



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN GERMANY 2021

A REPORT FROM TEAM SWEDEN IN GERMANY

KEY CONTRIBUTORS TO THIS REPORT

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FOREWORD

Germany is famously known as Europe's economic engine, but to Sweden that role is critical as Germany fills the role as number one trade partner. Throughout the last year a lot of eyes have turned to Germany to see how the economic engine would lead the European Union through the crisis. Looking back now, the German government did so by implementing generous support schemes and assuring stability on the market.

The German market has always been very important to Swedish companies and continues to be so. Swedish companies and products enjoy a great reputation for innovation and quality, but also sustainability among consumers. An example of this is digitalisation and its application to several areas such as manufacturing, public operations and health as well as payment services. Digitalisation is also an area where Germany is lagging behind and Swedish companies have an advantage. On the topic of digitalisation and innovation, Sweden and Germany have a history of aligning forces. In 2017, a bilateral innovation agreement was set up between Sweden and Germany, to promote innovation, create new export opportunities and boost competitiveness. Two years later the agreement was extended to cover further areas, such as AI and batteries. In the years since, we have seen further proof of common goals and objectives for both German, Swedish and wider European interests. Both countries have announced major ambitions to finance the development of hydrogen and battery technologies. Both Sweden and Germany are actively developing domestic ecosystems which could serve as a great basis for further European collaboration.

Team Sweden in Germany (the Embassy of Sweden, Business Sweden and the Swedish Chamber of Commerce) have conducted the second Business Climate Survey among Swedish companies in Germany, whose findings are presented in this report. The Business Climate Survey will be conducted regularly also in the future to track and analyse changes over the years. The purpose of this report is to increase the understanding of Swedish companies' performance in Germany and deepen our appreciation of the opportunities and challenges that the German market poses. In addition, it will hopefully serve as a reference in bilateral trade dialogues between Sweden and Germany.

There is no doubt that the global Covid-19 crisis had and still has major effects on the world economy, and Swedish trade is no exception. Therefore, the results of this survey should be considered in light of the most recent developments. However, a key finding of the 2021 Business Climate Survey is that Swedish companies already perceive the business climate more positively while also having a positive outlook on the future.

It is with great joy and pride, that Team Sweden continues to support Swedish companies on the German market and remains to work on strengthening the relationship between the two countries even further. We are looking forward to many more interesting dialogues and partnerships to come.

Lastly, we would like to extend our most sincere gratitude to the participating companies and respondents which have contributed to this report. Also, we would like to especially thank those company representatives that let us contact them and were ready to answer further, in-depth questions to deepen our understanding of the market.



Per Thöresson
Ambassador of Sweden
to Germany



Anna Liberg
Trade & Invest
Commissioner
Germany, Business
Sweden



Thomas Ryberg
President of the
Swedish Chamber of
Commerce in Germany

EXECUTIVE SUMMARY

1,500

Swedish companies
active in Germany



Business Climate

Neutral - Good



Profitability

59%
of respondents
enjoyed a
profitable 2020



Investments

44%
of respondents plan
to increase their
investments



Turn-over

71%
of respondents expect
their industry's turn-
over to increase in 2021



Advantages of the market

Size, GDP, location,
diverse market



Disadvantages of the market

Bureaucracy, low degree of
digitalisation, high data
protection standards and
burdening labour law



ABOUT THE SURVEY

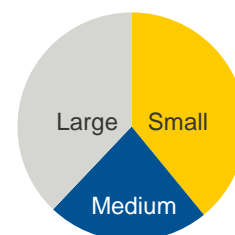
Differences between industries provides a nuanced picture of the German market

Given Germany's strong economy, large population and geographical location, it is not surprising that many Swedish companies expand to Germany. Home to 83 million people and more than 3.3 million businesses, Germany provides an excellent business environment for Swedish companies. In fact, more than 1,500 Swedish companies are active in Germany today. However, the containment measures following the outbreak of the corona virus has led to a substantial drop in business activity during the last year. Germany's GDP has dropped 5 per cent, businesses have been forced to lay off workers, and both import and export have declined. Still, the German market has shown great resilience battling the current pandemic.

For the second year in a row, Team Sweden carried out a survey to understand how Swedish companies, actively operating in Germany, perceive the market conditions and the economic prospects of their business. More than just a broad overview, the survey aims to show differences between industries, company size and company age. For example, while industrial companies have fared pretty well during the current pandemic, many Swedish companies providing professional services have suffered. Nuance being the key word, the survey provides insights about the economic outlook in Germany as well as specific factors that allow Swedish companies to succeed in Germany.

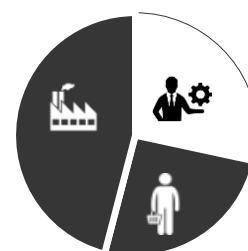
This year, the survey was sent out to 301 company representatives, with 87 respondents providing answers to the questions below. The answers were collected during March and April 2021. Interviews were conducted with selected companies for a deeper understanding of the factors driving their responses. Around 39 per cent of respondents were large companies, followed by 38 per cent small companies and 23 per cent medium sized companies. Regarding industry affiliation, industrial players make up 39 per cent of the total responders while professional services and consumer products are almost equally represented. The majority of companies were founded before 2000, while 14 per cent are newcomers founded after 2016. It should be noted that the size and industry composition of our respondents is not representative of the overall German business landscape. Any of the statistics presented in this report are solely indicative of our respondents' experience in the German market. Furthermore, the response period coincides with Europe's recovery from the lockdown, thus the responses should be read in light of recent developments.

SIZE OF COMPANIES



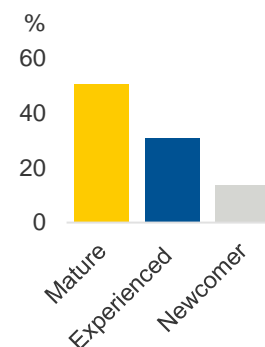
NOTE: Global employees.
Large >1000
Medium 250-1000
Small 0-249

MAIN INDUSTRY



NOTE:
[39 %] Industrial
[24%] Professional services
[22 %] Consumer

AGE OF COMPANIES



NOTE:
Mature (-2000)
Experienced (2001-2015)
Newcomer (2016-)

ECONOMIC OUTLOOK

Swedish companies weather the storm as Germany recovers from lockdown

Compared to Europe as a whole, Germany has managed to navigate through the pandemic fairly well. National GDP decreased by 4.9 per cent in 2020, while the Eurozone GDP decreased by 6.8 per cent. Be that as it may, Germany has still suffered during the pandemic. In fact, the coronavirus pandemic cost Germany approximately EUR 50 billion in economic output in the first quarter. From March 2020 to March 2021, the total shortfall in German economic output is estimated to be around EUR 240 billion. To mitigate the negative effects of the pandemic, the German government has implemented several support schemes to support the economy. German Minister for Economic Affairs, Peter Altmaier, said “Building on the common achievements of the European single market and common interests of our European partners, we must take course [...] for the future competitiveness of our industry”.

Accordingly, Germany launched an impressive stimulus package deploying a total of EUR 130 billion which by far is the largest and most extensive of its kind in German history. The package is – to a great degree – intended as an investment in Germany’s future and designed to help make Germany fit for the future. This is achieved by providing financing that is tailored to modernising the German economy in areas such as climate action, energy generation, sustainable mobility, digital technology and the education and health systems.

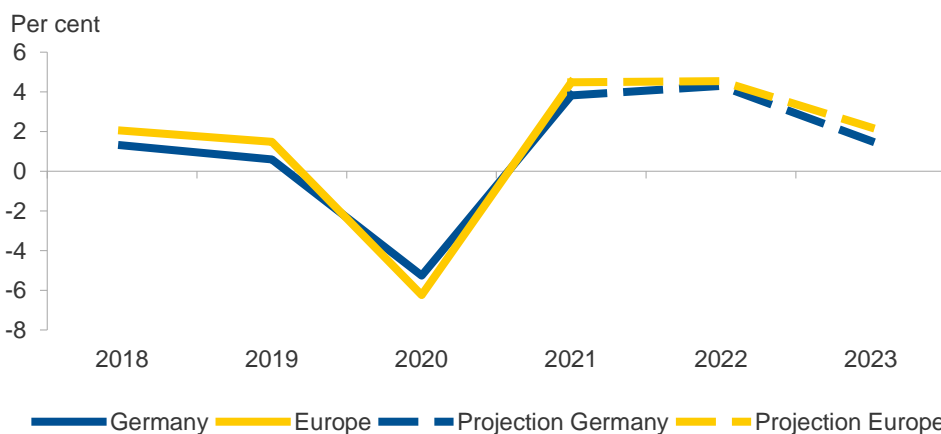
After a year of uncertainty and great economic turmoil, it is uplifting to see that Swedish companies in Germany have weathered the storm. The results of this survey indicate that Swedish companies have an optimistic outlook for the future and have managed the pandemic better than expected. Most Swedish companies report a profitable 2020, expect an increase in turnover, and plan to increase investment during the coming year. Along with well targeted stimulus packages and grants, the German economy is expected to bounce back during 2021 and reach pre-crisis levels by 2022.



A year ago, everyone was panicking. The biggest difference to today is that we know that we are being supported by the government. We are no longer clueless when thinking about the future.

Country manager
Germany
Swedish service provider

PROJECTED GDP GROWTH IN GERMANY



NOTE: Constant prices.
SOURCE: Oxford Economics 2021-03-21

Swedish companies look back on a profitable year

Last year, over 60 per cent of respondents expected their industry's turnover to decrease either significantly or slightly. Only 18 per cent expected an increase in 2020. Although many companies have been severely impacted by the current pandemic, most Swedish companies who took our survey this year, report to have had a profitable year. Overall, 59 per cent of respondent's report that their financial performances have been profitable. Only 23 per cent report a loss. This represents an almost total shift from last year's expectations.

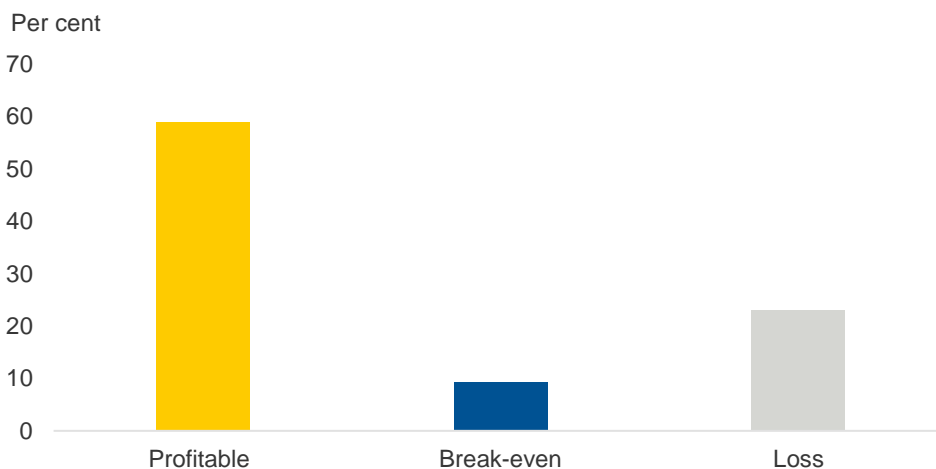
It is clear that industrial companies have suffered the least. They make up the majority of companies with profitable financial performances and only 15 per cent respond that they experienced a loss in the past year. With regards to consumer products and professional services, we see a somewhat different picture. While more consumer companies report a loss than do professional services, they also make up a larger portion of the companies who reported a profitable year. After a turbulent year of great uncertainty, it seems as if Swedish companies have weathered the storm. While many companies responded that they have seen a loss or just reached break-even, the majority responded that their financial performances have been profitable.



The industrial sector is insanely strong in Germany. Therefore, the government supported the sector for it to remain the strong basis of the economy.

President,
Swedish med-tech company

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN GERMANY IN 2020?



NOTE: The number of respondents for this question was 88 (2020) and 87 (2021). "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2020 & 2021.

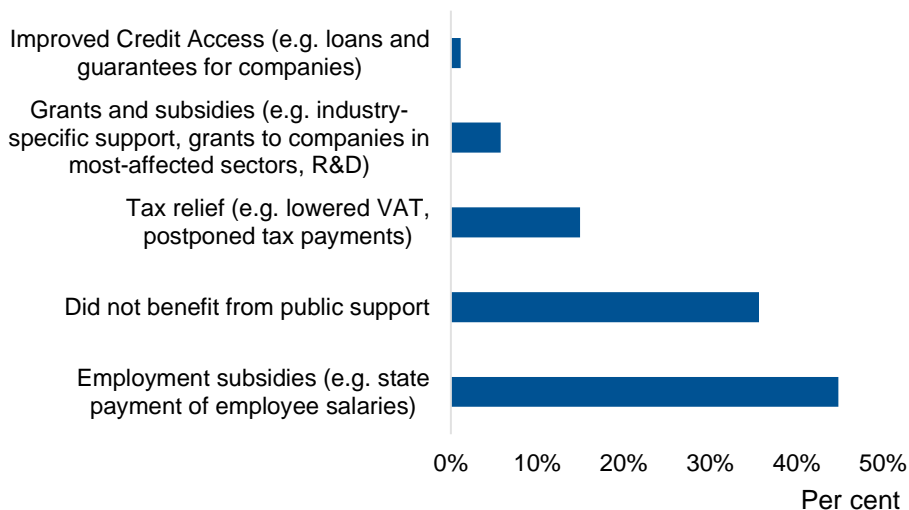
The German support schemes have managed to remove uncertainty from the market

Due to Germany's record-breaking stimulus packages and its ability to implement measures such as flexible short-term work schemes, the German economy has survived. "This crisis demands a brave answer", Chancellor Angela Merkel said, and this is what the country's businesses were given. This was confirmed in our follow up interviews where interviewees stated that regardless of political opinion one must argue that the German government managed to stabilise the economy.

Germany's support schemes and stimulus packages have been crucial to Swedish companies during the past year. When asked how they have benefited from German support schemes, almost half of the respondents report that they have benefited from employment subsidies such as "Kurzarbeit", the short-term employment scheme. Others report that postponed tax payments and grants have helped mitigate the negative effects of the pandemic.

With this said, our respondents also describe how complicated it has been to apply for grants, for which the German government has also been criticised in media. According to our interviewees, the hardest thing has been to keep pace with the changing requirements and to provide the necessary and correct documentation when submitting applications. Furthermore, the delay of the disbursement has been as much as 6 months which has put some companies in a financial predicament.

HOW HAS YOUR COMPANY BENEFITED FROM THE GERMAN SUPPORT SCHEMES AS A RESPONSE TO THE CORONA CRISIS?



NOTE: The number of respondents for this question was 87. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2021.



The thought behind the support schemes is great, but the application process is complex, time consuming and not as structured as Germans would like it to be.

Country manager
Germany

Swedish service provider

The companies themselves have also taken several measures in response to the corona crisis. Unsurprisingly, 49 per cent of respondents have increased their digital efforts during the last year. The increased digitalisation efforts, especially through home office and digital meetings, is also what is highlighted in the survey's comments as well as throughout the interviews. Whereas employees in Sweden have occasionally enjoyed the flexibility of working from home, this concept was more novel on the German market. In a report released by the German Federal Ministry for Economic Affairs and Energy ("Digitalisierung in Deutschland – Lehren aus der Corona-Krise", March 2021), they state that the corona crisis led to a considerable, albeit unplanned surge in digitisation. The "home office" is described as an area where Germany – a country behind many other OECD countries in terms of digital infrastructure and the usage thereof – was able to adapt relatively quickly, from the physical environment to the digital.

Moreover, a lot of Swedish companies used the short time work schemes for their employees and had to pause planned investments. 13 per cent of the respondents had to lay off employees which should be compared to that 14 per cent were able to hire new employees. All in all, the past year left less of a negative remark on Swedish companies in Germany than many thought a year ago.

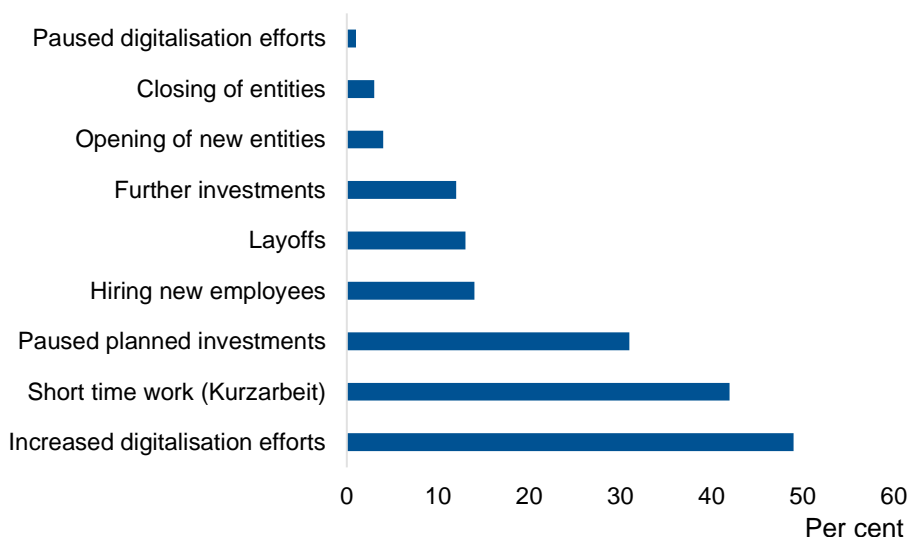


We used to have digital meetings only in very, very rare cases. But nowadays it's the norm, even with clients

President

Swedish med-tech company

WHAT MEASURES HAS YOUR COMPANY TAKEN IN GERMANY AS A RESPONSE TO THE EFFECTS OF THE CORONA CRISIS?



NOTE: The number of respondents for this question was 87. "None of the above" responses are included but not shown in figure.

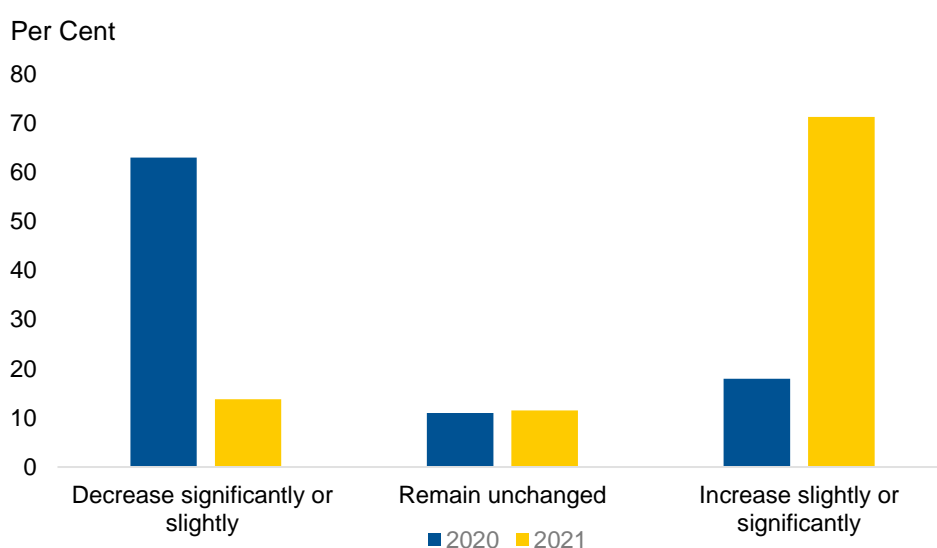
SOURCE: Business Climate Survey for Swedish Companies in Germany 2021.

A positive outlook on 2021

When we asked about the outlook in last year's survey, the majority of the respondents expected turnover to decrease significantly or slightly. In fact, 64 per cent expected turnover to at least decrease slightly. This is in stark contrast to the results of this year's survey where 71 per cent of respondents have an optimistic outlook on the coming year. Across industries, companies expect turnover to increase slightly or significantly. Both small and large companies share this outlook for 2021. Newcomers to the market are the most optimistic as they all responded that they expect a slight or significant increase.

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

TURNOVER WILL...



NOTE: The number of respondents for this question was 88 (2020) and 87 (2021). "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2020 & 2021.

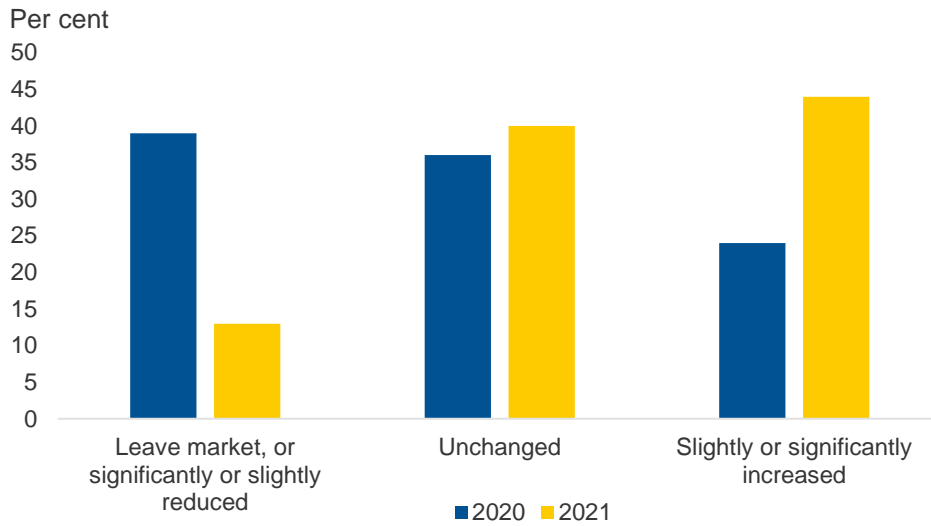
Swedish companies plan to increase investment

Following the optimistic outlook for 2021, it is not surprising that most companies plan to increase or at least leave investment unchanged in the coming 12 months. In last year's survey, respondents showed a mixed attitude towards investment with only 24 per cent planning an increase in investments and 39 per cent planning to reduce investments or leave the market.

This year the investment appetite has clearly increased: 44 per cent have plans to increase investments and only 13 per cent of the companies will leave the market or reduce their investments. Of the 44 per cent that indicate plans to increase investments, newcomers seem to be the most eager. In fact, 75 per cent of newcomers plan to slightly or significantly increase their investments.

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

INVESTMENTS WILL BE...



NOTE: The number of respondents for this question was 88 (2020) and 87 (2021). "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2020 & 2021.

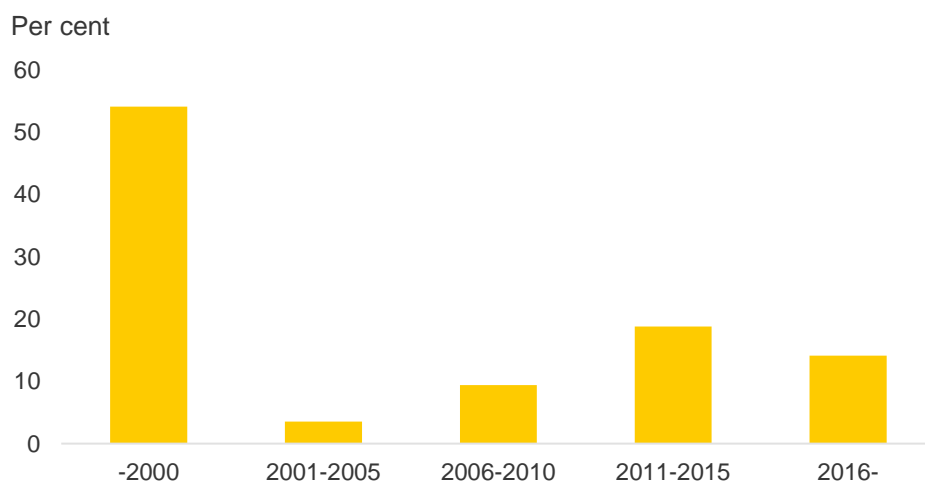
THE MARKET

Continued cooperation between German and Swedish corporations

Germany accounts for one quarter of the European Union's GDP, it is the fourth largest economy in the world, and has the largest consumer market in Europe. With a population of over 83 million and its geographical location at the centre of the European Union, it is not surprising that many foreign companies choose Germany when expanding. In fact, more than 45,000 foreign companies are doing business in the country, employing more than three million people. However, due to complex procedures companies are required to go through, the World Bank and International Finance Corporation rank Germany as number 106 in the world for ease of starting a business. Therefore, companies need to be well informed when entering the German market.

Judging from the graph below, Swedish companies are well established in Germany. Over 50 per cent of the companies established operations in Germany before the year 2000, and more companies have joined since. Of the 14 per cent that established operations after 2016, most are professional services. Industrial and consumer products are the industries that have the longest history of operations in Germany. 61 per cent of industrial companies entered the German market before the year 2000.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN GERMANY?

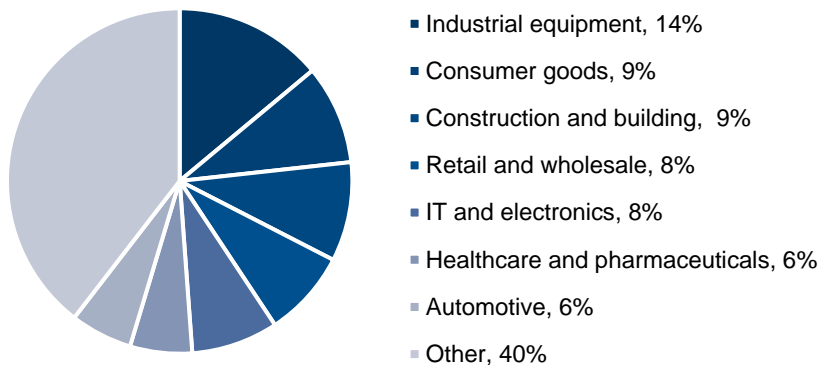


NOTE: The number of respondents for this question was 87. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2021.

The respondents to our survey represent a wide range of industries with 14 per cent of companies providing industrial equipment while only 8 per cent are active in retail and wholesale. More than anything, the graph shows the diversity of Swedish companies active in Germany. It is important to keep in mind that these numbers are not representative of the entire population of Swedish companies in Germany. Nonetheless, they do mirror the overall German economy. In 2020, 70 per cent of German GDP stemmed from the service sector, 23 per cent from the production sector and 6 per cent from construction. Agriculture holds a small share by less than 1 per cent.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN GERMANY?

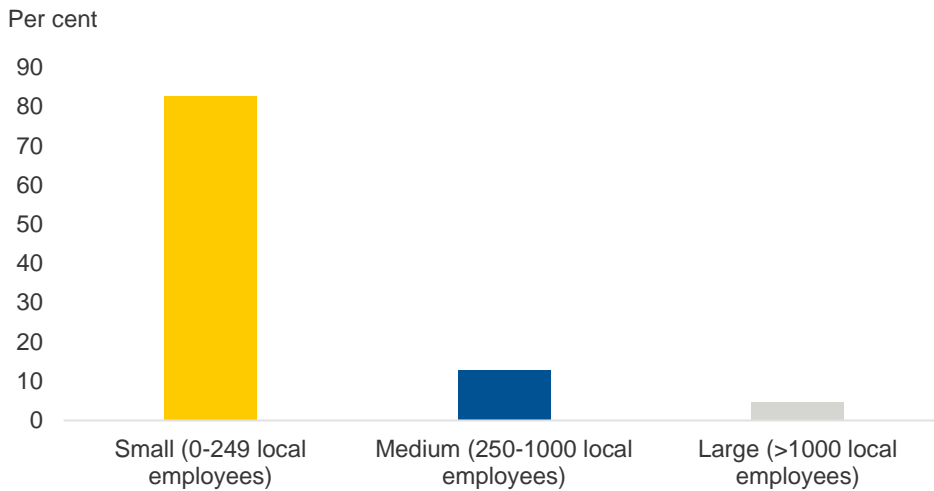


NOTE: The number of respondents for this question was 87. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2021.

Similar to last year's survey, the majority of companies employ only a small number of employees (ranging between 0-249 local employees) with only five per cent employing a local workforce of over 1,000 employees. There are no industry-differences in employment patterns. Worth mentioning is that this is quite typical for the larger German enterprise landscape, as 99.3 per cent of companies fall within this size-bracket. Small and medium sized companies constitute the backbone of the German economy.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN GERMANY IN 2020



NOTE: The number of respondents for this question was 87. "Don't know/Not applicable" responses are included but not shown in figure.

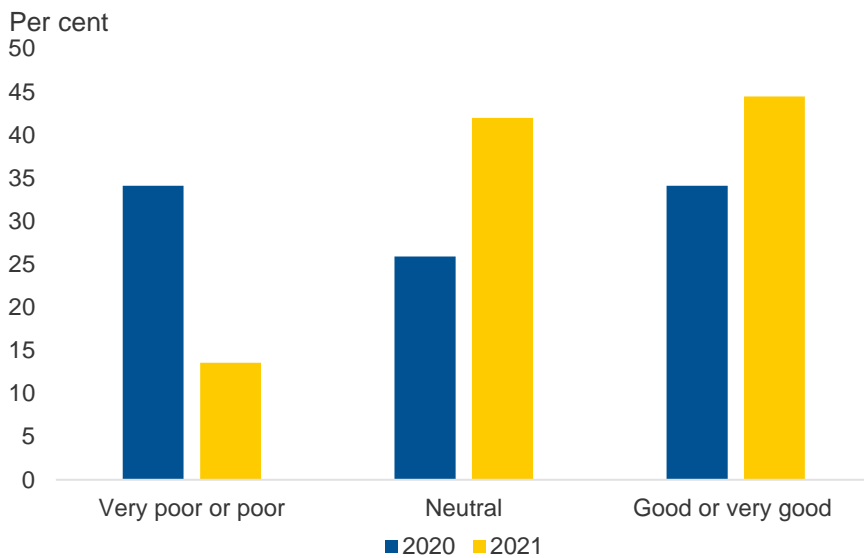
SOURCE: Business Climate Survey for Swedish Companies in Germany 2021.

Swedish companies are more positive after the pandemic

Last year, there was an equal amount of companies that perceived the German business climate as poor, as there were those who perceived it as good. Looking at the graph below we see a very different picture. The share of companies perceiving it as poor has more than halved while those who are neutral or perceive it as good has increased. This shows that Germany has done an excellent job at keeping the market resilient and positive. Through its stimulus packages and strong economy, Germany seems to have been able to create a good business climate in the midst of a global pandemic.

Professional services is the category which seems the most content with the German business climate. A whole 70 per cent perceive the business climate as good or very good. Looking at the size of companies, we can see that the majority of small, medium, and large companies either perceive it as neutral or good. This shows that Germany has been able to create favourable conditions for small as well as large companies.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN GERMANY?



NOTE: The number of respondents for this question was 88 (2020) and 87 (2021). "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2020 & 2021.

Level of digitalisation still not up to Swedish standards

We asked Swedish companies to evaluate to which degree certain factors met their needs in the German market. In general, Swedish companies seem very satisfied with the conditions of the German market. Personal safety ranks highest, followed by physical infrastructure and the financial system. Furthermore, Swedish companies are satisfied with their access to both distributors and suppliers, showing the strength and diversity of the German market. While Swedish companies on average are very satisfied, there are still certain aspects where Germany falls short. The level of digitalisation seems to be Germany's biggest challenge, just like in last year's survey. Sweden is known for its digital prowess and Swedish companies have high expectations when it comes to digitalisation. As previously mentioned, the lagging digital development in Germany has become more evident than ever throughout the pandemic. Nevertheless, Swedish companies – which generally are more digitally developed – have been able to use this as an advantage and were able to adapt to the new business environment faster.

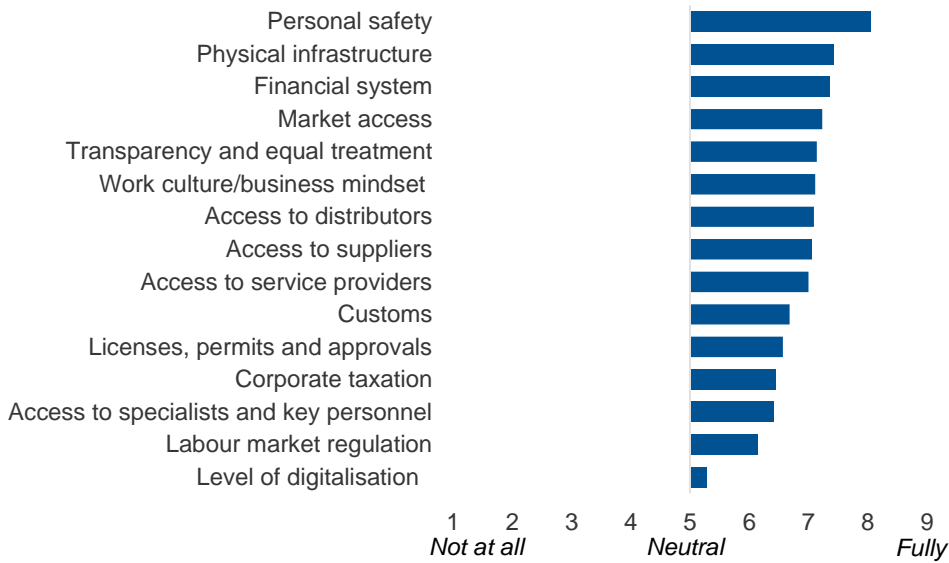
Other factors that received a low score are labour market regulation and corporate taxation. Both labour costs and taxation are perceived as high, as is the cost of energy.



The 'digital affinity' of Swedes and Swedish companies was a huge advantage throughout the pandemic

Country manager
Germany
Swedish service provider

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



NOTE: The number of respondents for this question was 87. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2021.

Perceived obstacles in the German market

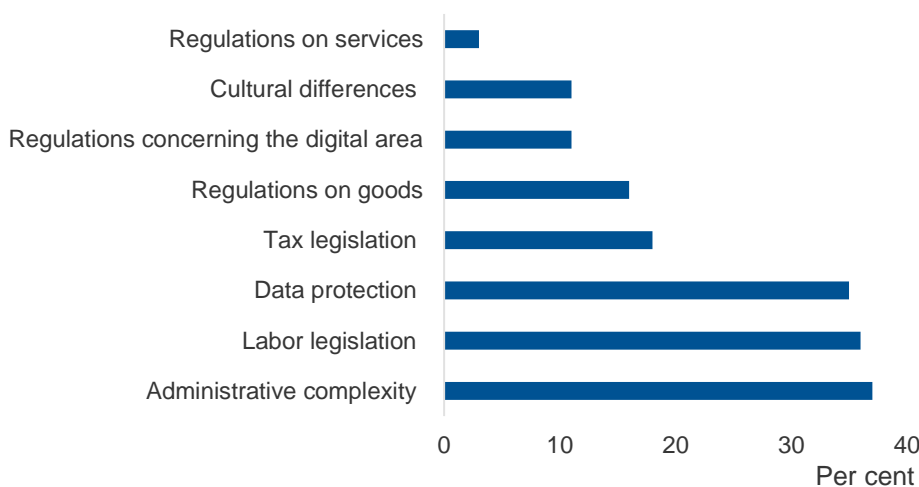
In general, trade between Sweden and Germany, as well as within Germany is going well and concrete trade barriers are rarely reported. Be that as it may, there are still obstacles that Swedish companies struggle with. When we asked Swedish companies about this, the results point to three main obstacles. Namely administrative complexity, data protection and labour legislation.

First, the administrative complexity is largely connected to the high degree of bureaucracy and a low degree of digitalisation for administrative tasks. During the corona pandemic, access to and contact with the authorities is said to have deteriorated due to authorities switching to work from home. Respondents report that government employees have been hard to reach by phone. One respondent claimed it had taken 6 months to establish their German subsidiary. In some industries, companies are bothered by the fact that the rules differ between different federal states, e.g. in the construction industry. Unmanageable publication of public procurements on a number of different platforms makes it difficult to create a good overview of future procurements for Swedish companies that would like to submit tenders.

Second, Swedish companies also feel that data protection regulations in Germany require a high level of administration and that they have a negative impact on digitalisation. Some companies suggest that the EU's general data protection regulation (GDPR) is being interpreted differently in Germany than in the rest of the EU. Moreover, several claim that it can be difficult to reuse data in order to interact with customers. According to many of the respondents, data protection is overdone and hinders digitalisation. Some even suggest that the data protection laws are more of an obstacle than a protection.

Lastly, Swedish companies highlight the regulatory burden of German labour law and the strength of unions and employee representation of these in companies. In particular, the rules for employment protection are considered to create lock-in effects and have an inhibiting effect on the willingness to hire new employees. Respondents perceive the laws as too tight and business as overregulated.

WHAT FACTORS DO YOU CONSIDER PARTICULARLY CHALLENGING FOR YOUR BUSINESS IN GERMANY TODAY?



NOTE: The number of respondents for this question was 87. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2021.

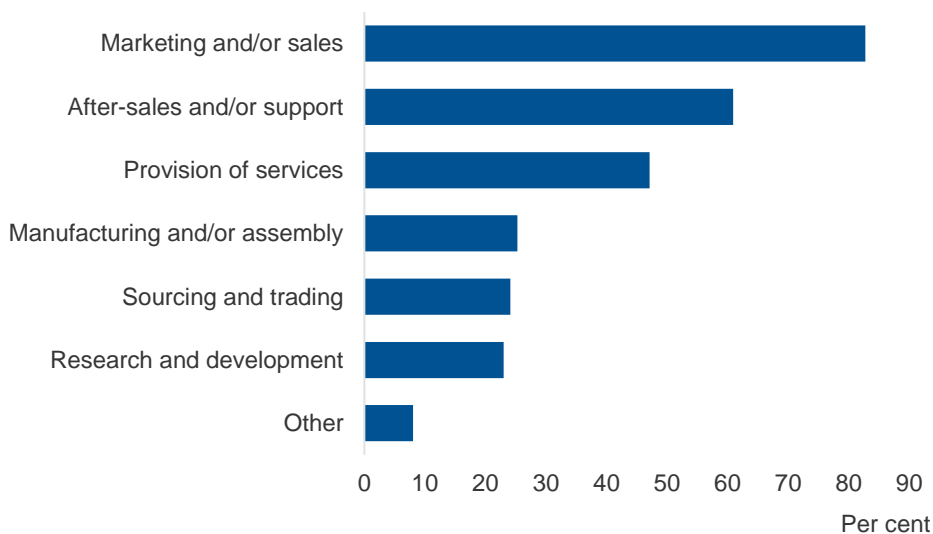
HOW SWEDISH COMPANIES SUCCEED IN GERMANY

Companies' local operations focused on sales and marketing activities

As evident in the graph below, most respondents indicate that marketing and sales are their primary activities in Germany. Moreover, after-sales and support are also some of the most prevalent operations undertaken by Swedish companies. Only 23 per cent of respondents perform research and development in Germany. Manufacturing and assembly also rank low.

The largest part of the respondents is made up of small companies. It is therefore not surprising that marketing and sales is the primary operation in Germany. Marketing is particularly important for these small companies.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



NOTE: The number of respondents for this question was 87. "Don't know/Not applicable" responses are included but not shown in figure.

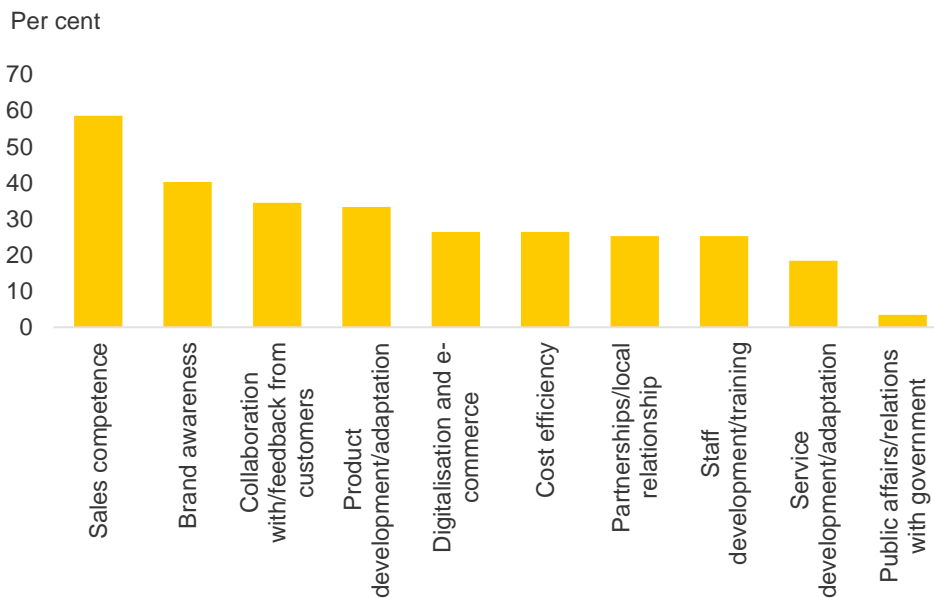
SOURCE: Business Climate Survey for Swedish Companies in Germany 2021.

Sales competence is the driving force

As discussed above, Swedish companies primarily use the German market for marketing and/or sales. Unsurprisingly, when asked what areas are important for their competitiveness, respondents rank sales competence the highest. Almost 60 per cent of companies see sales competence as the most important factor, followed by brand awareness. This is the same as it was in last year's survey. Public affairs and service adaptation appear to be the least important for maintaining competitiveness.

When comparing industries, it becomes clear that consumer products value brand awareness, while industrial companies are more concerned about cost efficiency and collaboration with customers. Professional services have more focus on product development and adaptation compared to the other industries.

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



NOTE: The number of respondents for this question was 87. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2021.

The Swedish brand remains strong

Sweden's global image has been relatively stable over the years. Known for its technological innovations and high-quality welfare system, Sweden has always had a strong image in Germany. However, the current pandemic has put Sweden under the world's microscope. Choosing not to follow most European countries' strategies of full lockdown, Sweden received criticism in media around the world. With this in mind, it is comforting to see that the Swedish brand remains to be valuable to companies and that it contributes to their business. In fact, 48 per cent of the respondents report that being associated with Sweden contributes to their business to an extent or great extent. Only 17 per cent report that the Swedish brand does not contribute to their business. The results show that Sweden's image as innovative, sustainable and progressive is still intact, contributing to Swedish companies' business in Germany.

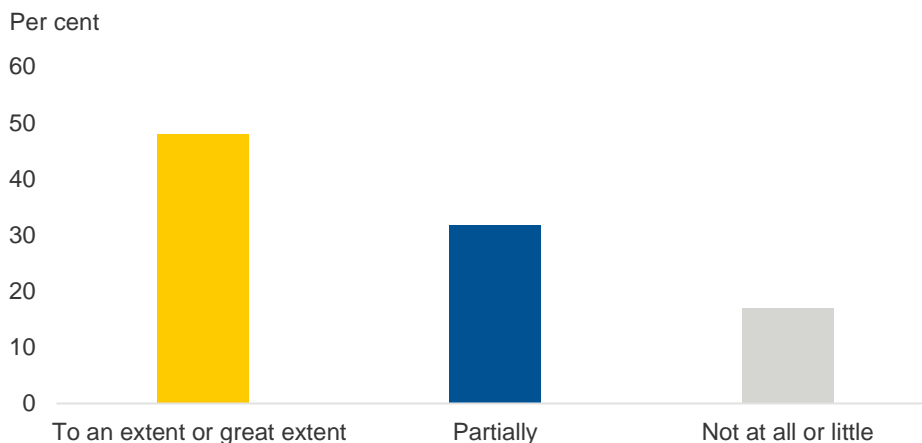


I wish I could put yellow and blue flags on everything

President

Swedish med-tech company

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



NOTE: The number of respondents for this question was 87. “Don't know/Not applicable” responses are included but not shown in figure.

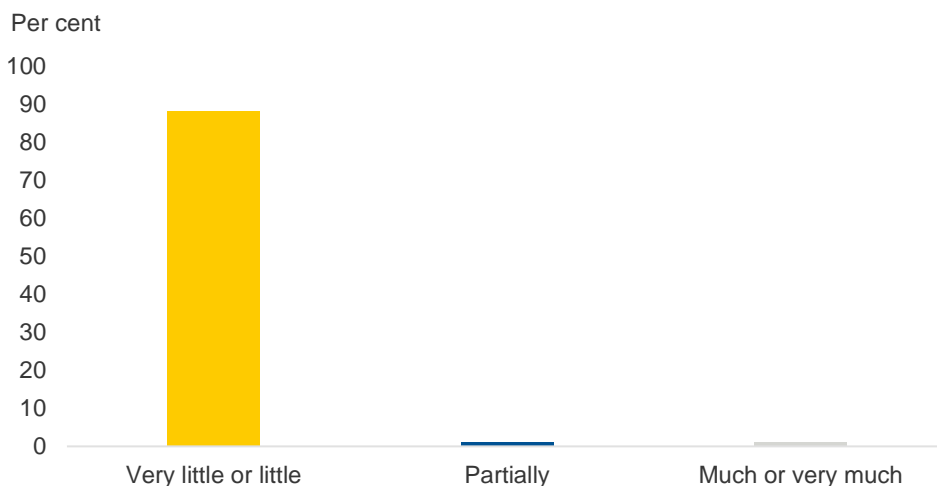
SOURCE: Business Climate Survey for Swedish Companies in Germany 2021.

ACTING SUSTAINABLY

Corruption is not a concern in Germany

When asked whether corruption affects their business practices in Germany, nearly all respondents reported that corruption only affects their business to a very little or little extent. This holds true across industries, size, and age, indicating that Germany has a healthy business environment not plagued by corruption. This is not surprising as Germany ranks high on the global Corruption Perception Index (CPI). First launched in 1995, Transparency International publishes the CPI on a yearly basis as a way to track corrupt corporate and public governance. For the second year in a row, Germany ranks ninth on this index, while Sweden maintains its position in the top three. Clearly, corruption is a non-issue in both countries.

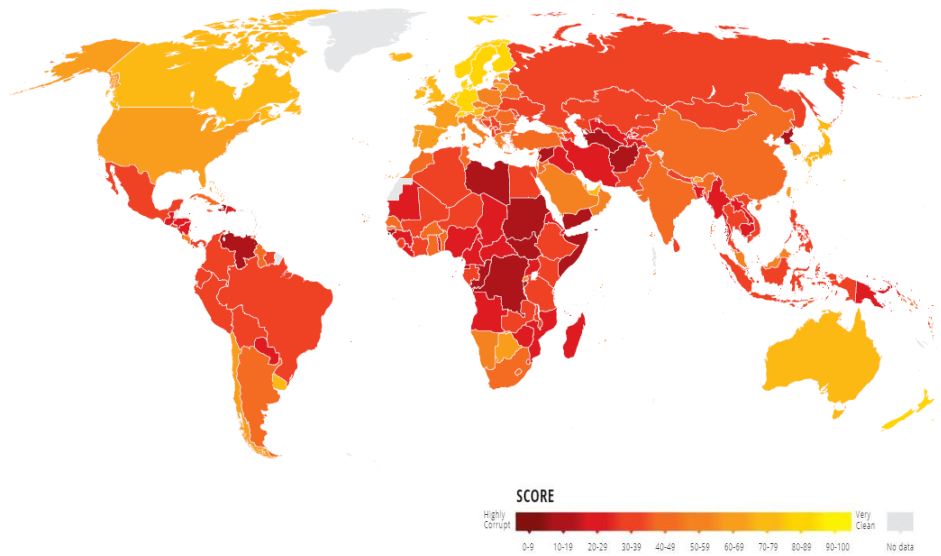
TO WHAT EXTENT DO YOU PERCEIVE THAT CORRUPTION IN GERMANY AFFECTS YOUR BUSINESS?



NOTE: The number of respondents for this question was 87. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2021.

CORRUPTION PERCEPTION INDEX 2020

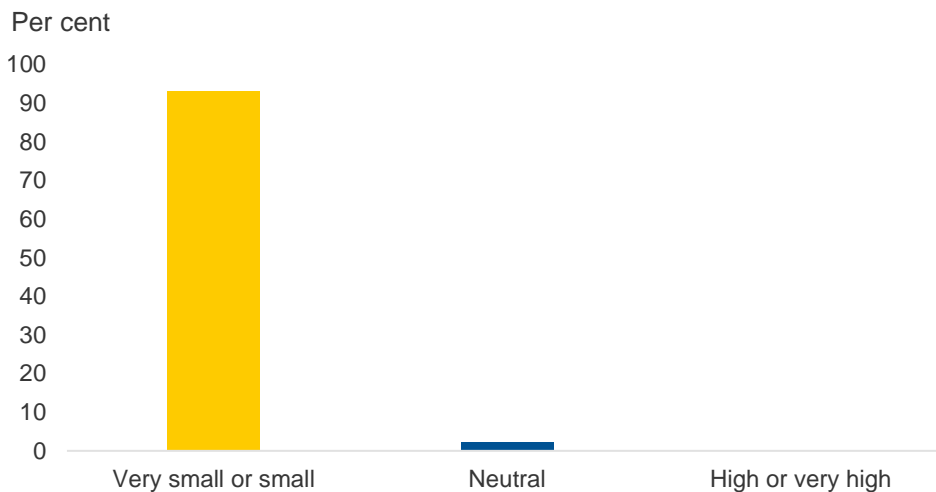


SOURCE: Transparency International.

Low perceived risk of human rights violations

Hand in hand with its low corruption scores, Germany also enjoys a positive reputation with regards to upholding human rights. Last year, 85 per cent of respondents reported a very small or small risk to encounter human rights violations and/or labour rights abuses. This year that figure has grown to 93 per cent of respondents perceiving the risk of human rights violations as very small or small.

HOW DO YOU PERCEIVE THE RISK OF ENCOUNTERING HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSES WHEN CONDUCTING BUSINESS IN GERMANY?



NOTE: The number of respondents for this question was 87. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2021.

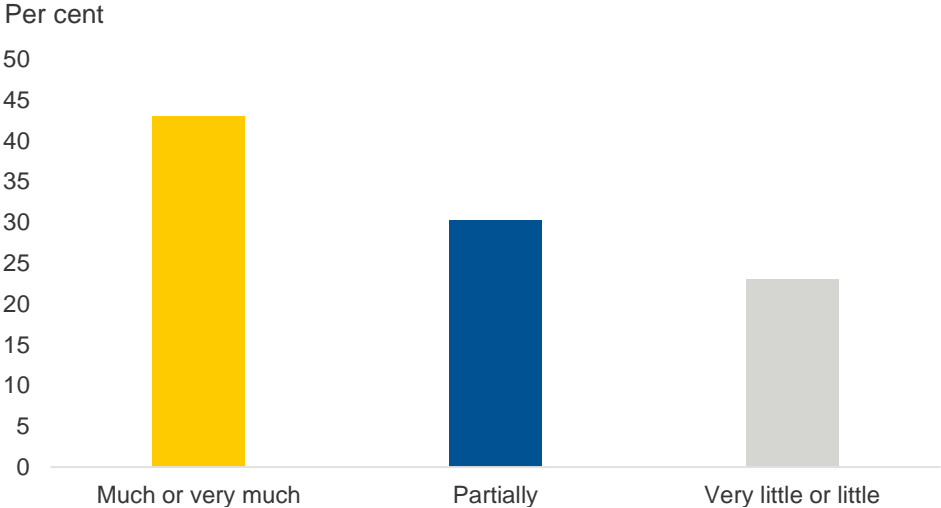
Purchasing decisions are increasingly driven by sustainable considerations, but not for everyone

Just like in last year's survey, Swedish companies operating in Germany find their customers to be increasingly concerned with environmental aspects in their purchasing decision. Almost half of the respondents report that their customers consider environmental aspects of a products in their purchasing decision either very much or much. However, and quite surprisingly, the number of respondents that indicate that environmental aspects only play a little or very little role has risen since last year. This could potentially be explained by the focus that the current pandemic has taken from many other important questions, such as sustainability.

When discussing this in follow-up interviews, our interviewees describe the German public as very interested in sustainability and this being part of the purchasing process. Nevertheless, sustainability can stand in contrast to Germans' price sensitivity. A survey respondent commented that "Germany is quality-aware but still price-driven. The younger generation cares more about environmental issues but even they have limited will and ability to pay more for sustainable products or services".

Moreover, the importance of sustainability depends on the industry. In the consumer product industry 89 per cent of companies claim that customers consider environmental aspects of a product partially, much or very much. Over 55 per cent within this segment even state that it is considered much or very much. Similarly, in the industrial sector, 82 per cent the respondents report that their customers consider sustainability partially, much or very much. The exception is the professional services industry where only 52 per cent report that sustainability has a partial or higher influence on the purchasing decision.

IN YOUR VIEW, TO WHAT EXTENT DO CUSTOMERS IN YOUR INDUSTRY IN GERMANY CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



NOTE: The number of respondents for this question was 87. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2021.

CONCLUSION

The Business Climate Survey, published by Team Sweden in Germany (the Embassy, the Swedish Chamber of Commerce and Business Sweden), aims to increase the understanding of Swedish companies' and their subsidiaries' performance on the German market. The survey aims to shed light on the key factors driving Swedish companies' success as well as their challenges in the face of the current climate of uncertainty.

Last year's survey painted a rather bleak picture of the business climate. The pandemic was in its early stages and Swedish companies operating in Germany were uncertain of the future and worried about their survival. However, the results of this year's survey reflect the growing optimism felt across Europe. With vaccines being distributed and society slowly opening up, we see the light at the end of the tunnel. Swedish companies in our sample are planning to increase investment, they expect turnover to increase, and seem to have made it through the pandemic fairly well. Furthermore, the respondents of this survey are satisfied with the German business climate and the Swedish brand remains strong, symbolizing both innovation and sustainability.

Throughout the pandemic, Swedish companies have experienced a change on the German market in terms of an increase in digitalisation and the usage of digital tools. However, the level of digitalisation in Germany is generally still perceived as low. Although this is challenging for Swedish companies it is also an area full of opportunity. With continued cooperation and a focus on creating innovative solutions and a sustainable future, the relations between Sweden and Germany remain strong.

Team Sweden

