



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN SOUTH AFRICA 2025

A REPORT FROM TEAM SWEDEN IN SOUTH AFRICA

TABLE OF CONTENTS

FOREWORD.....	3
ABOUT THE SURVEY.....	5
ECONOMIC OUTLOOK.....	6
THE MARKET	10
HOW SWEDISH COMPANIES SUCCEED IN SOUTH AFRICA	16
ACTING SUSTAINABLY	19
CONCLUSION.....	23
CONTACT US	24

FOREWORD

The 2025 Business Climate Survey was conducted during a period of significant political transition in South Africa following the 2024 national elections. This report captures the perspectives of Swedish business leaders operating in the country, offering valuable insights into the evolving dynamics that shape the local business environment.

Swedish commercial presence in South Africa is both long-standing and robust, represented by approximately 80 registered subsidiaries and over 450 brands through third-party partnerships and distributors. South Africa continues to serve as a strategic entry point to the continent, boasting the largest and most diversified economy in Africa, with a GDP of USD 403 billion spanning mining, agriculture, manufacturing, and business services.

Despite global supply chain disruptions, bilateral trade between Sweden and South Africa grew by 1.42 per cent in 2024. South Africa imported goods worth USD 851 million from Sweden, with vehicles, machinery, and chemical products remaining the primary exports. Encouragingly, South Africa has made notable progress in addressing its greylisting by the Financial Action Task Force (FATF), having resolved 16 of the 22 identified action items by the end of 2024. A clear roadmap is in place to address the remaining items by October 2025, reinforcing investor confidence and enhancing the country's financial integrity.

As Team Sweden in the region, we remain committed to fostering sustainable, innovative, and technology-driven partnerships. Our ongoing engagement with both public and private stakeholders aims to create platforms that strengthen commercial ties and promote mutual growth. Encouragingly, Swedish companies are observing a growing demand for sustainable products and services, reflecting a positive shift in local market priorities.

We extend our sincere appreciation to all participating companies for their valuable contributions to this survey. Their insights are instrumental in shaping a comprehensive understanding of the current business climate. We invite readers to explore the findings in detail and consider how these insights can inform strategic decision-making and long-term planning.

By participating in this survey, you are contributing to a shared vision of a more transparent, resilient, and prosperous business environment in South Africa.



Sara Radu
Trade Commissioner
and Country Manager



Kudakwashe Koke
Project Manager

~68% response rate

Current business climate

Slightly adverse business climate sentiment due to challenging operational environment

Industry turnover

66%

of Swedish companies expect their industry turnover to increase

Future investments

63%

of Swedish companies plan to increase their investments slightly or significantly in the next 12 months

Globally valued success factors

1. Cost efficiency
2. Partnerships/relationships
3. Brand awareness

Brand Sweden

81%

of Swedish companies abroad consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Suppliers
2. Service providers
3. Market access

Local conditions with least satisfaction

1. Infrastructure
2. Labour market
3. Personal safety

Environmental considerations

34%

of respondents believe environmental considerations are a factor in their customers' purchasing decisions

Corruption

– Very low cases

Human rights violations and labour rights abuse

– Very low cases

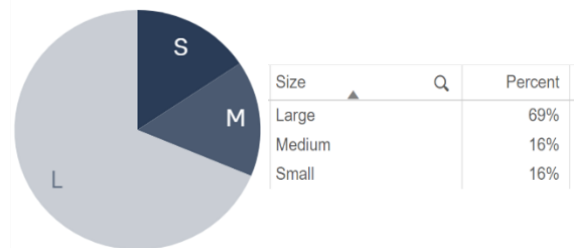
ABOUT THE SURVEY

Market entry of new companies has increased in South Africa since the 2020 global lockdown

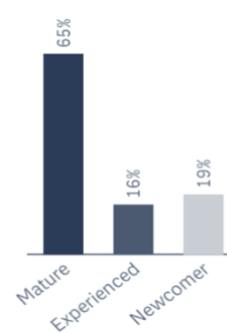
For the past six years, Business Sweden has been conducting a survey of Swedish companies in South Africa with the intention of understanding the operating environment of Swedish companies globally. This survey consists of understanding the overall business climate, Swedish subsidiary turnovers, investment plans, success factors, local market challenges, and the Swedish brand experience.

The survey is a summary of input from Swedish subsidiaries in South Africa, consisting of 69 per cent large companies and 16 per cent medium and small companies, respectively. Regarding the sectors serviced, 73 per cent of the respondents are within the industrial segment, while an additional 23 per cent offer professional services. The remaining three per cent are consumer-focused companies, mainly for the FMCG industry segment.

Nineteen per cent of the responding companies were newcomers, which may be an indication of Swedish companies' renewed interest in the region following the establishment of the Government of National Unity in June 2024. In summary, South Africa remains the foundational market for Swedish companies operating in the region due to factors such as socio-political stability, infrastructure access to finance, and growing market reach.



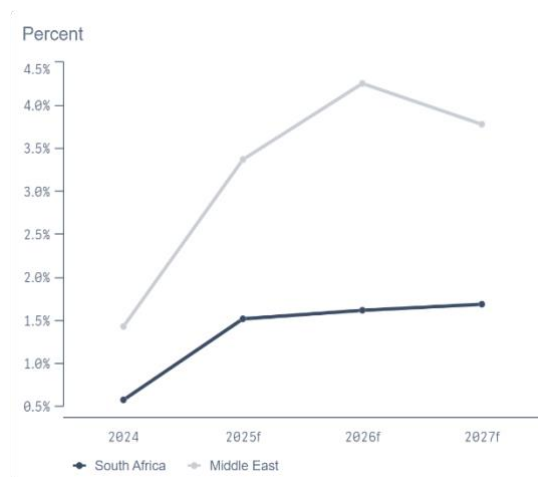
NOTE: Global employees. Large >1000. Medium 250-1000. Small 0-249



NOTE: Mature (~2005). Experienced (2004-2019). Newcomer (2020-)

ECONOMIC OUTLOOK

South Africa's outlook for 2025 is cautiously optimistic following a new government and increased focus on investment



SOURCE: Oxford Economics 2025

South Africa has entered a new phase of political and economic stabilisation, marked by the end of the state capture era and a transition away from the historically dominant ANC majority leadership. This shift has fostered renewed optimism among investors, citizens, and private sector stakeholders. Confidence in the coalition government has contributed to an improved macroeconomic environment and a more stable investment climate. South Africa's economic performance in the first two quarters of the year reflected a cautious and risk-averse sentiment among investors.

As expected, the Rand experienced heightened volatility in the aftermath of the general elections. However, following the resolution of coalition negotiations, macroeconomic stability was restored in the third quarter. This was reflected in a 0.6 per cent expansion in GDP during the final quarter of the year. Key sectors that supported this growth included agriculture, trade, manufacturing, and financial services. During the second half of the year, both consumer price inflation and interest rates declined, which enhanced household purchasing power. This, in turn, contributed to an increase in the demand for goods and services, thereby stimulating production activity,

promoting business development, and encouraging renewed investor confidence.

Core inflation – excluding volatile components such as food and energy – declined to 3.6 per cent in December 2024, the lowest rate since 2022. This development has supported a marginal rise in household purchasing power and contributed to GDP growth, creating a more favourable environment for consumer-facing and industrial sectors alike.

Despite a reduction in load-shedding events throughout 2024, the legacy of power instability remains a key concern for businesses. Many firms have responded by implementing robust energy action plans, prioritising renewable energy and alternative fuel sources to ensure operational continuity. Water infrastructure also presents a significant operational risk. In 2024, several municipalities recorded elevated levels of non-revenue water, highlighting systemic inefficiencies. Water scarcity has direct implications for high-impact sectors such as mining and agriculture – industries sensitive to both supply disruptions and extreme weather events, including droughts. In addition, shortages of talent due to emigration, competition, education, and training are starting to have a negative impact on growth.

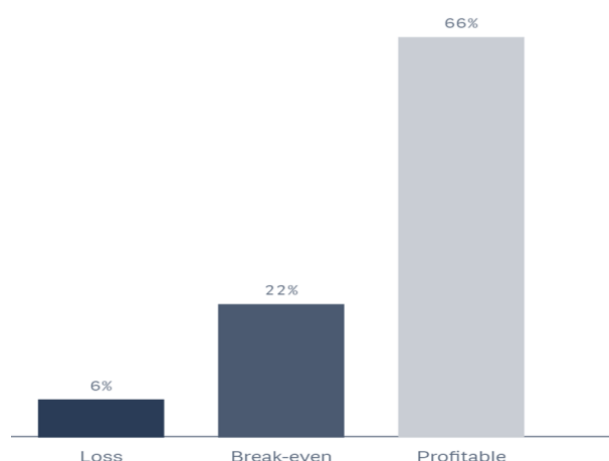
Swedish companies have demonstrated resilience and adaptability within this evolving landscape. In 2025, 66 per cent of Swedish firms operating in South Africa reported profitability. Notably, the proportion of companies breaking even rose from 14 per cent to 22 per cent year-on-year. These results underscore the strength of Swedish innovation and sustainability-driven business models, which are well-aligned with the current direction of South Africa's overall industrial and environmental strategies.

The outlook for South Africa presents a cautiously optimistic opportunity for Swedish companies. While structural

challenges in energy and water infrastructure persist, ongoing political reform and macroeconomic improvements provide a more stable foundation for

investment. The positive performance of Swedish firms illustrates the viability of strategic, adaptive business operations in this emerging market and the region.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN SOUTH AFRICA IN 2025?



NOTE: The number of respondents for this question was 32. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

Based on the graph, the financial performance of Swedish companies operating in South Africa in 2025 can be described as predominantly positive. A significant majority – 66 per cent – of respondents reported being profitable, indicating strong operational outcomes and effective market positioning. An additional 22 per cent of companies reported breaking even, suggesting stable performance despite potential market challenges. Only six per cent of firms reported operating at a loss, reflecting a relatively low incidence of financial underperformance. Overall, these results point to a robust financial outlook for Swedish firms in the South African market during the reporting period.

The Government of National Unity has been effective in alleviating investor concerns regarding the stability and prospects of South Africa.

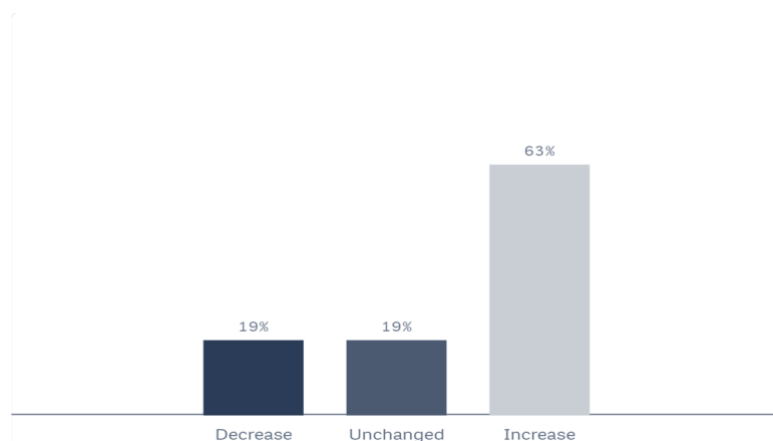
A key driver behind the prevailing optimism appears to be the role played by the Government of National Unity, which has been instrumental in restoring a measure of political stability and enhancing investor confidence. This renewed sense of trust in South Africa's future is clearly reflected in the expectations and investment intentions expressed by the companies surveyed.

When asked about their turnover expectations for the coming 12 months compared to the previous year, respondents across multiple sectors conveyed a positive outlook. Notably, firms operating within the professional services and industrial sectors reported strong expectations of increased turnover, suggesting a projected rise in demand and business activity. This is a particularly significant development given the broader context of global economic uncertainty, and it indicates that

Swedish companies are identifying concrete opportunities within the South African market.

Furthermore, the survey highlights a marked increase in planned investments by Swedish enterprises over the next year. A substantial proportion of companies – especially those within the sectors and new entrants to the market – indicated their intention to scale up investment in South Africa. This trend underscores a long-term commitment to the market and reflects growing confidence in the country's economic trajectory. Despite persistent structural challenges, the findings suggest that Swedish investors increasingly view the South African business environment as conducive to growth and opportunity.

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN SOUTH AFRICA REGARDING TURNOVER?



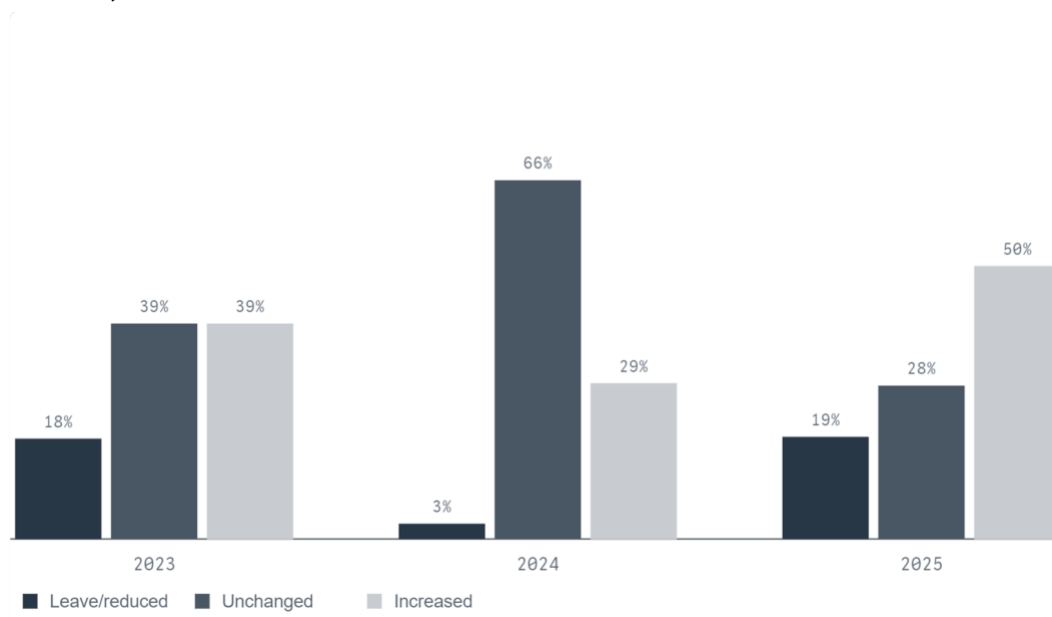
NOTE: The number of respondents for this question was 32. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

Swedish companies in the professional services and industrial sectors expect to their industry's turnover to increase in the next twelve months. Swedish companies' expectations for turnover in the coming 12 months show a generally optimistic outlook. Compared to the previous year, a significant proportion of respondents anticipate improved financial performance. This optimism can be linked to enhanced political certainty, improved customer engagement, and better operational alignment with market demands.

Notably, 63 per cent of companies plan to either increase or maintain their investment levels in South Africa. Nineteen per cent expect to keep investments unchanged, while only 19 per cent indicated a decrease in investment – a strong vote of confidence in the local market's potential for growth. This contrasts with the more conservative posture reported in the prior 12 months and indicates a broad-based expectation of operational recovery and growth.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN SOUTH AFRICA, COMPARED TO THE PAST 12 MONTHS



NOTE: The number of respondents for this question was 32. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in South Africa 2025

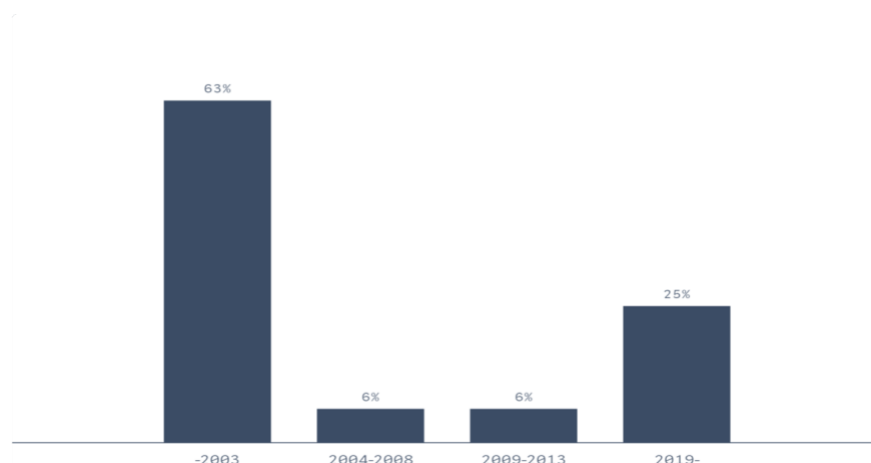
In 2023, investment intentions were relatively balanced, with 39 per cent of companies planning to increase investment, 39 per cent maintaining current levels, and 18 per cent indicating a reduction or exit. This reflects a cautiously optimistic outlook during a period of post-pandemic recovery. In 2024, there was a marked shift toward stability, with 66 per cent of respondents indicating unchanged investment levels, while only three per cent planned to reduce or leave the market. Conversely, the proportion of companies planning to increase investment dropped to 29 per cent, suggesting a more conservative approach amid possible economic or political uncertainties. By 2025, the outlook appears to have rebounded significantly. Fifty per cent of companies reported plans to increase investment, the highest across the three years, indicating renewed confidence in the South African market.

However, the percentage of firms planning to leave or reduce investment also rose to 19 per cent, while those maintaining current levels dropped to 28 per cent. This polarisation suggests a more strategic reassessment of market positioning – where some firms are doubling down on growth opportunities while others may be responding to persistent structural challenges. Overall, the 2025 data reflect a more dynamic and decisive investment climate, with Swedish firms either scaling up or reassessing their presence rather than maintaining the status quo. Would you like this analysis visualised or included in a formal investment outlook report?

THE MARKET

South Africa continues to attract a mix of legacy investors and new businesses.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN SOUTH AFRICA?



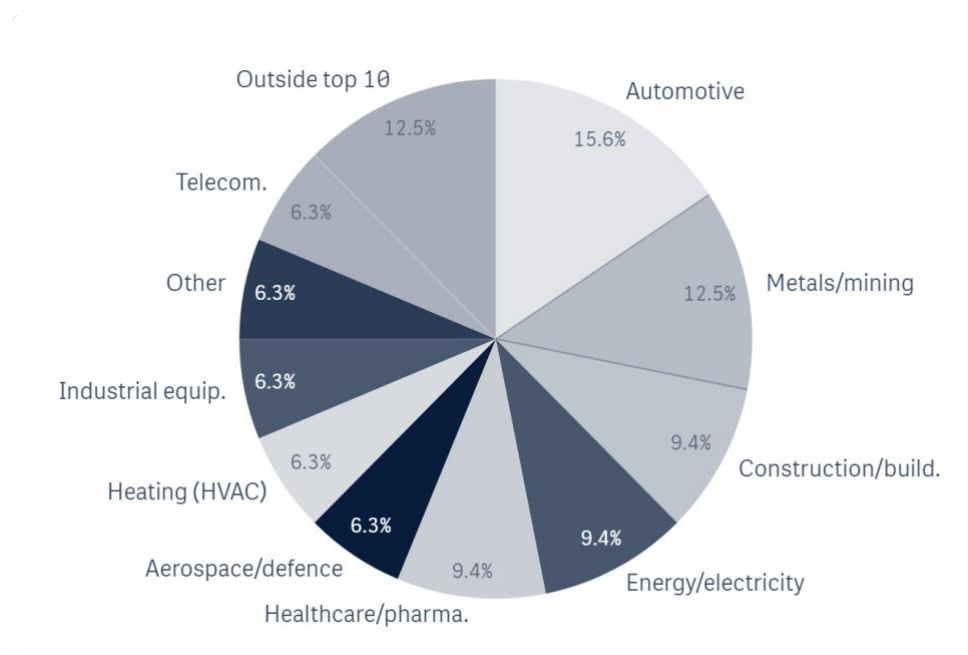
NOTE: The number of respondents for this question was 32. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

Swedish companies have maintained a long-standing and evolving presence in South Africa, with a significant number establishing operations between 2003 and 2013. Survey responses reflect a balanced representation of both early market entrants and more recent participants, indicating that South Africa continues to attract a mix of legacy investors and new businesses. This trend suggests that the South African market remains dynamic, resilient, and receptive to foreign investment – particularly from Sweden.

Swedish firms in South Africa are active across a broad spectrum of industries. The most prominent sectors include **professional services, industrial equipment, retail, healthcare, energy, and information and communication technology (ICT)**. This diverse industry footprint highlights the adaptability and sustained relevance of Swedish expertise, products, and services in the South African context. It also underscores the strategic alignment between Swedish capabilities and the evolving needs of the South African economy.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN SOUTH AFRICA?



NOTE: The number of respondents for this question was 32. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

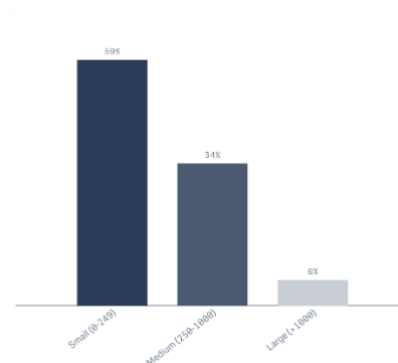
The accompanying graph illustrates the well-diversified sectoral footprint of Swedish companies operating in South Africa, underscoring the country's strategic role as a regional hub for a wide range of industries. The **automotive sector** leads in representation, comprising **15.6 per cent** of respondents, followed closely by the **metals and mining sector** at **12.5 per cent**. Other prominently represented sectors include **construction and building (9.4 per cent)**, **healthcare and pharmaceuticals (9.4 per cent)**, and **energy and electricity (9.4 per cent)**, reflecting a strategic alignment with South Africa's national development priorities in infrastructure, healthcare, and utilities.

Additional sectors represented include **aerospace and defence (6.3 per cent)**, **telecommunications (6.3 per cent)**, **industrial equipment (6.3 per cent)**, and **heating, ventilation, and air conditioning (HVAC) (6.3 per cent)**, along with **other/unspecified sectors (6.3 per cent)**. Notably, **12.5 per cent** of respondents identified their operations as falling 'outside the top ten' industry classifications, indicating involvement in niche or emerging segments such as **green technology, education, or financial technology (FinTech)**. This broad industry engagement highlights not only the adaptability and strategic breadth of Swedish industrial capabilities but also the diverse and evolving opportunities within the South African market – spanning both traditional sectors and innovation-driven domains.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN SOUTH AFRICA IN 2025

In terms of workforce composition, Swedish companies operating in South Africa demonstrate a strong commitment to local employment, with the majority employing South African nationals. According to the 2025 survey, 59 per cent of Swedish firms fall within the small enterprise category, employing fewer than 250 individuals. Medium-sized enterprises, defined as those with 250 to 1,000 employees, account for 34 per cent of respondents. A smaller segment, comprising six per cent, represents large employees with a workforce exceeding 1,000 employees.

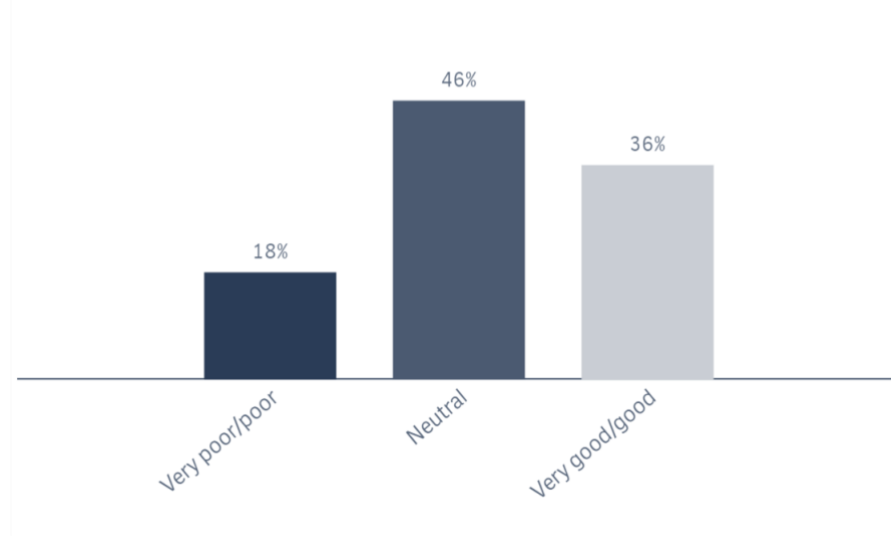
These figures reflect a well-balanced distribution of company sizes, with a predominant inclination toward lean operational models. Despite their size, these firms contribute significantly to the South African economy through technology transfer, skills development, and local capacity building. Collectively, these insights underscore the embeddedness of Swedish companies across a broad spectrum of economic sectors in South Africa. They also highlight the role these firms play in advancing employment and industrial development, even in the face of ongoing challenges within the South African business environment, such as slow growth and the limiting effects of local content requirements.



NOTE: The number of respondents for this question was 32. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

Swedish business perception of the South African market is cautiously optimistic

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN SOUTH AFRICA?



NOTE: The number of respondents for this question was 32. "Don't know/Not applicable" responses are included but not shown in this figure.
SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

Despite notable opportunities, systemic challenges continue to impact the operational landscape in South Africa. These include an unreliable power supply, regulatory inefficiencies, infrastructure deficits, and constraints within the labour market. Such factors remain central to the strategic and operational decision-making processes of Swedish companies active in the country.

The 2025 survey reveals a cautiously optimistic sentiment among Swedish firms regarding the local business environment. A significant proportion of respondents

(**46 per cent**) described the climate as **neutral**, suggesting a perception of relative stability, albeit with some reservations. Meanwhile, **36 per cent** rated the environment as **good or very good**, indicating a meaningful level of satisfaction with current economic and operational conditions. However, **18 per cent** of respondents assessed the climate as **poor or very poor**, underscoring the persistence of structural challenges that continue to hinder business confidence.

This sentiment reflects the complexity of South Africa's operating environment. While the country offers strategic advantages such as access to regional markets, sector-specific growth potential, and a relatively advanced financial and legal framework, concerns remain. Regulatory uncertainty, frequent power outages (load-shedding), infrastructure inefficiencies, and inconsistent policy implementation continue to temper investor enthusiasm. Additional issues such as labour unrest, bureaucratic delays, and uneven enforcement of regulations further complicate the ease of doing business – particularly in sectors reliant on stable logistics and energy supply.

In contrast, Sweden is widely recognised for its efficient, transparent, and digitally advanced business climate, supported by strong institutional trust and predictable regulatory frameworks. Swedish companies, accustomed to operating in such environments, may find it more challenging to adapt to South Africa's administrative and infrastructural volatility despite the market's long-term potential.

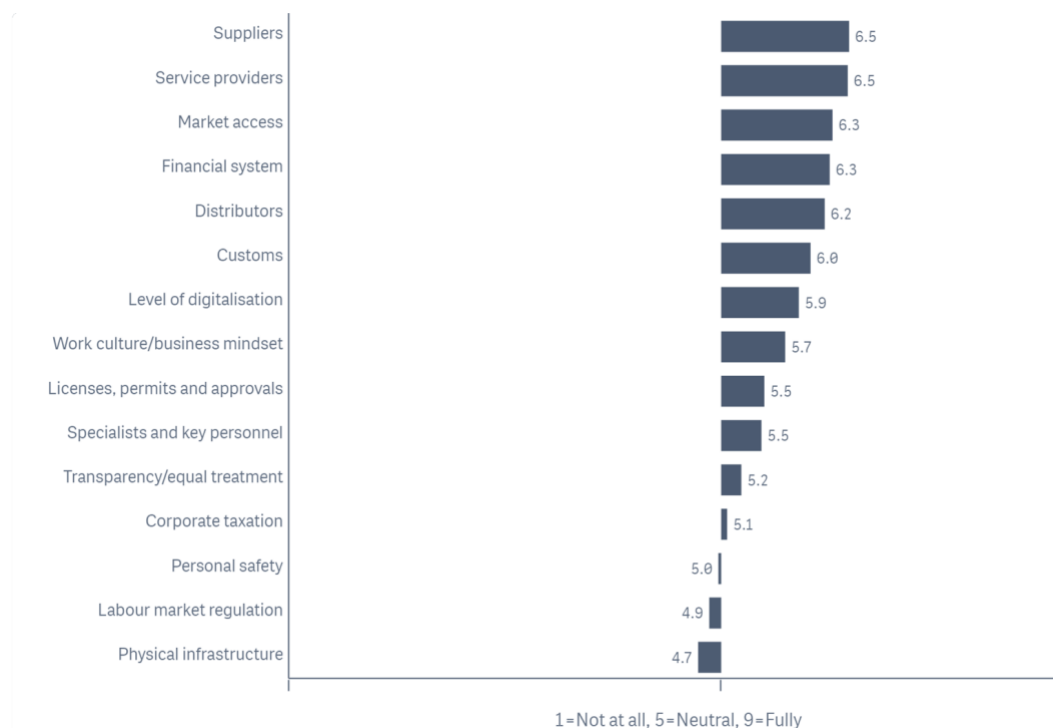
Nevertheless, many Swedish firms have adopted **pragmatic and innovative strategies** to navigate these challenges effectively. Examples include:

- **Investing in on-site renewable energy solutions**, such as solar power installations, to mitigate the impact of load-shedding and ensure operational continuity.
- **Partnering with local firms and institutions** to enhance regulatory navigation and build trust with government stakeholders.
- **Localising supply chains** to reduce dependency on vulnerable infrastructure and improve responsiveness to market demands.
- **Implementing workforce development programs**, including technical training and upskilling initiatives, to address labour market constraints and build long-term talent pipelines.
- **Leveraging digital tools and automation** to streamline administrative processes and reduce exposure to bureaucratic inefficiencies.

Overall, the data suggests that while South Africa remains an attractive investment destination, Swedish firms approach the market with measured confidence. Through adaptive strategies, long-term partnerships, and robust risk management practices, many have successfully positioned themselves to thrive within the evolving South African business landscape.

Conditions in South Africa: adequate but uneven alignment with business needs

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN SOUTH AFRICA?



NOTE: The number of respondents for this question was 32.

SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

The survey underscores the strategic value of the Swedish brand as a significant intangible asset for companies operating in South Africa. Most respondents indicated that the brand contributes either 'partially/much' (56 per cent) or 'very much' (25 per cent) to their business performance, reflecting Sweden's global reputation for high-quality engineering, environmental responsibility, ethical business conduct, and innovation. In a market where procurement decisions increasingly prioritise reliability, compliance, and long-term value, Swedish origin serves as a key differentiator – particularly when supported by a proven track record of local engagement and ethical operations. Although 13 per cent of respondents reported that the Swedish brand contributed 'little or not at all', this minority likely reflects sectors or regions where price competition outweighs brand loyalty or where market fragmentation limits brand awareness.

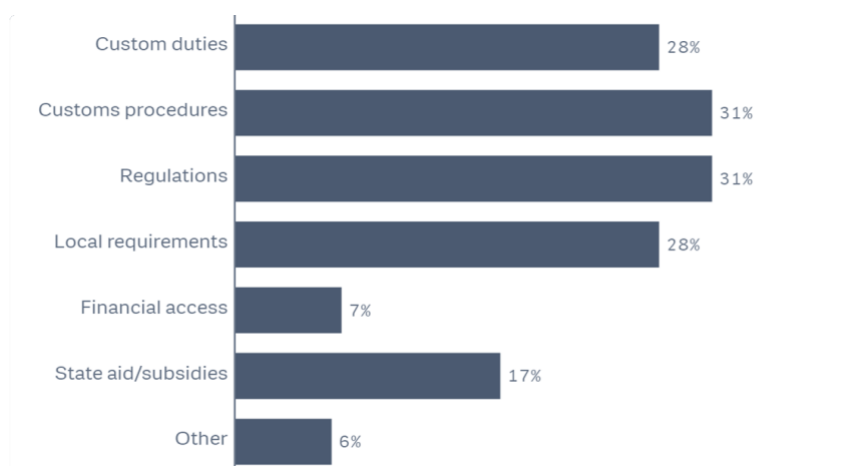
Comparatively, in resource-rich emerging markets such as the Middle East, the Swedish brand enjoys even stronger institutional recognition, particularly in sectors like telecommunications, energy, healthcare, and smart infrastructure, where government-led mega-projects in countries such as Saudi Arabia and the UAE often favour international brands with strong environmental and innovation credentials – attributes closely associated with Sweden. In South Africa, where the business environment is shaped by economic volatility, logistical constraints, and infrastructure gaps, a strong brand association provides Swedish firms with enhanced credibility and trust, helping to mitigate operational risks.

As global supply chains continue to evolve post-pandemic and sustainability becomes a more prominent factor in public and private sector decision-making, the Swedish brand is well-positioned to maintain and expand its influence in South

Africa and other growth-oriented emerging markets. This data suggests that while Swedish companies can operate effectively in South Africa, they must navigate **regulatory complexity, infrastructure limitations, and labour market rigidity**. The relatively strong ratings for suppliers, service providers, and market access indicate that **commercial opportunities exist**, but **structural and institutional weaknesses** continue to temper enthusiasm.

Trade barriers and their operational impact on Swedish companies in South Africa

HAS YOUR COMPANY IN THE PAST YEAR ENCOUNTERED TRADE BARRIERS IN SOUTH AFRICA WITH A NOTICEABLY NEGATIVE IMPACT ON OPERATIONS, IN ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 32.

SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

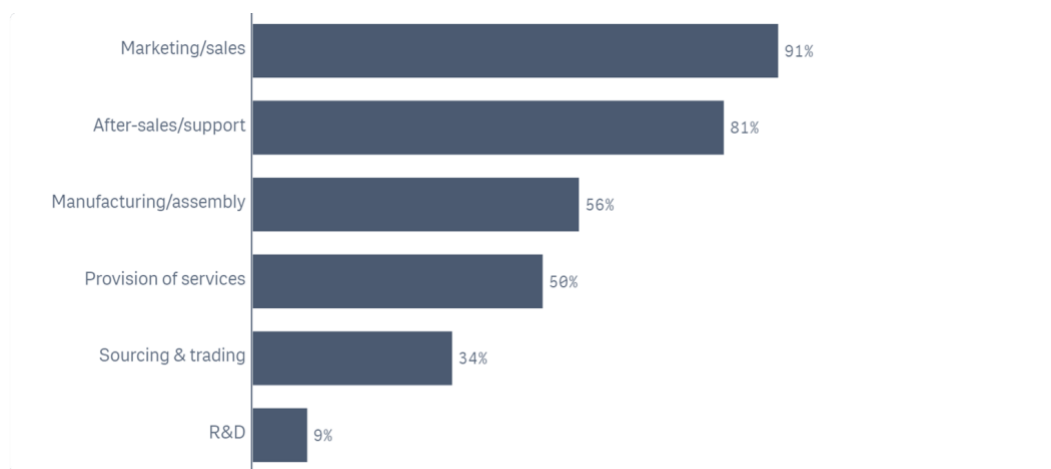
The survey findings highlight several key trade barriers impacting Swedish companies operating in South Africa. The most frequently cited challenges are customs procedures and regulatory complexity, each reported by 31 per cent of respondents, indicating that bureaucratic inefficiencies and unpredictable compliance requirements are significantly affecting operations. Similarly, 28 per cent of firms identified customs duties and local requirements as barriers, pointing to issues related to tariff structures and local content mandates that may be increasing operational costs or limiting flexibility. State aid and subsidies were noted by 17 per cent of respondents, suggesting concerns over unequal access to local incentives or competitive disadvantages relative to domestic firms.

In contrast, financial access (seven per cent) and other unspecified issues (six per cent) were less frequently mentioned, implying that these are not major obstacles for most Swedish businesses. Overall, the data suggests that non-tariff barriers – particularly those related to customs, regulation, and compliance – pose the most pressing challenges, with the potential to delay operations, elevate costs, and reduce competitiveness. While traditional financial barriers appear less prominent, the regulatory environment remains a critical area for improvement to support sustained investment and operational efficiency.

HOW SWEDISH COMPANIES SUCCEED IN SOUTH AFRICA

Swedish companies are currently focused on market access, customer service, and localised production in South Africa

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



NOTE: The number of respondents for this question was 32. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

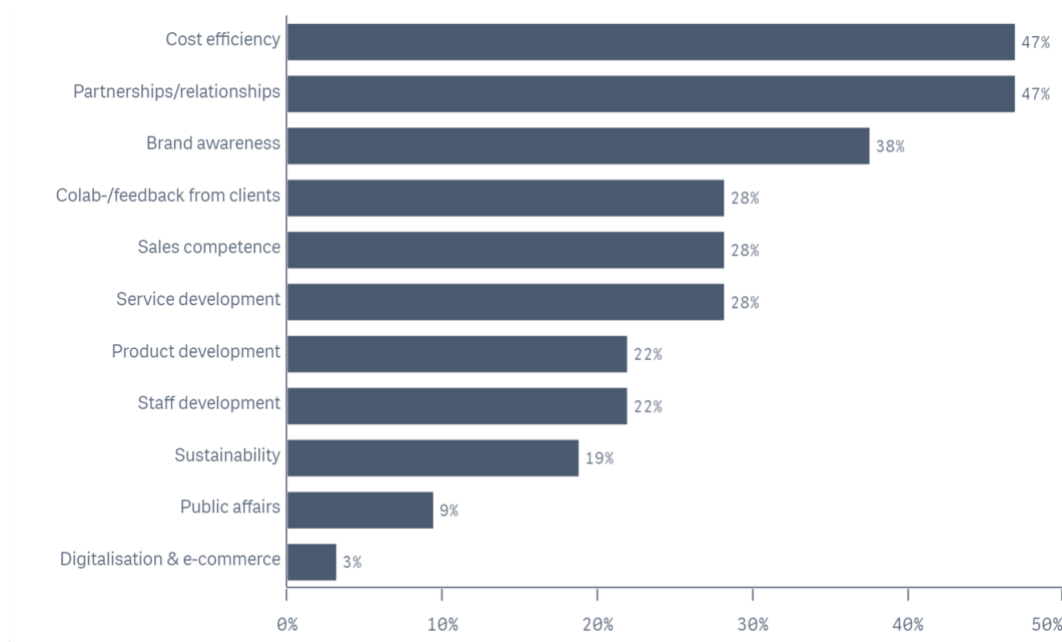
Operational footprint and business success factors

Swedish firms in South Africa are primarily focused on **market access, customer service, and localised production**, with less emphasis on innovation and upstream supply chain activities. This operational mix reflects a **market-driven strategy**, leveraging South Africa's regional influence while navigating its structural challenges. Swedish companies in South Africa demonstrate a diverse and strategically layered presence, with the majority (91 per cent) engaged in marketing and sales, highlighting a strong focus on commercial visibility and customer engagement. A significant portion (81 per cent) also provide after-sales and support services, reflecting a commitment to customer satisfaction and long-term relationship management, particularly in sectors such as industrial equipment, automotive, and ICT.

More than half (56 per cent) are involved in manufacturing and assembly, indicating substantial investment in local value chains and efforts to meet local content requirements or reduce import-related costs. Additionally, 50 per cent of firms offer services beyond product sales – such as consulting, maintenance, or digital solutions – pointing to a broadening of business models and a shift toward value-added offerings. A smaller share (34 per cent) is engaged in sourcing and trading, suggesting supply chain integration and the use of South Africa as a regional trade hub. However, only nine per cent of firms conduct research and development

locally, indicating that innovation functions are largely retained in Sweden or other global centres, likely due to infrastructure, talent, or cost considerations. This operational mix reflects a market-driven strategy that leverages South Africa's regional influence while navigating its structural challenges.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN SOUTH AFRICA?



NOTE: The number of respondents for this question was 32. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

Swedish companies operating in South Africa have identified several key factors that underpin their competitiveness in a complex and evolving business environment. According to the 2025 Business Climate Survey, **cost efficiency** and **strong business partnerships** emerged as the most frequently cited drivers of competitiveness, each selected by 47 per cent of respondents. In a price-sensitive market such as South Africa, maintaining cost-effective operations is essential, particularly considering persistent infrastructure challenges and currency volatility. Equally, long-standing, trust-based partnerships with local stakeholders, including suppliers, distributors, and government entities, are critical for navigating regulatory complexities and ensuring supply chain resilience.

Brand awareness was highlighted by 38 per cent of firms, underscoring the importance of reputation and trust. Swedish brands are often associated with quality, sustainability, and technological reliability, which enhances their positioning in the local market. Additionally, **client engagement mechanisms**, such as feedback loops and collaborative initiatives (28 per cent), were noted as valuable tools for market adaptation, enabling firms to tailor their offerings to local needs and preferences. Other important factors include **sales competence**, **service quality**, and **product development**, each cited by over 20 per cent of respondents. These elements reflect the importance of local responsiveness and innovation in a market that demands both global standards and contextual relevance.

Conversely, areas such as **digitalisation and e-commerce (three per cent)** and **public affairs (nine per cent)** were among the least cited, suggesting either underutilised potential or challenges in translating these capabilities into measurable competitive advantages within the current South African

context. **Sustainability (19 per cent)**, while gaining traction, remains an emerging differentiator compared to markets such as the European Union or the Middle East, where environmental standards directly influence procurement decisions and consumer behaviour.

These findings indicate that while traditional business fundamentals – such as cost control and local partnerships – remain central to success in South Africa, there is significant scope for Swedish firms to enhance their competitiveness through deeper investment in **digital transformation** and **sustainable practices**. These areas are becoming increasingly relevant across other emerging markets, including the Middle East, where rapid technological adoption and green economic transitions are reshaping business expectations, particularly in resource-driven economies such as the United Arab Emirates and Saudi Arabia.

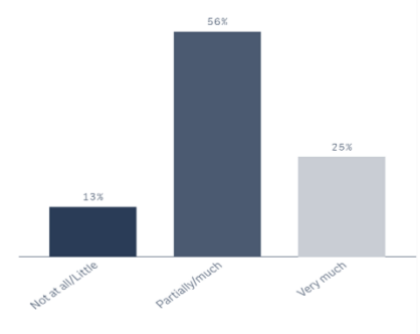
Swedish brand power drives business success in South Africa,

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE “SWEDISH BRAND” CONTRIBUTES TO YOUR BUSINESS IN SOUTH AFRICA?

The 2025 Business Climate Survey highlights the continued strategic value of the Swedish brand as a competitive asset for companies operating in South Africa. A substantial majority of surveyed firms indicated that the Swedish brand contributes either ‘partially/much’ (56 per cent) or ‘very much’ (25 per cent) to their business performance. This strong brand perception is closely aligned with Sweden’s global reputation for high-quality engineering, environmental responsibility, ethical business conduct, and innovation. In a market where procurement decisions – particularly in both public and private sectors – increasingly prioritise reliability, compliance, and long-term value, Swedish origin serves as a key differentiator. This is especially true when supported by a demonstrable track record of local engagement and adherence to ethical standards.

While 13 per cent of respondents indicated that the Swedish brand contributed ‘little or not at all’, this minority likely reflects specific sectors or regions where price sensitivity outweighs brand loyalty or where market fragmentation limits end-user brand awareness. In contrast, in resource-rich emerging markets such as the Middle East, the Swedish brand enjoys even greater institutional recognition, particularly in sectors such as telecommunications, energy, healthcare, and smart infrastructure. Government-led mega-projects in countries like Saudi Arabia and the United Arab Emirates often prioritise international brands with strong environmental and innovation credentials – attributes closely associated with Sweden.

In the South African context – characterised by economic volatility, logistical constraints, and infrastructure gaps – a strong brand association provides Swedish firms with enhanced credibility and trust. This brand equity can serve as a mitigating factor against certain operational risks. As global supply chains continue to realign in the post-pandemic era and sustainability becomes an increasingly prominent consideration in public discourse, the Swedish brand is well-positioned to sustain and potentially expand its influence in South Africa and other growth-oriented emerging markets.



NOTE: The number of respondents for this question was 32. “Don’t know/Not applicable” responses are included but not shown in this figure.

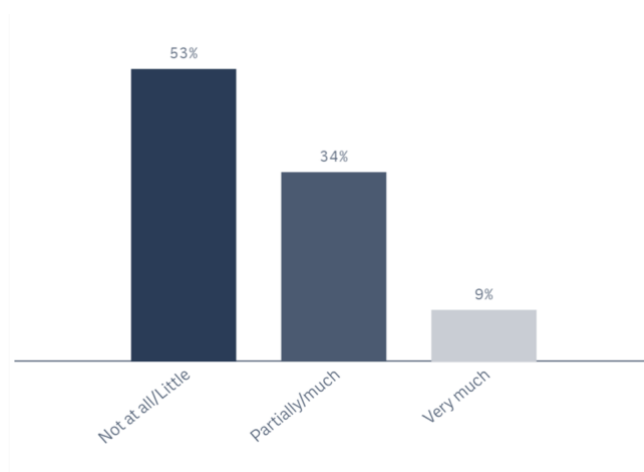
SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

ACTING SUSTAINABLY

Sustainability on the rise: South African consumers show growing – but uneven – interest in green purchasing

As South African consumers and businesses grow more environmentally conscious, sustainability has become an essential business imperative. Swedish companies are well-positioned to lead in this space, thanks to their global leadership in clean technology and circular economy practices. Survey responses indicate that customers are increasingly considering environmental impact in their purchasing decisions, giving sustainability-oriented firms a competitive advantage.

TO WHAT EXTENT DO CUSTOMERS IN SOUTH AFRICA CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



NOTE: The number of respondents for this question was 32. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

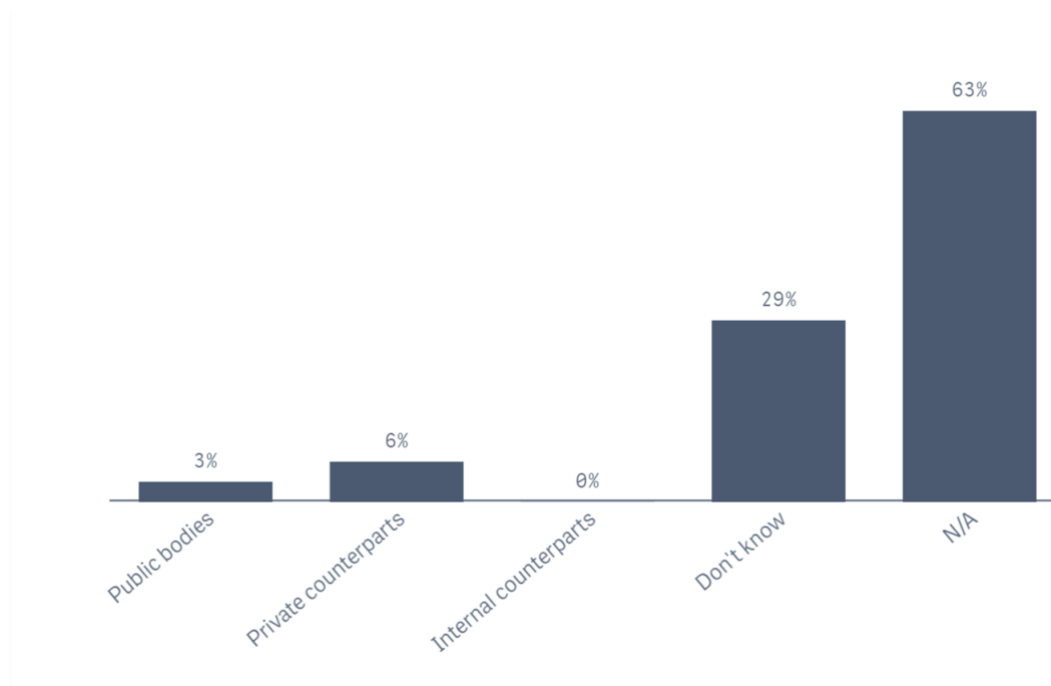
Environmental sustainability is increasingly influencing customer behaviour in South Africa, though its weight in purchasing decisions still varies across sectors and demographics. According to the 2025 Business Climate Survey, **34 per cent** of respondents indicated that customers consider environmental aspects 'partially/much' in their purchasing decisions, while **nine per cent** believe it is considered 'very much'. However, a significant **53 per cent** of companies reported that environmental concerns are regarded 'not at all' or only to a small extent by their customer base. This split highlights a transitional phase in South Africa's market, where sustainability is gaining traction but is not yet a dominant factor in consumer choice, particularly in cost-sensitive or industrial segments.

For Swedish companies, which are globally recognised for integrating sustainability into product design and operations, this trend presents both challenges and opportunities. In South Africa, early movers who align with growing environmental awareness may benefit from future market shifts and regulatory changes, particularly in sectors such as energy, automotive, and healthcare, where sustainable practices are becoming more valued. The data suggests that while current purchasing behaviour may not fully prioritise environmental attributes, Swedish firms are well-positioned to lead the transition as awareness and

regulatory pressures grow. Continuing to educate the market and demonstrate the long-term cost and efficiency benefits of sustainable products may be key to unlocking greater customer alignment with Sweden's sustainability values.

Corruption concerns persist as Swedish firms navigate South Africa's risk landscape with strong ethics and vigilance

HAS YOUR COMPANY IN SOUTH AFRICA BEEN EXPOSED TO CORRUPTIONSUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 32. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

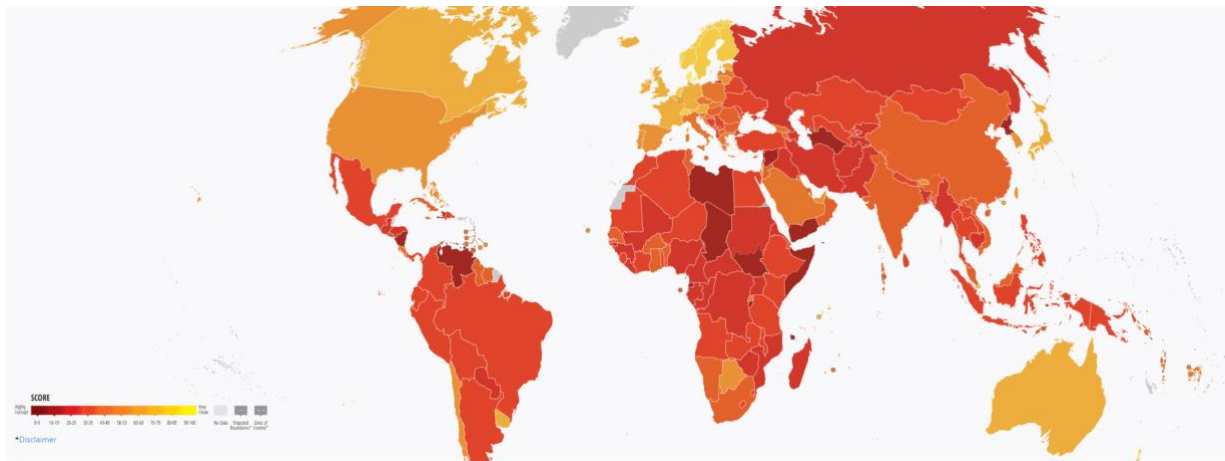
Corruption remains a material concern for foreign investors operating in South Africa, particularly in engagements involving public sector entities. According to the 2025 Business Climate Survey, Swedish companies report a relatively low incidence of direct exposure to corruption, with only isolated cases noted in interactions with either public or private sector stakeholders. Most respondents indicated either no exposure or deemed the question not applicable, which may reflect the presence of robust internal governance frameworks or limited engagement with high-risk segments of the market. Importantly, no instances of internal corruption were reported, aligning with the globally recognised ethical standards upheld by Swedish enterprises.

However, the proportion of respondents selecting 'Don't know' suggests a broader issue: limited visibility into potential corruption risks, particularly in complex or highly regulated sectors. This underscores the need for enhanced transparency and monitoring mechanisms, especially in industries such as construction, energy, and healthcare – sectors where regulatory oversight, procurement processes, and permit approvals are frequent and often vulnerable to irregularities. This concern is consistent with South Africa's performance on the 2024 Transparency International Corruption Perceptions Index (CPI), where the country ranked 83rd out of 180 nations with a score of 41/100, indicating a moderately high level of perceived

corruption. In contrast, Sweden ranked 5th globally with a score of 83/100, reflecting strong institutional integrity and low levels of corruption.

While Swedish firms are generally committed to ethical business practices and compliance with international anti-corruption frameworks, including the OECD Anti-Bribery Convention, operating in jurisdictions with governance challenges necessitates elevated levels of due diligence. This includes comprehensive staff training, third-party risk assessments, and the implementation of rigorous compliance mechanisms. For companies seeking to expand their footprint in South Africa, fostering transparent engagement with local authorities and proactively addressing corruption risks is essential. Such measures not only safeguard corporate reputation but also contribute to long-term operational resilience and sustainable market presence.

CORRUPTION PERCEPTION INDEX 2021



SOURCE: Transparency International.

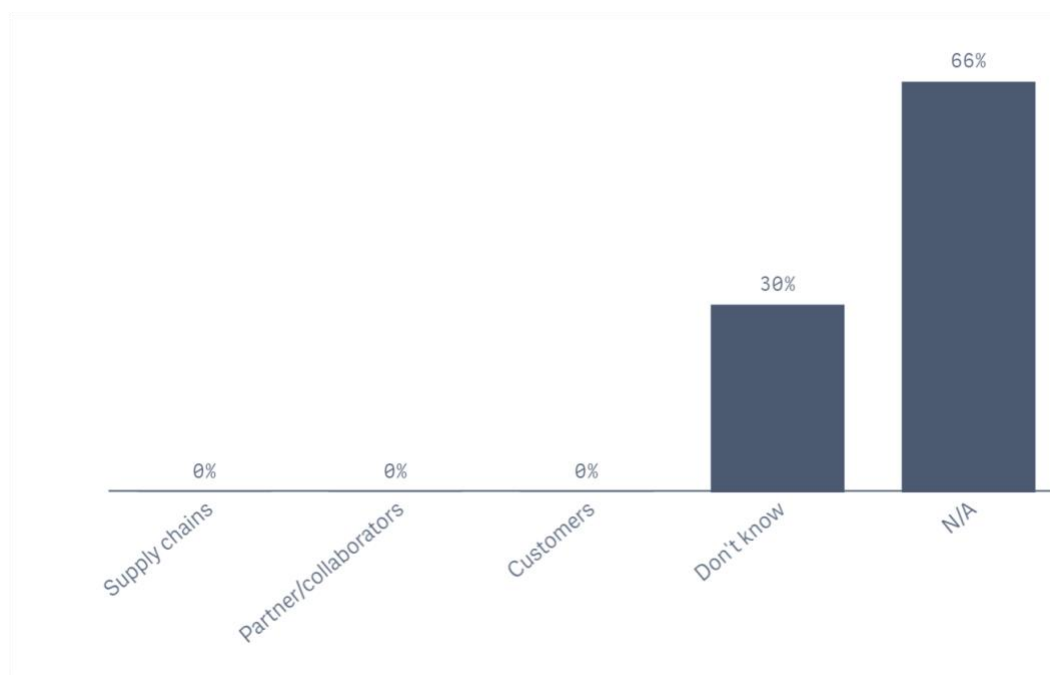
High ethical standards for human rights and labour rights practices among Swedish firms in South Africa

The survey reflects a positive ethical performance among Swedish companies operating in South Africa, particularly in relation to human rights and labour rights compliance. Notably, none of the respondents reported encountering violations within their supply chains, partnerships, or customer engagements. This suggests a deliberate and structured commitment to responsible business conduct aligned with international standards and the core values embedded in Swedish corporate governance.

A high proportion of 'Not applicable' and 'Don't know' responses may indicate that while companies are not directly observing rights violations, there may be limited visibility or monitoring mechanisms in certain operational tiers – particularly within extended supply chains or subcontractor networks. Nonetheless, Swedish firms are globally recognised for their adherence to stringent ethical standards, underpinned by Sweden's robust labour protections and human rights commitments. These principles are typically reflected in their international operations, including in South Africa, where companies often apply the same due diligence frameworks to safeguard workers' rights and prevent abuses such as discrimination, forced labour, or unsafe working conditions.

In the South African context, while the legislative framework – most notably the Labour Relations Act and the Basic Conditions of Employment Act – is comprehensive, enforcement remains inconsistent across sectors, regions, and levels of formality within the economy. Despite these systemic challenges, Swedish companies have consistently demonstrated alignment with international labour standards and a preference for engaging with stakeholders who uphold ethical accountability. This approach not only mitigates legal and reputational risks but also contributes to broader socio-economic development within local communities.

HAS YOUR COMPANY IN SOUTH AFRICA ENCOUNTERED ANY FORM OF HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSE IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 32. "Don't know/Not applicable" responses are included but not shown in this figure.

SOURCE: Business Climate Survey for Swedish companies in South Africa 2025.

Although current data indicates a low incidence of human and labour rights violations, there remains a clear opportunity to enhance supply chain transparency and implement continuous risk assessments to ensure that high ethical standards are consistently upheld across all tiers of operations in South Africa.

CONCLUSION

The 2025 Business Climate Survey for Swedish Companies in South Africa provides a comprehensive overview of the current business environment, highlighting both opportunities and challenges. The survey reveals a cautiously optimistic outlook among Swedish firms, with many reporting profitability and plans for increased investment. Key drivers of competitiveness include cost efficiency, strong business partnerships, and the strategic value of the Swedish brand, which is closely associated with quality, ethics, and innovation.

Despite these positive indicators, structural challenges such as energy instability, water scarcity, regulatory inefficiencies, and labour market constraints continue to impact operations. Swedish companies have demonstrated resilience and adaptability, employing pragmatic strategies to navigate these complexities. These include investing in renewable energy solutions, localising supply chains, and leveraging digital tools to streamline processes.

The survey also underscores the growing importance of sustainability and ethical business practices. Swedish firms are well-positioned to lead in these areas, with a strong commitment to environmental responsibility and human rights. However, there is a need for enhanced transparency and monitoring mechanisms to mitigate corruption risks and ensure high ethical standards across all operational tiers.

Looking ahead, the South African market presents significant growth opportunities for Swedish companies, particularly in sectors such as energy, healthcare, and ICT. By continuing to foster strong local partnerships, investing in sustainable practices, and maintaining a focus on innovation, Swedish firms can enhance their competitiveness and contribute to the long-term development of the South African economy.

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