises as a major source of competition, compared with 49 per cent for large foreign private enterprises. This marks a change from last year, when large foreign private enterprises (46 per cent) and large Chinese private enterprises (43 per cent) were cited by similar shares of respondents from large Swedish companies.

> **We need to see how our competitors are developing and to broaden our understanding of how the world works.**
>
> Industrial company

Who are your main competitors in Mainland China? (maximum 3 alternatives)



> **Chinese companies are becoming better and better. One day maybe the Chinese brands will also be associated with high-quality.**
>
> Industrial company

NOTE: The number of respondents for this question was 105. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2026.

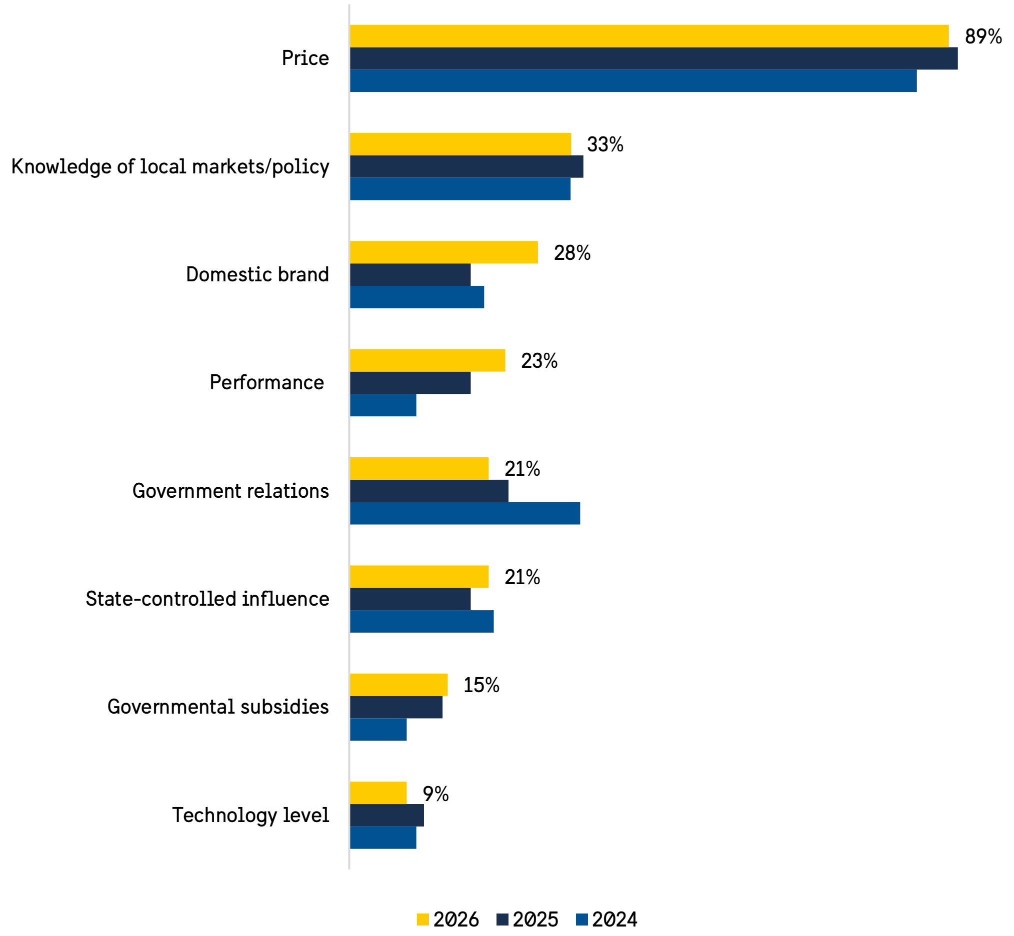
Price remains the most important factor driving the competitiveness of Chinese companies, with 89 per cent of respondents identifying it as one of the top three factors. The impact of government intervention on malicious price competition remains unclear, despite the fact that recent energy shortages have pushed up production costs across many industries.

Reflecting broader shifts over the past three years, domestic brands and product performance have become increasingly important. This echoes findings from other survey questions indicating that Chinese state-owned enterprises or government entities prefer 'Made in China' products and solutions over foreign alternatives. Regarding the growing importance of performance, some Swedish companies acknowledged that their Chinese competitors are fast in improving products and technologies, while others noted that 'China speed' serves as a strong competitive advantage for Chinese companies.

By contrast, government relations have become less of a competitive factor for Chinese players over the past three years, a trend that is further supported later in the report by findings related to corruption exposure.

> **Some of our target industries has been growing a lot in China recently.**
>
> Industrial company

What main factors make Chinese competitors stand out when it comes to competition? (maximum 3 alternatives)



> **Cheaper Chinese brands are not our direct competitors. They are complementary to the market.**
>
> Industrial company

NOTE: The number of respondents for this question was 105. "Don't know/Not applicable" responses are included but not shown in this figure.

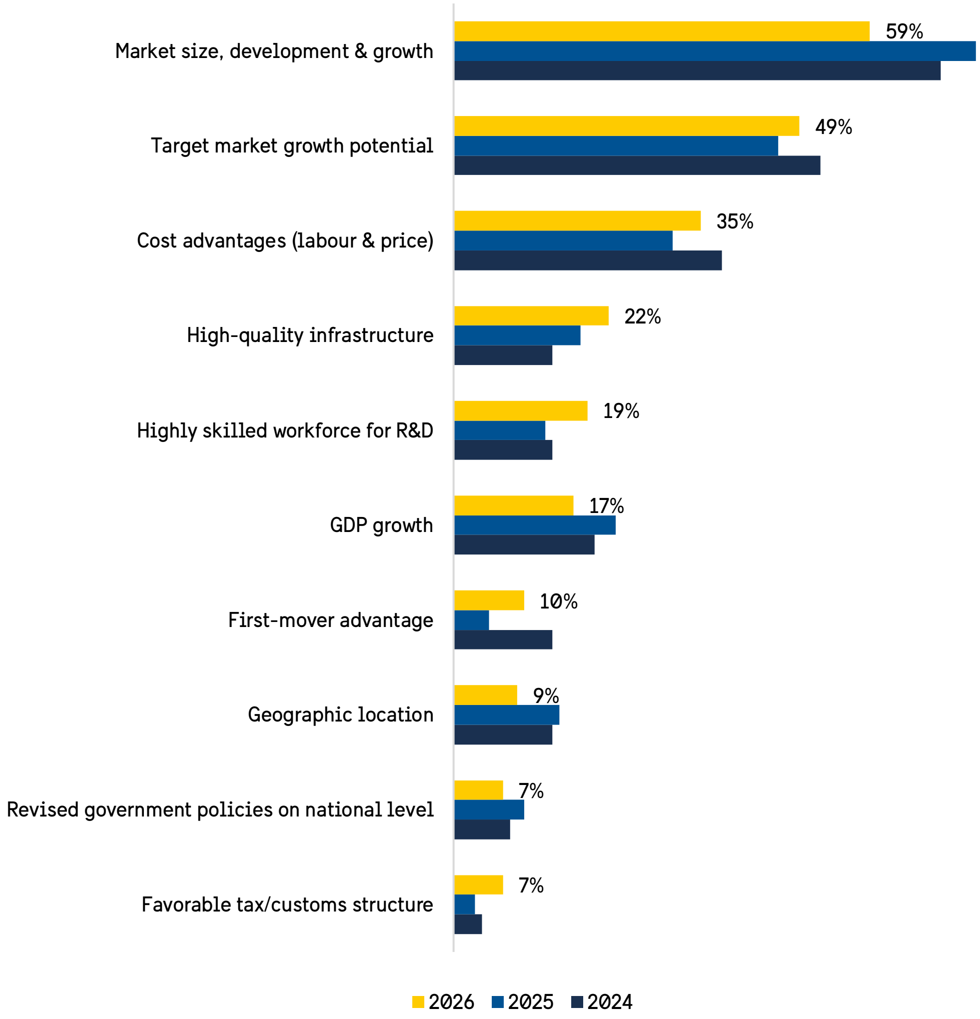
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2026.

Key drivers of business opportunities in Mainland China are market size, growth potential, and cost advantages (labour and production)

For Swedish companies, the ranking of external factors influencing business opportunities in China has remained stable over the past few years. Most companies continue to believe that the size and growth of the Chinese market, along with labour and production cost advantages, will benefit their China operations in the short term.

However, the share of respondents citing China's market size and potential growth has dropped significantly from last year, from 74 per cent to 59 per cent. This aligns with a previous finding: China's economic slowdown now appears to be the most challenging factor for Swedish companies in China, potentially requiring them to adjust their strategies to sustain growth. Alternatively, more companies may be placing greater importance on other factors critical to business opportunities, such as high-quality infrastructure, and skilled labour force with strong research and development (R&D) capabilities.

What are the key external factors contributing to opportunities for your company in Mainland China in the short term? (maximum 3 alternatives)



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable", "Other" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2026.

> **China has been a stable market for years and we do not think it is going to change in the near future.**
>
> Industrial company

Companies are more active in investments planning than last year; 45 per cent of companies will 'wait and see'

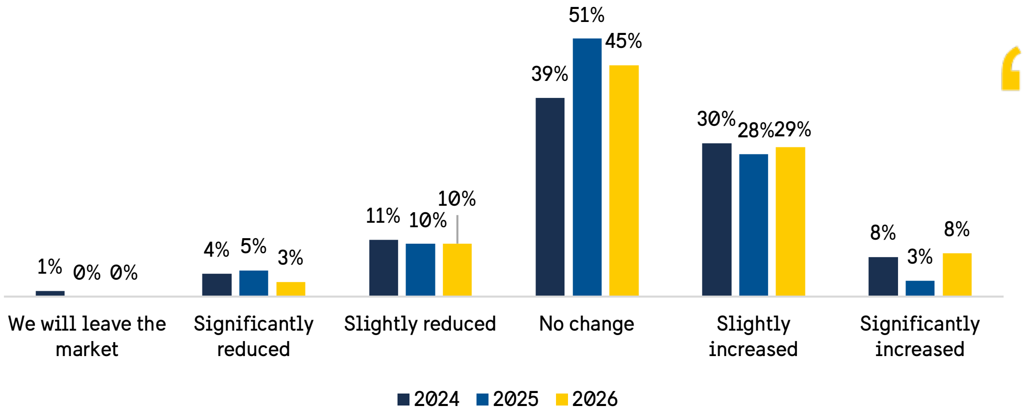
In 2026, Swedish companies have become more active than last year in planning for investments in China. Thirty-eight per cent of companies this year are considering investment plans for the coming 12 months, up from 31 per cent last year. This increase marks a rebound to the 2024 level (38 per cent), but remains significantly lower than the previous peak (47 per cent in 2023).

A similar share of companies remains cautious compared to last year, with 45 per cent (down from 51 per cent) not planning changes to their current investments in China. Of the surveyed companies, 13 per cent say they will reduce investments over the next 12 months, down slightly from 15 per cent last year. The combined proportion of Swedish companies not changing or increasing investment in Mainland China over the coming year remains high at 83 per cent, reflecting the strategic importance of China to Swedish firms.

There is no clear difference across company size groups regarding plans to increase investment, though a larger share of large companies tends to have plans to reduce investments (19 per cent).

Clear sectoral differences exist: professional services companies have the largest share planning to increase investments (46 per cent), followed by industrial companies (40 per cent). Only less than a third (30 per cent) of consumer companies plan to invest more in China in the coming year.

What are your company's investment plans for the next 12 months in Mainland China, compared to the past 12 months?



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable", "Other" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2026.

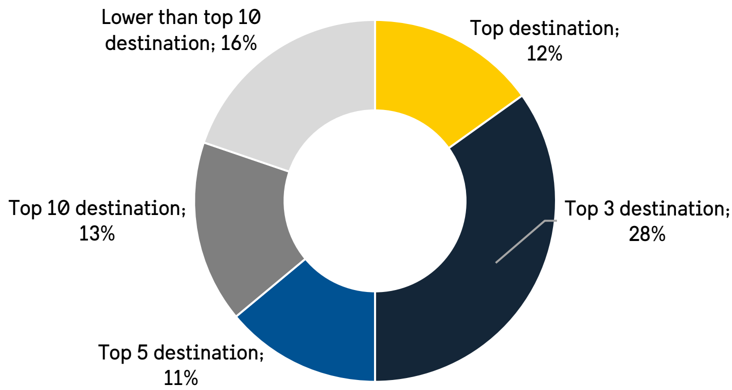
"We have been discussing about localising production, but we are still very cautious in implementation. I personally think it is the only way out.

Professional services company

This year, a new question is added to the survey regarding China as a destination for present and future investments to companies on a global scale to help provide insights of China's positioning for Swedish companies.

Approximately one tenth (12 per cent) of the Swedish companies position China as the top investment destination and 28 per cent position China as one of their top 3 investment destinations. By including 11 per cent of companies that see China as one of their top 5 investment destinations, over half (52 per cent) of companies in total position China within the top five investment destination globally. This reflects China's strategic importance to Swedish companies and explains the long-term commitment companies have to this market.

On a global scale, where does China rank as a destination for present and future investments in your company?



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable", "Other" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2026.

In 2026, improving cost competitiveness through efficiency remains one of the top three investment priorities for Swedish companies in China (43 per cent). This focus is particularly strong amongst large (57 per cent) and medium-sized (47 per cent) companies and is the most critical for the industrial sector (59 per cent).

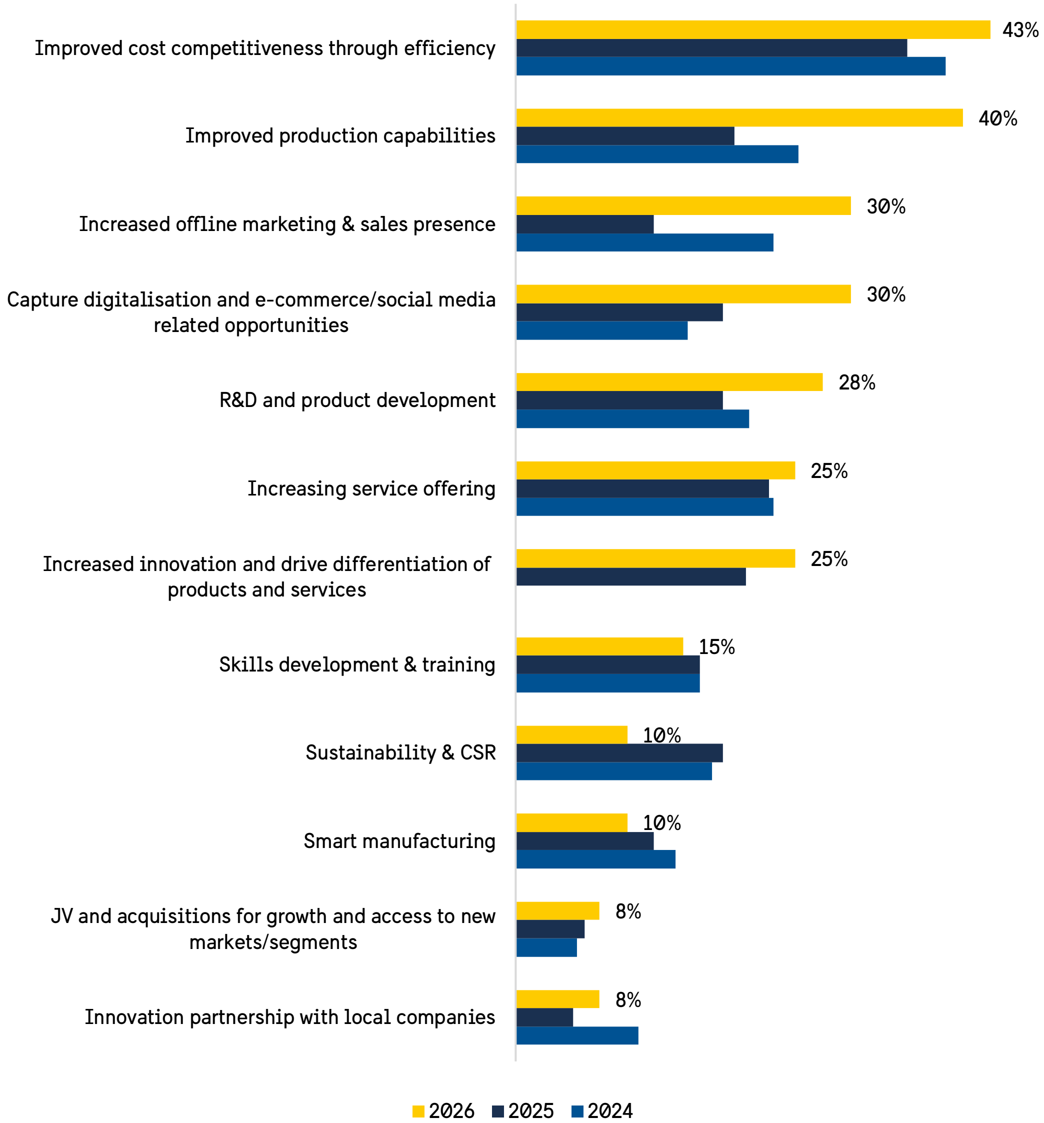
However, the ranking of other planned investment areas has shifted significantly. Compared to last year, when service offerings, innovation partnerships, and product differentiation ranked higher, Swedish companies now place greater emphasis on building stronger production capabilities (40 per cent), offline sales competency (30 per cent), online sales competency (30 per cent), and R&D (28 per cent).

This shift is driven by sectoral differences. Industrial companies are prioritising both production capabilities and efficiency gains. This mirrors broader FDI trends in China, where manufacturing accounted for the largest share (26.8 per cent) of inbound FDI in 2025. By categorising investment attributes, high-tech related investments accounted for 34.6 per cent, including 11.6 per cent of high-tech manufacturing and 20 per cent of high-tech services. According to Swedish companies, some industrial companies are continuing the expansion of their sales and service footprint across China, aiming at a country-wide coverage, while others have invested heavily in local production and R&D to serve global markets.

Professional services companies prioritise capturing digitalisation and e-commerce/social media related opportunities while trying to excel R&D and product development. As one interviewee noted, Chinese peers and regulators are digitally very advanced – Swedish companies must invest in localised digital solutions to meet client expectations and keep pace with the digitalised regulatory environment.

For consumer companies, strengthening both offline and online sales presence and competency is of focus for future investments. One consumer company noted that China has its own sales and marketing system that does not react as well by leveraging globally standardised channels and materials. Having presence in the Chinese e-commerce platforms and having tailored content is a must.

Which are the areas where you plan to increase your investments the most?



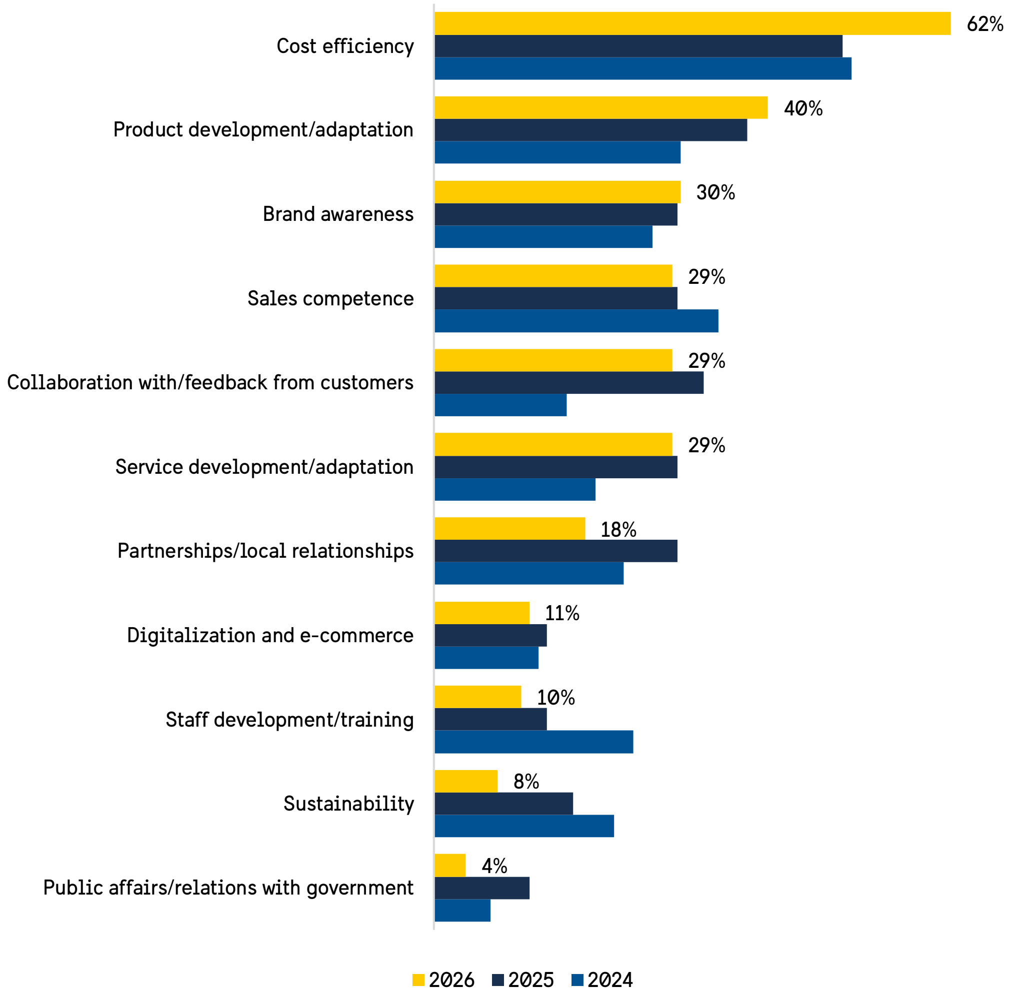
NOTE: The number of respondents for this routed question was 40. "Don't know/Not applicable", "Other" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in Mainland China 2026.

Cost efficiency continues to be the most important factor for maintaining competitiveness in Mainland China

In 2026, cost efficiency remains one of the most important factors for maintaining competitiveness in the Chinese market. More Swedish companies (62 per cent) selected this option compared to last year (49 per cent). Most interviewed companies continued to emphasise the ongoing fierce price competition and squeezed profit margins in China, which require sustained efforts to optimise cost efficiency to stay competitive.

Product development and adaptation (40 per cent) ranks second, ranking unchanged from 2025. Brand awareness became the third most selected factor (30 per cent), slightly outweighing other almost equally important factors such as sales competence, client collaboration and feedback, as well as developing services to adapt to needs.

To date, which of the following areas have been important in maintaining competitiveness in Mainland China? (Maximum 3 alternatives)



NOTE: The number of respondents for this question was 105. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

19 per cent of Swedish companies have altered supply chain strategies in Mainland China; most of them are further onshoring

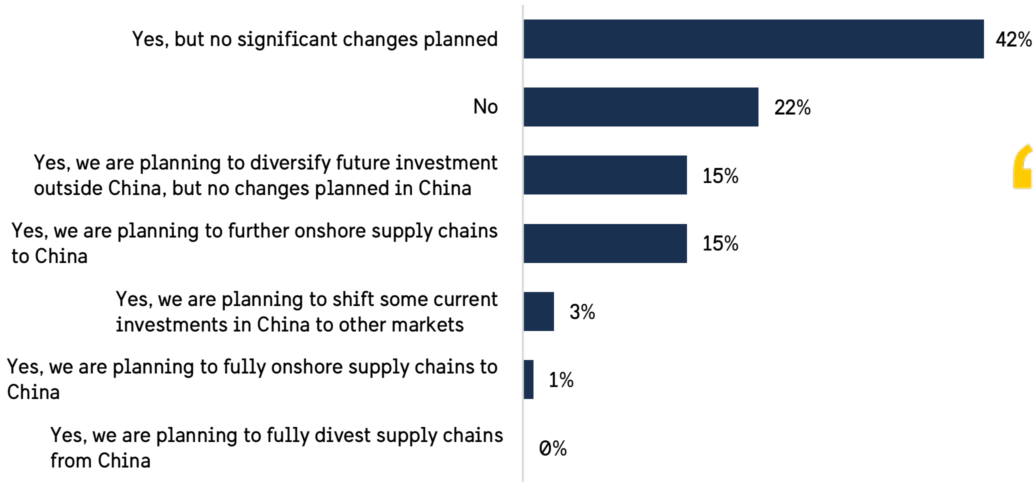
The share of companies onshoring or diversifying from supply chains in China has remained stable over the past years. Most Swedish companies are committed to the Chinese market in the long term with strong recognition to China's world's leading supply chain ecosystem and some companies have already implemented de-risking strategies to diversify their global supply chains to mitigate geopolitical risks.

In the past two years, more Swedish companies have reviewed their supply chain strategies (76 per cent, up from 68 per cent last year). However, 58 per cent (up from 49 per cent) have not made significant changes to their supply chain in Mainland China, whereas 19 per cent have decided to adjust strategies affecting China. Among those planning changes, most have chosen to further onshore investments in China (16 per cent, unchanged from 2025), while 3 per cent (also unchanged) are planning to shift some of their current investments in China to other markets.

> **"According to our industrial clients, supply chains in China are very reliable.**
>
> Professional services company

By company size, medium-sized Swedish companies have overtaken large companies in their tendency to further onshore supply chains in China. By sector, industrial companies (23 per cent) have plans to further onshore supply chains in China.

Has your company reviewed its supply chain strategies in the past two years?



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

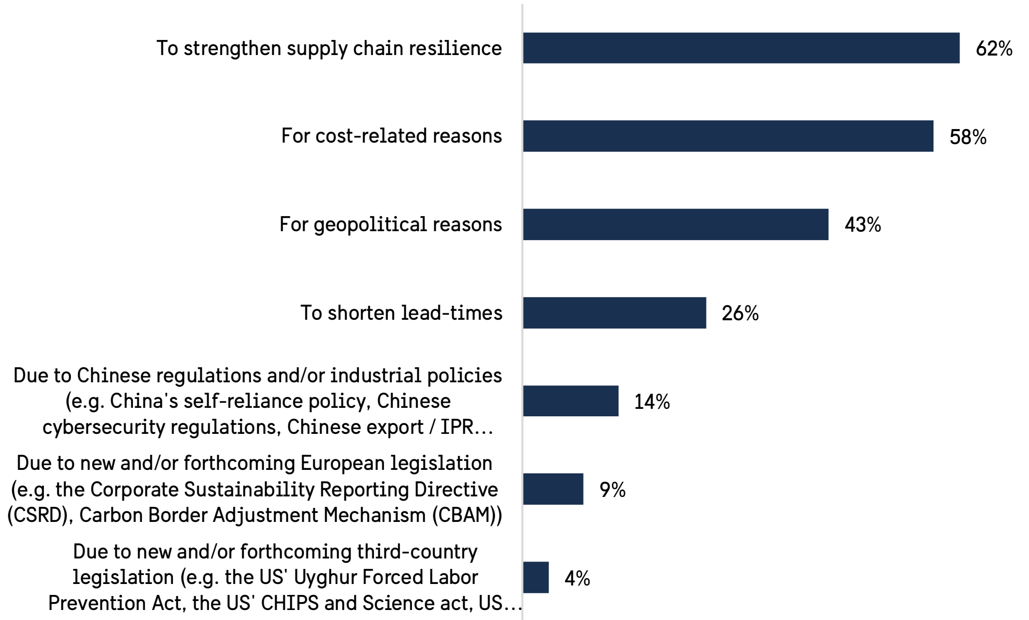
> **Strategies today are more short-term because we need to adjust to sudden changes. Our investment decisions are made to optimise our portfolio.**
>
> Industrial company

The top three reasons for companies that have reviewed their supply chain strategies are to strengthen supply chain resilience (62 per cent), cost considerations (58 per cent) and geopolitical reasons (43 per cent). The top three reasons remain the same as last year's results, except that supply chain outweighed cost considerations in 2026.

To many Swedish companies that produce or source from China, China's supply chain advantages in general surpass almost all other single nations due to their broad supplier base and strong value for money. Some companies noted that Chinese supply chains are deeply integrated into global supply chains. Although some companies have invested in production in other countries such as in Southeast Asia or Latin America, many components and parts can be traced back to China.

For some large companies, geopolitical risks and supply chain resilience play a larger role in decisions to shift some investments from China to other markets for the purpose of optimising their global investment portfolio.

Why has your company reviewed its supply chain strategies?



NOTE: The number of respondents for this question was 81. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

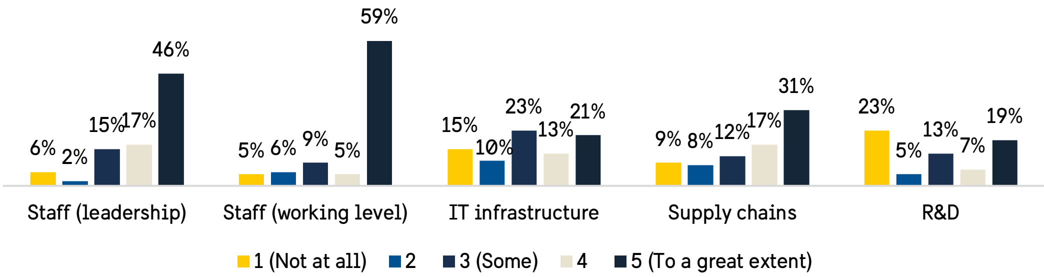
Swedish companies are largely localised in Mainland China with R&D being one exception

Most Swedish companies in China operate with many years of experience and have achieved significant localisation across various dimensions. Both working-level and leadership-level personnel are highly localised, with 64 per cent and 63 per cent of respondents giving ratings of four or five. Deep localisation of supply chains and IT infrastructure was selected by 48 per cent and 34 per cent of respondents respectively. Only a quarter of Swedish companies (25 per cent) report a high degree of R&D localisation in China. Intellectual property protection remains a key consideration.

Compared to the average level of localisation in the five dimensions, consumer companies tend to leverage local personnel more at the leadership-level and local supply chains. Professional services companies show higher levels of localisation in working-level staffing, IT infrastructure and R&D. Industrial companies are relatively less localised in all areas except for R&D.

> **"Our local employees have worked here for decades, and they do a fantastic job.**
>
> Industrial company

Please indicate the extent of localisation that has taken place in your Mainland China operations in the following areas in the past five years



NOTE: The number of respondents for this question was 105. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

A quarter of companies plan to expand geographically in the near term; most planned expansions are in Guangdong, Shanghai and Jiangsu

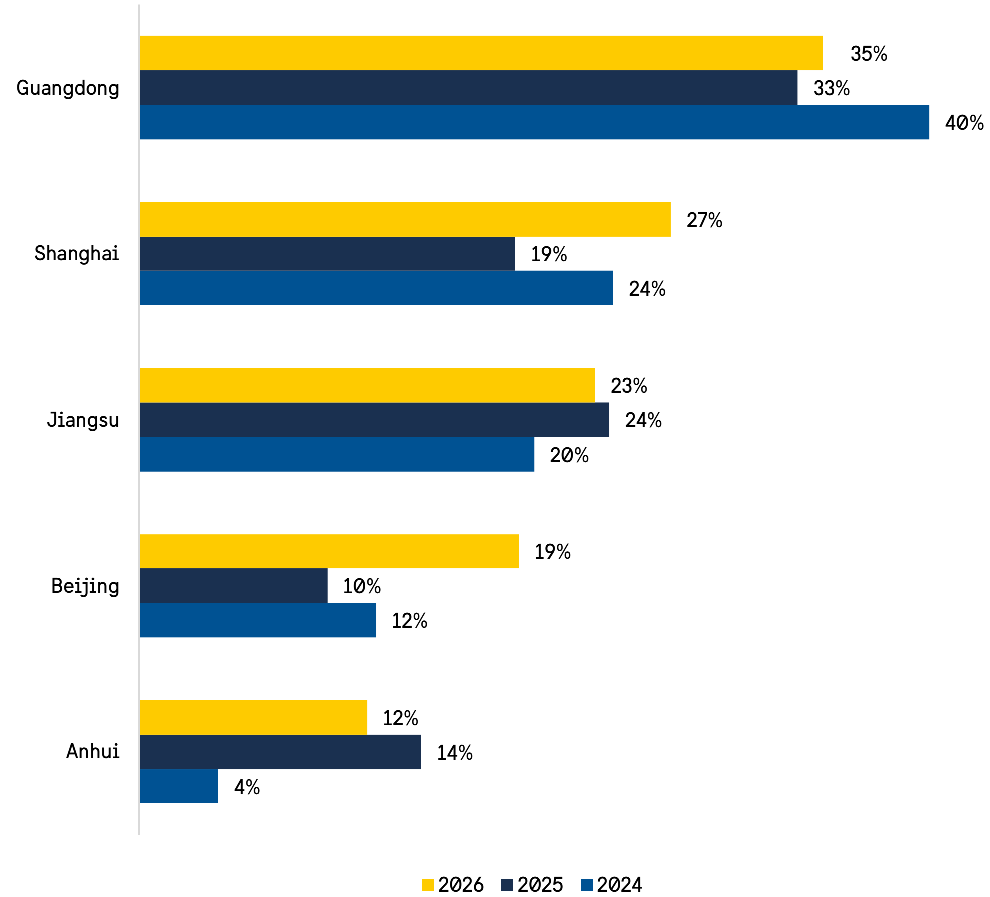
Of all respondents, 25 per cent of Swedish companies plan to expand their business to other parts of Mainland China from where they are currently located over the next three years, up from 22 per cent last year.

Across size groups, medium-sized companies (37 per cent) are more active in expanding geographically than small (26 per cent) and large companies (19 per cent).

Among sectors, industrial companies (28 per cent, up from 18 per cent last year) become the most active in geographical expansion in 2026 after being the least active in 2025. Professional services companies show similar levels of activity, with 27 per cent planning geographical expansion. Consumer companies have grown more cautious this year, with only 17 per cent considering expanding their footprint.

Geographically, the top five destinations for expansion have shifted, indicating a greater concentration in the Yangtze River Delta region (including Shanghai, Jiangsu, and Anhui), alongside two major hubs in the south (Guangdong) and north (Beijing). This aligns with Swedish companies' current presence in China and signals stronger interest in leveraging geographical proximity and established regional ecosystems.

Expansion plans for Swedish companies in Mainland China – top 5 regions



> **Gradually we will cover all of China at a high degree of density.**
>
> Industrial company

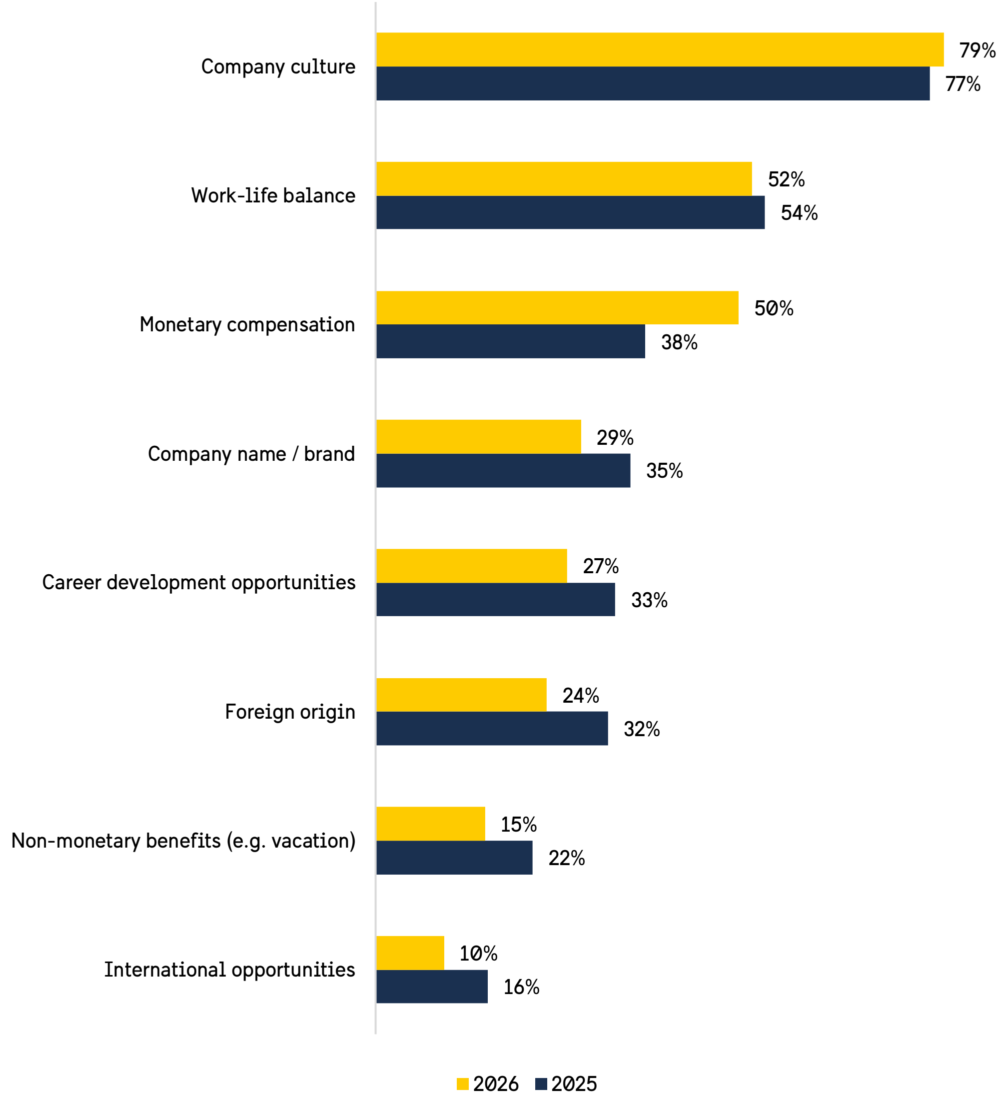
NOTE: The number of respondents for this question was 26. Companies without expansion plans are not included.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

Company culture, work-life balance and monetary compensation are the most important factors for attracting and retaining talents

As in previous years, Swedish companies in China see company culture (79 per cent) as the most important factor for attracting and retaining talented staff. Work-life balance (52 per cent) remains as the second most important factor, followed by monetary compensation (50 per cent).

Some companies recognised and appreciated that their Chinese employees have high work ethics and sometimes work too hard. However, Swedish companies still try to promote a positive company culture and healthy work-life balance to create a sustainable working environment which is mutually beneficial.

Compared to competitors in the market, which of the following factors are most important for your company when it comes to attracting and retaining the right talent for your operations in Mainland China? (Maximum 3 alternatives)



> **The Swedish and Chinese cultural values match very well, so our employees feel happy working here.**
>
> Industrial company

NOTE: The number of respondents for this question was 105. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

Acting sustainably

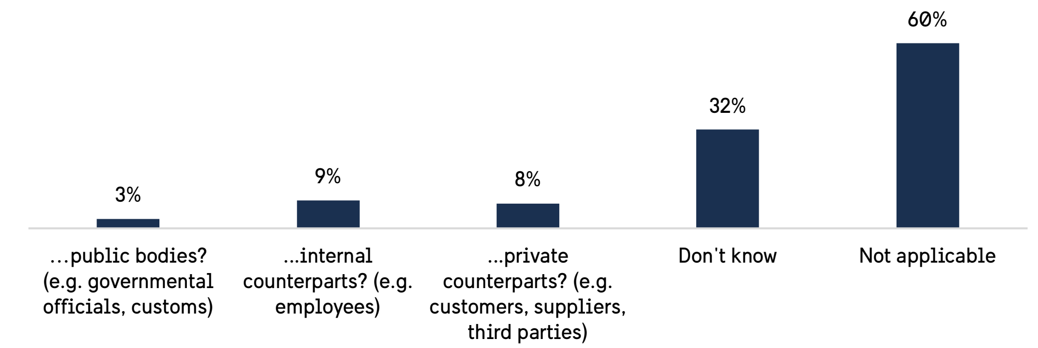
Around one in ten Swedish companies report exposure to corruption in Mainland China

Over the past decade, anti-corruption campaigns have been a top priority for the Chinese government, marked by a series of crackdowns on officials at all levels to root out graft and enforce political discipline. The results of the Business Climate Survey have, consistently, indicated that the overall situation has improved. Since last year, China's ranking in Transparency International's Corruption Perceptions Index in 2025[1] improved by one position. The country however remains in the 75th position which is below its recent best ranking of 65th in 2022.

This year, the majority (92 per cent) of respondents say that they are unaffected or unaware of corruption. The exposure to corruption has gradually declined for Swedish companies in China in recent years. However, 8 per cent of all respondents still report having been exposed to corruption in dealings with internal stakeholders, private-sector counterparts or public bodies, down from 20 per cent last year. Across sectors, industrial companies continue to report higher exposure to corruption in China (16 per cent). Companies still struggle with unfair competition from Chinese competitors winning relationship-based tenders. However, some companies noted improvements of the Chinese governments implementing regulations aimed at creating a fairer business environment.

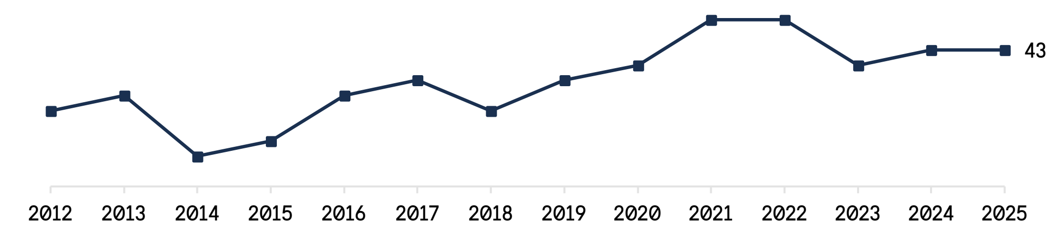
> **"We monitor this closely and we cannot say that we have encountered such issue.**
>
> Industrial company

Has your company in Mainland China been exposed to corruption such as, but not limited to, attempts of bribery or fraud in contacts with any of the following areas? (Multiple choice)



NOTE: The number of respondents for this question was 106.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

Corruption perception index of China 2025- SCORE 43/100, Rank 75/179



SOURCE: Transparency International.

> **"It's getting more compliant, rule based, and less dependent on good relationships only, which helps us to relate and plan for.**
>
> Industrial company

Exposure to human or labour rights violations remains rarely reported

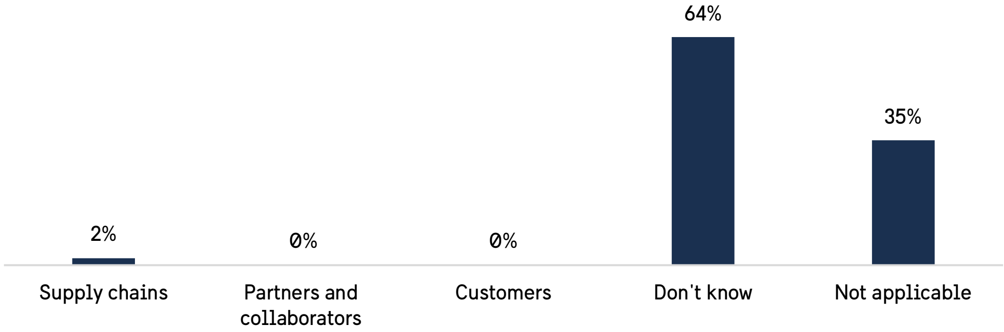
As in previous years, in response to this year's survey question on issues regarding human rights violations and/or labour rights abuse, nearly all respondents (99 per cent) said that they have not

[1] Transparency International: Corruption Perception Index 2025

encountered or do not know about any such issues. Some companies noted that they had not observed such violations from their Corporate Social Responsibility (CRS) audits.

Among all participants in the survey, two companies from the industrial and professional services sector reported encountering human rights violations and/or labour rights abuses in their supply chain in the past year. Despite the positive survey responses, it is important to note that many foreign governments, civil society groups, as well as United Nations officials have for several years expressed growing concern over the Chinese government's record regarding human rights issues.

Has your company in Mainland China encountered any form of human rights violations and/or labour rights abuse in contacts with any of the following areas? (Multiple choice)



NOTE: The number of respondents for this question was 106. Numbers may not add up to 100 due to rounding.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

"Low energy consumption is good for business and good for the environment

Industrial company

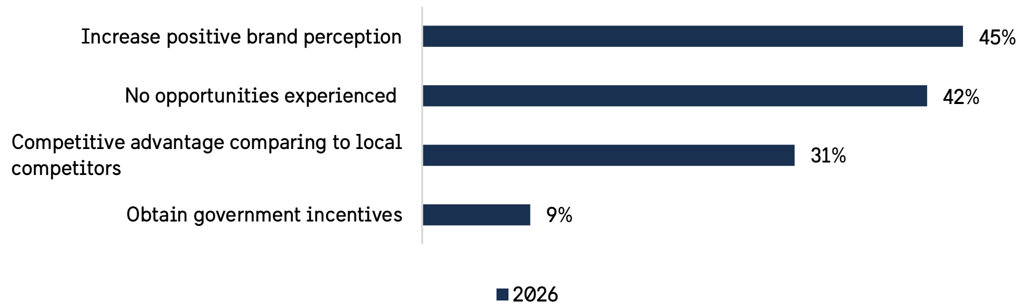
Sustainability efforts strengthen brands but not pricing power

Since announcing the 'Dual Carbon Goals' in 2020, China has continued to navigate the complex balance between economic growth, energy security, and carbon reduction. It has done so by building regulatory frameworks and systems to support the green transition, while also massively and rapidly expanding renewable energy capacity, particularly in solar and wind power.

By February 2026, four of the most emission-intensive industries – power generation, steel, cement, and aluminium smelting – had been brought under China's Carbon Emissions Trading Market. Looking ahead to 2027, China plans to expand the market's regulatory scope to include six additional sectors: petroleum, chemicals, building materials (glass), copper smelting, paper, and civil aviation.

As China implements these carbon reduction measures, Swedish companies have also seized business opportunities by leading the sustainability transition and offering sustainable solutions to the market. In 2026, 58 per cent of respondents reported benefiting from opportunities from investing in environmental efforts in China. Among companies benefiting from environmental efforts in China, 77 per cent cited enhanced positive brand perception, 53 per cent reported improved differentiation from local competitors, and a smaller group (16 per cent) said they have received government incentives.

[New in 2026] What opportunities do you experience in your environmental efforts in Mainland China? (Multiple choice)



NOTE: The number of respondents for this question was 106.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

However, China still has a long journey ahead in its sustainable transition, and more than half of Swedish companies in China continue to encounter environmental challenges. This year's survey introduced a new option – 'no environmental challenges'. After excluding respondents who selected this option or marked the question as not applicable, 53 per cent of the remaining respondents reported facing environmental challenges in China.

At the same time, the types of challenges have shifted. Generally, convincing Chinese customers to pay for sustainable offerings has been the most difficult. This year, the most common challenge for Swedish companies is the difficulty in charging a sustainable premium while remaining competitive, with almost a third (32 per cent) of companies reporting such issues. The second most common challenge is generating sales by communicating the benefits and differentiation of sustainable products (27 per cent,). These findings align with results from other survey questions, indicating that fierce price competition and squeezed profit margins persist as ongoing challenges for Swedish companies.

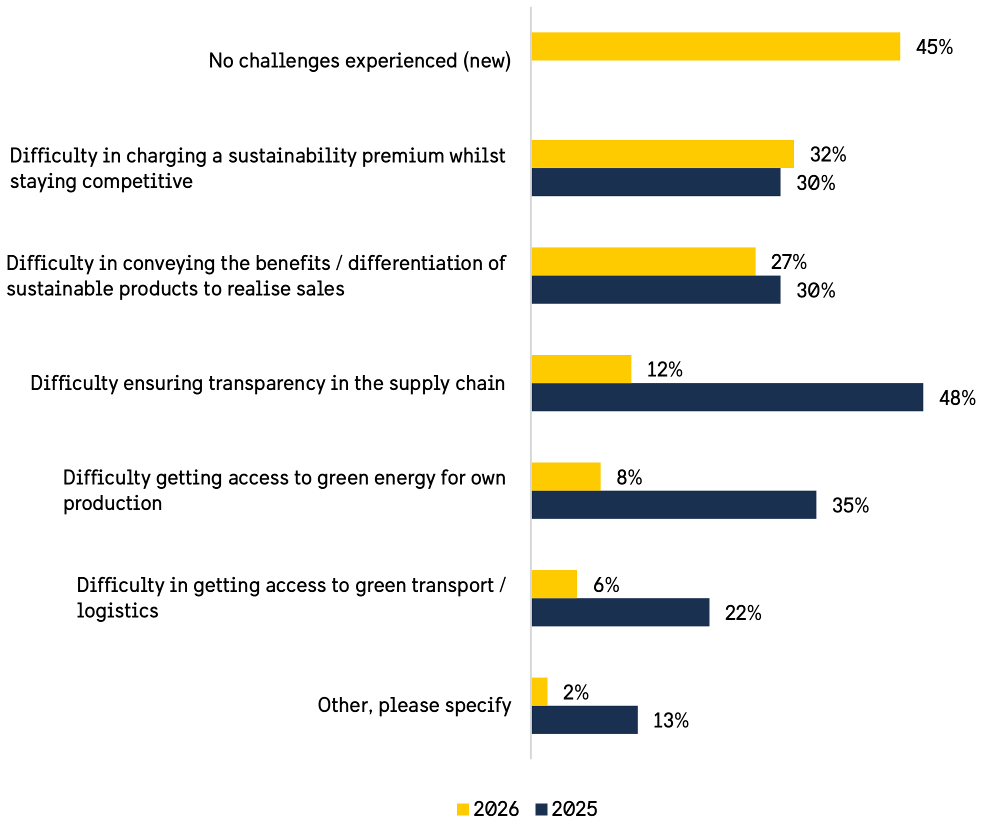
By contrast, some other challenges in this area appear to have eased over the past year. The top-ranking issues most frequently cited in previous surveys, such as ensuring supply chain traceability, access to green energy, and sustainable transportation or logistics, have shown improvements. This may be linked to the rapid expansion of green energy capacity and the continued enhancement of China's regulatory system over the past year.

When evaluating consumer awareness of environmental and climate issues, the finding appears to have worsened compared to 2025. Of respondents, 29 per cent say that the customers in their industry care much or very much about environmental aspects in their purchasing decisions, down from 33 per cent in 2025. More consumers (43 per cent, up from 38 per cent last year) place little or very little importance on environmental aspects in their purchasing decisions.

Across all sectors, consumer awareness of environmental aspects weakened over the past year, especially for consumer companies. This year, the professional services sector reports the highest level of environmental awareness among customers.

> **"Chinese consumers do not consider about environmental impacts themselves, as they consider this is to be assured on a regulatory level.**
>
> Consumer company

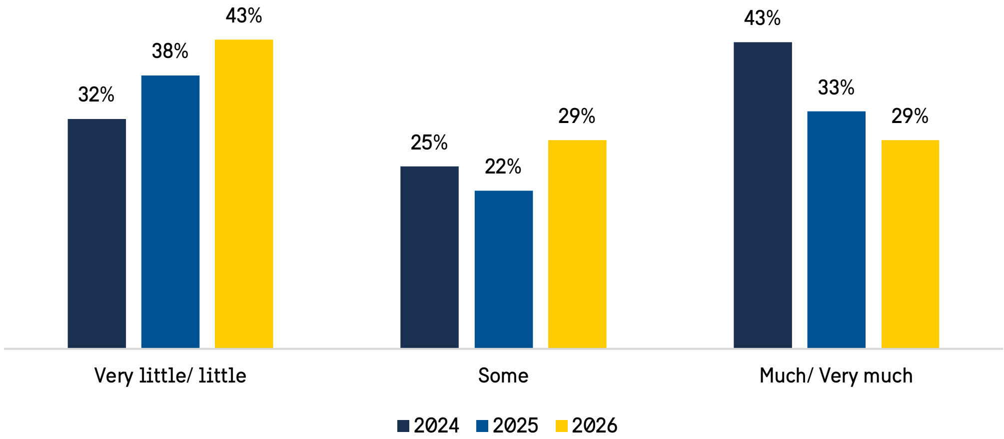
What challenges do you experience in your environmental efforts in Mainland China? (Multiple choice)



NOTE: The number of respondents for this question was 106.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

> **"We do see some improvement in environmental requirement from local governments, but cost is the most important factor to consider.**
>
> Consumer company

To what extent do customers in Mainland China consider environmental aspects of a product or service in their purchasing decision?



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

> **Customers are interested in sustainability but not premium prices. Prices must stay the same.**
>
> Industrial company

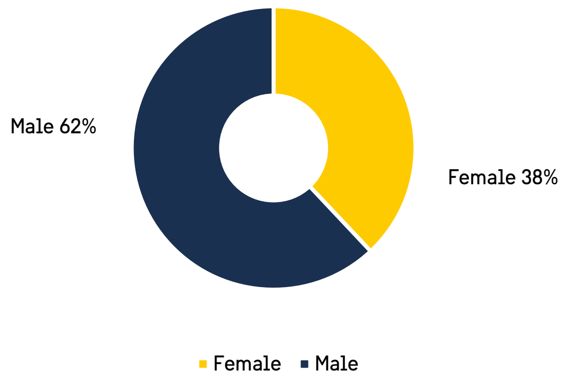
Swedish companies' footprint in Mainland China

Women account for more than a third of the workforce at Swedish companies in Mainland China, the share of expats is less than one per cent

According to this year's survey, the gender balance in Swedish companies' workforce has improved mildly after from last year. Women now account for around 38 per cent of the workforce at Swedish companies in China, up from 33 per cent in 2025.

Gender balance varies across industries. Consumer companies continue being the most gender-balanced, with a 50/50 split between men and women, while industrial companies have the most imbalanced distribution, with a 74/26 split. For professional services companies, the split is 55/45 between male and female employees.

Swedish companies' employee demographics in Mainland China



NOTE:
The number of respondents for this question was 106.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

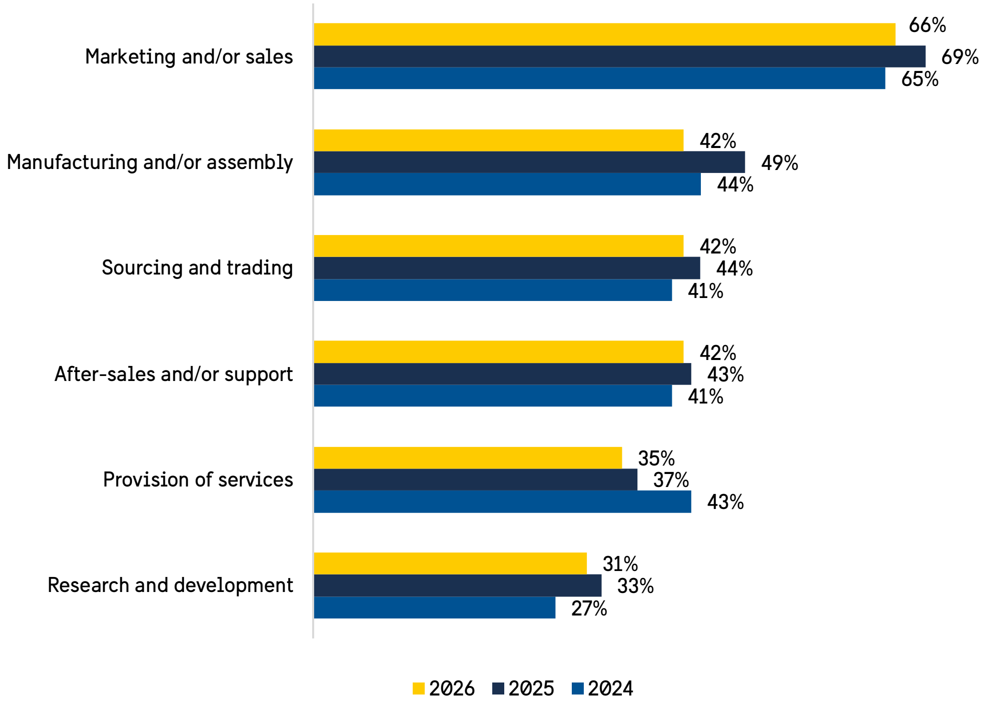
The share of foreign nationals in Swedish companies remains at a historically low level in 2026. The expatriate share of employees at Swedish companies in China has declined steadily from 2.7 per cent in 2021 to 0.7 per cent in 2026.

NOTE: The number of respondents for this question was 106.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

Marketing/sales remains a main focus area for Swedish companies in Mainland China

In 2026, Swedish companies continue deploying different functions in China and the function ranking remains similar to previous years. Marketing and/or sales remains the most common function in China (66 per cent), followed by manufacturing and/or assembly, sourcing and trading, and aftersales and/or support, each selected by 42 per cent of responses. More than a third (35 per cent) of respondents also provide services in China. R&D continues to represent a smaller operational focus for Swedish companies in China (31 per cent).

Operations of Swedish companies in the market (Multiple choice)



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

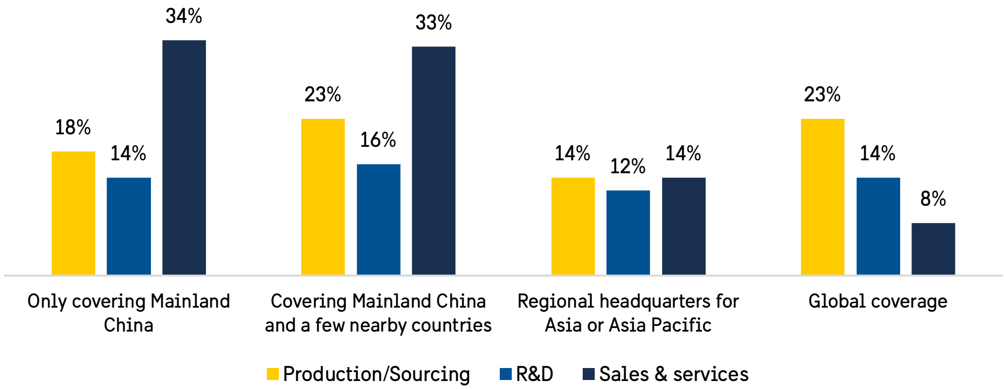
Production, sourcing and R&D in China support broader regional and global markets

Regarding the geographical coverage of Swedish companies' functions in China, the country primarily serves as a hub for leveraging production capabilities and sourcing advantages for broader regional and global markets. As in previous years, 59 per cent (up from 57 per cent last year) of Swedish companies continue to produce or source from China to serve other countries in the Asia-Pacific (APAC) region or even global markets. Among these companies, nearly a quarter (23 per cent) use China to serve global markets.

Swedish companies also use China as a base for sales and service operations for customers in other countries (55 per cent, down from 57 per cent last year). Naturally, most of these companies value the geographical proximity to other APAC markets.

Despite R&D being the least deployed function in China, Swedish companies with R&D activities in China still tend to leverage China to support broader regional and global markets. Among respondents, 28 per cent reported that their R&D cover a few nearby countries or the APAC region and another 14 per cent of companies carry out R&D in China for global markets. Fourteen per cent of companies conduct R&D in China only for China.

What is the role of Mainland China for your company for the following areas?



NOTE: The numbers of respondents for three areas included in this question were 106. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

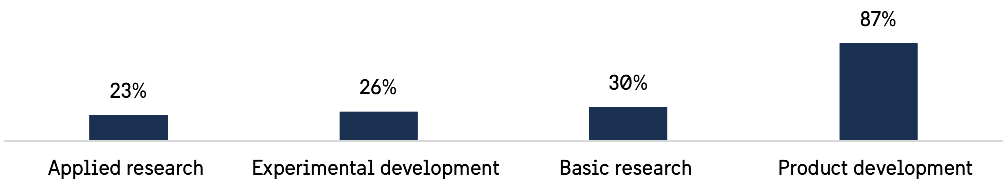
R&D and innovation conducted in China mainly focus on product development for proximity to market and speed

Of all respondents, 58 per cent of Swedish companies carry out R&D and innovation activities in China. Of which, product development is the main focus (87 per cent). More fundamental R&D activities are not commonly conducted in China: 30 per cent have basic research, and 26 per cent and 23 percent conduct experimental development and applied research, respectively.

The primary reasons of Swedish companies making R&D efforts in China are to stay close to the market (82 per cent), and to seize the opportunities from China's innovation speed (72 per cent). Having access to the innovative supplier network is valued by 48 per cent of Swedish companies conducting R&D in China.

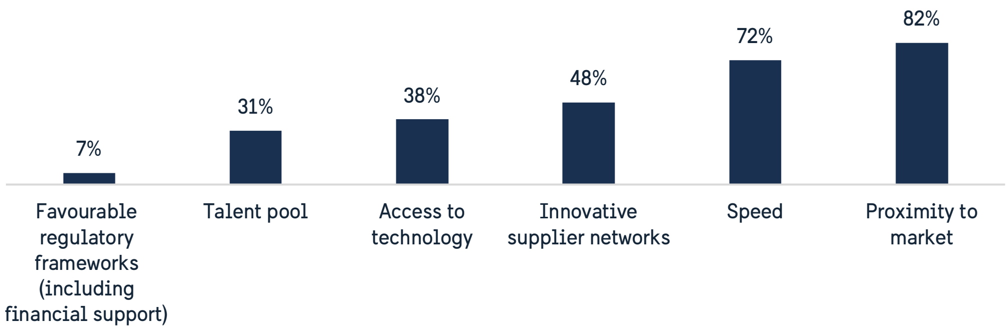
Chinese customers are characterised by a strong openness to change, including new brands and products. Several companies shared that they are more confident to launch new products elsewhere if they have proven successful in China.

What type of R&D and innovation efforts does your company focus on in Mainland China? (Multiple choice)



NOTE: The number of respondents for this question was 105. "We do not conduct R&D" and "Other" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

What are the most important reasons for your investments in R&D in China? (Multiple choice)



NOTE: The number of respondents for this question was 105. "Other" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

The value of Sweden's brand continues benefiting Swedish businesses in Mainland China, especially small companies

The Swedish brand continues to be a valuable asset for companies operating in China. In 2026, respondents continued to associate the Swedish brand with reliability, high quality, sustainability, respect for human welfare, and innovation. The average rating remained unchanged from last year at 3.8 out of five.

The result varies significantly across company sizes, with small companies rating the impact of the Swedish brand at 4, while the other size groups each rated it at 3.7. Across sectors, professional services companies (3.8) rated slightly higher than industrial and consumer companies (both 3.7).

To what extent would you estimate that the "Swedish brand" contributes to your business in Mainland China?

NOTE: The number of respondents for this question was 105. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

About the survey

The survey aims at understanding Swedish companies' performance in designated markets

The Business Climate Survey for Swedish companies in Mainland China 2026 is a joint initiative by Team Sweden in Mainland China: Business Sweden, the Swedish Chamber of Commerce, in China, the Embassy of Sweden in Beijing, and the Consulate General of Sweden in Shanghai.

The Business Climate Survey has been carried out in Mainland China annually since 2000, as part of a global initiative, with reports published regularly in several markets around the world. The aim of the survey is to improve understanding of the performance of Swedish companies, their perception towards market conditions, opportunities, and challenges, as well as their outlook in the Chinese market.

The companies that participated in this survey either have headquarters in Sweden, have Swedish shareholders or owners, are part of a Swedish conglomerate, or have other significant affiliations to Sweden. With the participation of representatives at the senior management level from 106 Swedish companies in Mainland China, the survey gives a comprehensive perspective on how Swedish companies view the business climate and their own performance in Mainland China; a key player in the world economy, trade, and manufacturing.

Most of the questions in this year's survey are similar to previous surveys to allow for comparison over time. However, some questions have been added or removed to account for changing interests, and some alterations have been made to questions and response options to follow the fast-changing geopolitical landscape and evolving Chinese market. The survey has also been synchronised with the Business Climate Surveys carried out by Team Sweden in other markets around the world to enable comparison where relevant.

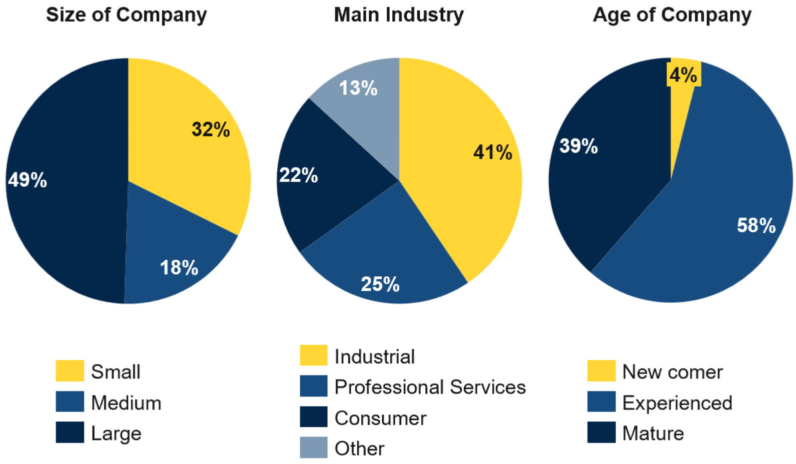
Respondents represent a mix of sizes and industries

The 2025 survey was conducted between 4 February and 8 March 2026. The response rate was 66 per cent with 106 out of 160 eligible SwedCham corporate members in Mainland China participating. Of the respondents, 49 per cent represent large companies, and 32 per cent are small companies. The remaining 18 per cent are medium-sized companies. 'Large' companies are defined as entities with more than 1,000 employees worldwide, 'medium-sized' companies as entities with 250 to 1,000 employees worldwide, and 'small' companies as entities with less than 250 employees worldwide.

The range of business areas represented in this report was grouped into three general categories: professional services, consumer, and industrial companies. The industry distribution of respondents remains similar to last year's survey. Industrial companies make up the largest share of respondents at 41 per cent, followed by professional services at 25 percent and consumer companies at 22 per cent, respectively. Regarding sub-segments, industrial equipment and business services have the single largest share of respondents, totalling 31 per cent of all respondents. For the other sub-segments, there have been no significant changes in share compared to last year.

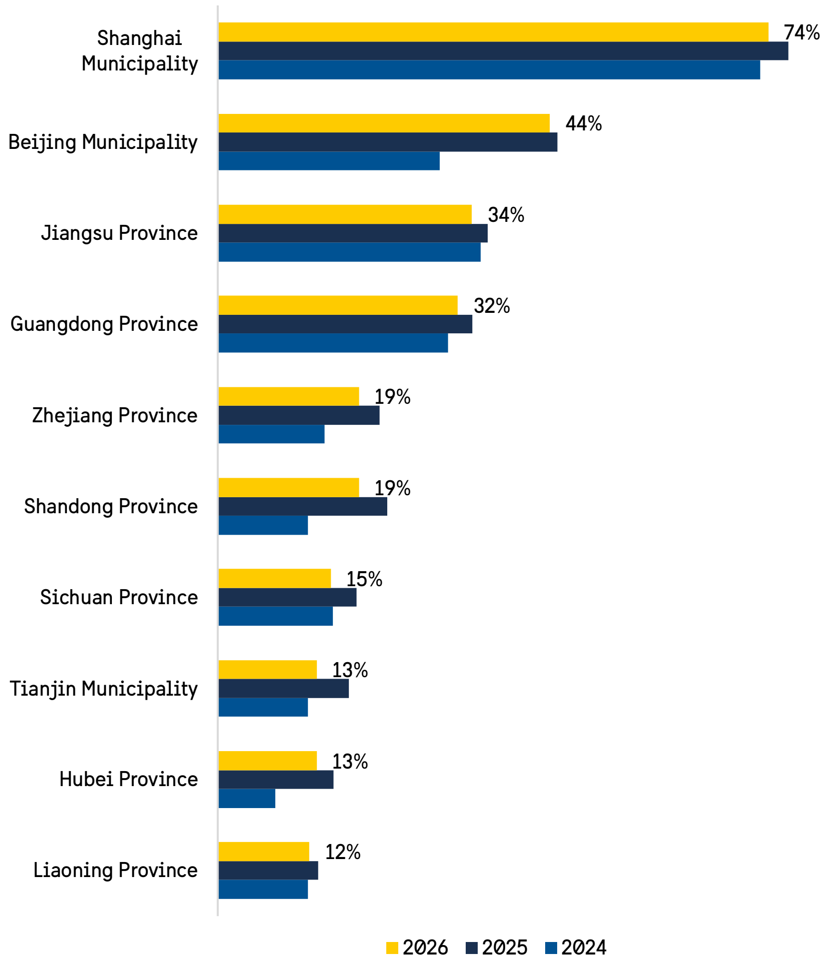
Nearly all responding companies, 96 per cent, have experienced in the Chinese market since 2020 or earlier, while 39 per cent of these companies were established in Mainland China before 2004. Newcomers to the market made up 4 per cent of all respondents.

As in previous years, most Swedish companies that participated in the survey are based in the economically developed coastal regions of Mainland China. According to the survey, Shanghai has the largest Swedish presence (74 per cent), followed by Beijing (44 per cent). More than one-third of Swedish companies are also located in Jiangsu (34 per cent) and Guangdong (32 per cent).



NOTE: The number of respondents for this question was 106. "Don't know/Not applicable" responses are included but not shown in figure. Mature (-2004). Experienced (2005-2020). Newcomer (2021-)
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026.

Geographical footprint of Swedish companies in Mainland China – top 10 locations



NOTE: The number of respondents for this question was 106.
SOURCE: Business Climate Survey for Swedish Companies in Mainland China 2026

Concluding remarks

The 2026 Business Climate Survey aims to strengthen understanding of the Swedish business experience in China by providing a nuanced picture of the key factors driving Swedish companies' success, while also highlighting the challenges brought on by current geoeconomic headwinds.

Team Sweden in China is committed to continuing to support Swedish companies in the Chinese market as well as maintaining the trust and value of the Swedish brand. Our aim is to support Swedish businesses in their global growth ambitions and welcome further dialogue about the opportunities and challenges that the Chinese market presents. We encourage you to reach out to us for further discussions.

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