



Sweden
Sverige



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN GERMANY 2023

A REPORT FROM TEAM SWEDEN IN GERMANY

TABLE OF CONTENTS

FOREWORD.....	4
EXECUTIVE SUMMARY.....	5
ABOUT THE SURVEY.....	6
ECONOMIC OUTLOOK.....	7
THE MARKET	11
HOW SWEDISH COMPANIES SUCCEED IN GERMANY	16
ACTING SUSTAINABLY	27

KEY CONTRIBUTORS TO THIS REPORT

Business Sweden in Germany

Erica Jaeckel, Rosie Downer & Yufan Chen

Swedish Chamber of Commerce in Germany

Helen Hoffmann

Embassy of Sweden in Germany

FOREWORD

In the past year, the effects of Russia's continuing war on Ukraine have been felt strongly in Germany, where energy shortages and inflation continue to heavily impact the economy. Data released on 25 May from the Federal Statistical Office revealed that Germany has entered a technical recession, after high energy prices in particular took a heavier toll on the country's economy than originally estimated.

With this concerning overall economic outlook in Germany, it is encouraging that among respondents in the 2023 Business Climate Survey, a rather positive picture of the business climate emerges, although it is important to note that responses were recorded before the announcement of a technical recession was made. Despite these challenging circumstances, the bilateral trade volume between Germany and Sweden has, over the last 10 years, experienced a remarkable compound annual growth rate (CAGR) of 6.95 per cent.

Politically, the ties between Germany and Sweden stand firm, something which was further highlighted during Prime Minister Ulf Kristersson's visit to Germany in March 2023. Chancellor Olaf Scholz remarked that "the excellent relationship between our two countries was once again very clear during our talks today".

Ulf Kristersson was not only visiting in his capacity as the head of government in Sweden. Since January 2023, Sweden has also held the half-yearly rotating Presidency of the Council of the European Union. During the Presidency, Sweden has focused on fostering dialogues and building collaboration among the EU member states within the areas of security and unity, the green and energy transitions, democratic values and the rule of law as well as our flagship project, strengthening of the EU's long-term competitiveness.

From the perspective of German-Swedish relations, these prioritised areas provide common ground for both governments and business sectors to work hand in hand, leveraging the collective innovative and industrial competences and furthering a net-zero industry in Europe.

At the time of publication, Sweden's tenure in the EU presidency is reaching its conclusion, and we are proud to say that it has been a rewarding and fruitful journey for Team Sweden Germany (the Swedish Embassy, Business Sweden and the Swedish Chamber of Commerce). During this time, Team Sweden have seized the opportunity to further engage with the Swedish business community in each of the 16 German federal states. Therefore, this report shares some impressions of the key activities conducted by Team Sweden Germany during the Swedish presidency. In addition, the report features an interview with the Ambassador concluding his six years in Germany and sharing his most memorable highlights.

Finally, we would like to thank all the survey participants for taking the time to share their insights with us for the fourth Business Climate Survey conducted in Germany. The Survey is created for and by the Swedish business community in Germany and so every comment and observation are extremely valuable. It is a source of great pride to everyone in Team Sweden to continue to strengthen the relationship between Germany and Sweden and to offer support to all Swedish companies in Germany through times of crisis and far into the future.



Per Thöresson
Ambassador of Sweden
to Germany



Johan Holmlund
Trade & Invest
Commissioner Germany,
Business Sweden



Thomas Ryberg
President of the Swedish
Chamber of Commerce
in Germany

EXECUTIVE SUMMARY

~1,500

Swedish-owned
companies/entities
active in Germany



Business Climate

36%

Good/Very good

Very poor/poor (13 per cent) – Neutral (49 per cent)



Profitability

63%

of respondents
enjoyed a
profitable 2022



Investments

46%

of respondents plan to
increase their investments
compared to last year



Turnover

59%

of respondents expect
their industry's turnover to
increase in 2023



Advantages of the market

- Stable financial system
- Favourable infrastructure
- Access to vast market of 83 million consumers



Disadvantages of the market

- Low level of digitalisation
- Bureaucracy and regulations
- Decentralised nature of Germany



ABOUT THE SURVEY

Swedish companies' insights into the German market

Launched in 2020 as a global initiative by Team Sweden, the Business Climate Survey serves as an important tool providing insights from Swedish companies on the business environment across 22 markets globally. Based on responses from Swedish enterprises who have established their presence on the local market, the survey maps opportunities and challenges experienced by Swedish companies.

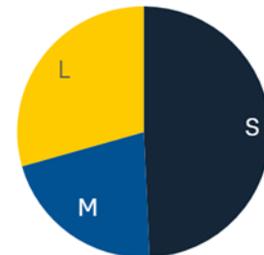
As Sweden's largest trading partner in 2022 by trade volume, it is a popular market among Swedish firms looking to expand abroad. Despite a backdrop of global economic decline, the German market remains an attractive destination for Swedish companies looking to grow global sales.

With access to an affluent consumer base and well-established business clusters, it is estimated that more than 1,500 Swedish-owned enterprises have established themselves in the German market and set up business entities. It is worth noting that, among the estimated 1,500 Swedish-owned entities active in Germany, some are affiliated to identical parent companies, and others are German enterprises which have been acquired by and are now privately owned by Swedish companies. As a result, the estimated number of Swedish companies carrying out operations and economic activities in Germany falls below 1,000.

This year, for the fourth year in a row, the survey was conducted by Team Sweden in Germany between March and April 2023. With the joint efforts of Business Sweden, the Embassy of Sweden in Berlin and the Swedish Chamber of Commerce, invitations were sent to 886 companies and 136 responses were collected throughout the two-month period.

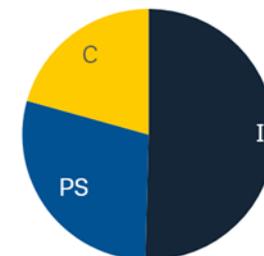
Regarding the profile of the respondents, the survey was distributed to c-level executives and regional and country managers of Swedish enterprises in Germany. Nearly half of the respondents (49 per cent) represent small enterprises with a global employee size of fewer than 250 employees. Medium-, and large-sized enterprises account for 21 per cent and 29 per cent respectively. As for industry composition, results are segmented into three principal categories: industrial, professional services and consumer goods. Within these categories the main sectors represented by participants are industrial equipment, retail and wholesale as well as construction and building.

SIZE OF COMPANIES



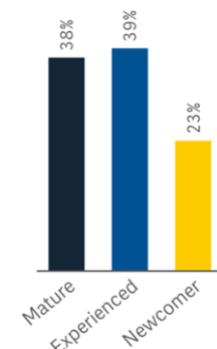
NOTE: Global employees. Large >1000. Medium 250-1000. Small 0-249

MAIN INDUSTRY



NOTE: Industrial 50% Professional services 29% Consumer 21%

AGE OF COMPANIES



NOTE: Mature (-2001). Experienced (2002-2016). Newcomer (2017-)

ECONOMIC OUTLOOK

Germany's economy suffers the effects of inflation and rising energy costs

According to the most recent data published by the German Federal Statistical Office, Germany entered a technical recession in the first quarter of 2023, with GDP falling by 0.3 per cent. Although experts had previously predicted slight growth, German industrial production, usually strong, fell more than expected in March and was particularly affected by weak performance within the key automotive sector.

In contrast, in 2022 German GDP grew by 1.9 per cent overall, with a 0.5 per cent decrease in the final quarter. The year was characterised by soaring inflation and supply chain disruption caused in part by Russia's war on Ukraine. In the first quarter of 2023 inflation continued to have a negative impact on the German economy, with household consumption down 1.2 per cent and an annual inflation rate of 7.2 per cent recorded in April.

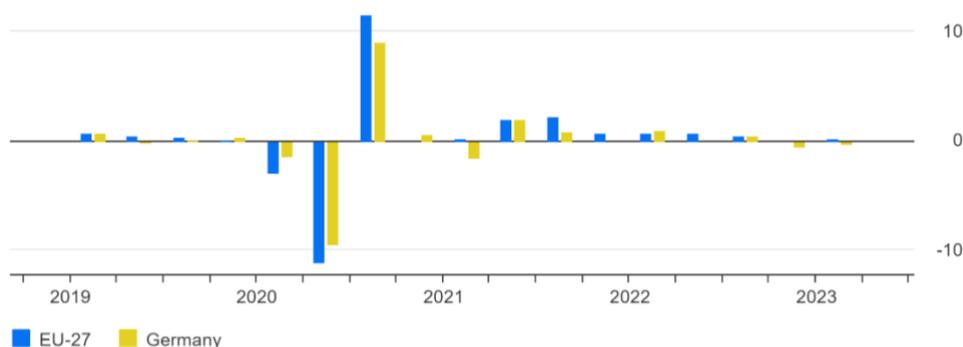
The effects of the energy price crisis during 2022, triggered by the war in Ukraine, were felt across Europe but particularly in Germany, where a heavy reliance on Russian energy exports left Germany particularly exposed. Fortunately, due to a mild winter a gas shortage was avoided, but experts remain concerned about a potential increase in electricity prices in Germany after the phase out of the remaining three nuclear energy plants in April of this year.

With this concerning overall economic outlook in Germany in mind, it is encouraging that among Swedish respondents a positive picture of the business climate emerges, in particular regarding profitability, although industry turnover expectations and anticipated level of investment have decreased in comparison to 2022 results. These areas will be explored more in the coming sections of the report.

GDP DEVELOPMENT IN GERMANY AND THE EU

Gross domestic product, price adjusted in %

Change on the previous quarter (price, seasonally and calendar-adjusted)



Quelle: Eurostat

© Statistisches Bundesamt (Destatis), 2023

NOTE: GDP, real, annual growth.
SOURCE: Destatis, 26 May 2023.

A profitable 2022 was reported by 63 per cent of respondent Swedish companies

Moving from the overall German climate to the results of this year's Business Climate Survey, 63 per cent of respondents reported a profitable 2022, continuing the stable trend seen in previous years' results.

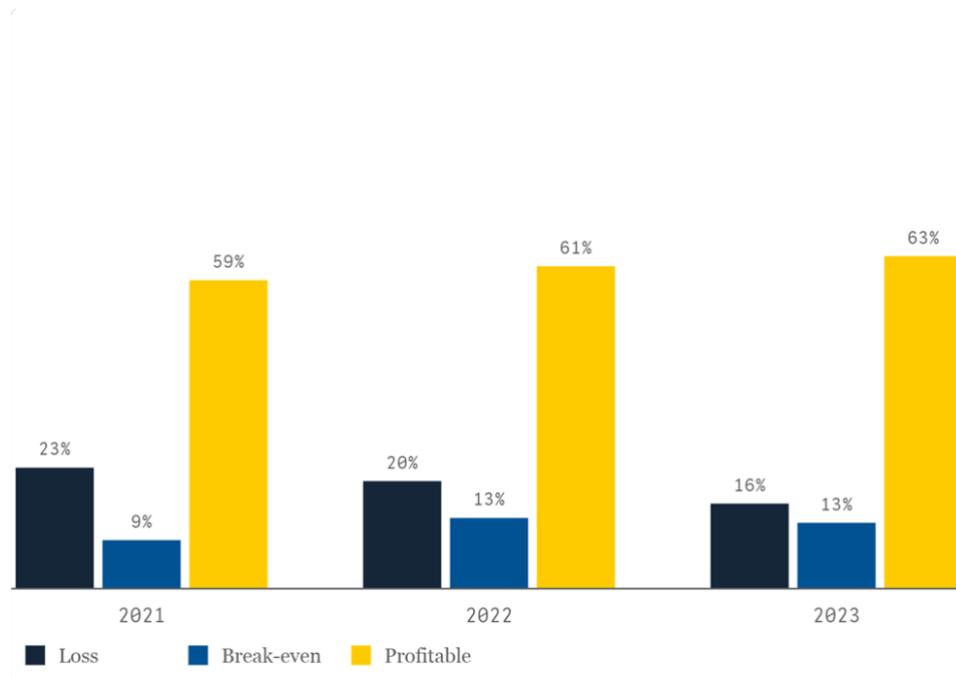
Such profitability is seen particularly within the consumer goods and industrial sectors where over 75 per cent and almost 70 per cent of respondents respectively reported that 2022 was a profitable year. Within the professional service sector, although the majority of respondents posted a profit in 2022, 26 per cent experienced a loss, the highest among all sectors.

Breaking down financial results by company size a clear trend is seen where 73 per cent of enterprises with more than 1,000 global employees reported profitable results. Among small and medium sized enterprises around 60 per cent enjoyed a profitable 2022, and around 20 per cent reported a loss.

Finally, examining profitability levels in the context of the length of time enterprises have been an established Germany entity in the market, it is unsurprising that a majority of mature and experienced companies reported profitable results (75 per cent), whereas firms who have entered the market more recently struggled more, with 39 per cent reporting a loss.

In summary, despite global challenges the share of respondents who have experienced a profitable past year remains steady and slightly higher compared to last years' results, in particular among large and established firms.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN GERMANY IN 2022?



NOTE: The number of respondents for this question was 136. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

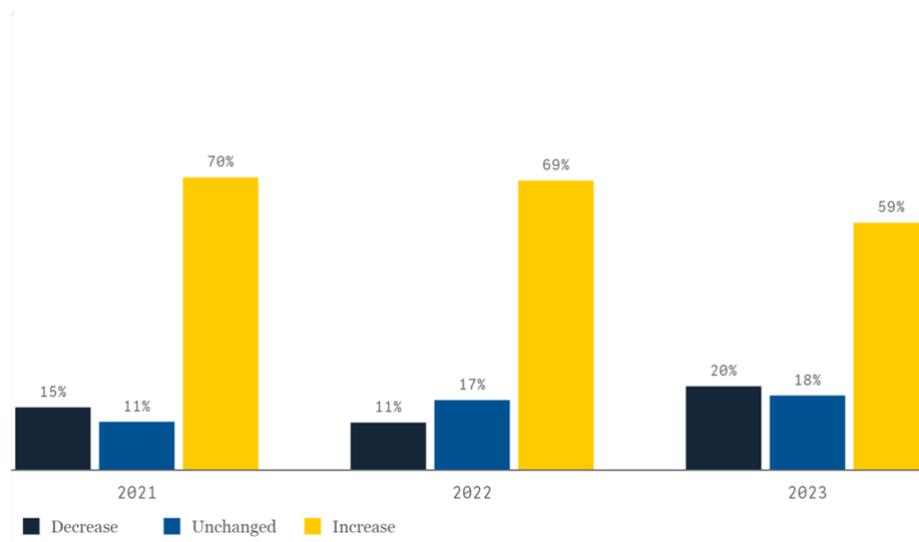
Industry turnover expectations have decreased in comparison to previous years, but an overall positive result was recorded

According to this year's result, 59 per cent of respondents anticipate a positive development in their industry turnover for the coming 12 months. In comparison to previous years this is a decline of ten percentage points, and the share of those anticipating a decline in turnover has risen from 11 per cent of respondents in 2022 to 20 per cent in 2023. However, viewing these results in the overall economic context it is a hopeful indication for the coming year that the majority survey participants continue to view their industry's growth potential positively.

Swedish experts are however concerned about the impact of the decreasing GDP in Germany in Q1 2023. Germany's most important economic indicator, the Ifo index, fell in May for the first time since October. According to the Ifo's May report, driving this negative development are the pessimistic expectations of German companies for the coming months, in particular within the industrial sector. As German and Swedish industrial actors operate in the same market, a weak industrial economy in Germany can quickly become a problem for Sweden.

Nevertheless, Swedish industrial and professional service companies surveyed in this report recorded a more optimistic outlook with more than 60 per cent of respondents anticipating an increase in turnover. Within the consumer goods sector expectations for the coming year are less positive, with over 50 per cent of respondents anticipating that industry turnover will either decrease or remain unchanged.

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?



NOTE: The number of respondents for this question was 136. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

Nearly half of Swedish respondents consider increasing yearly investments in Germany

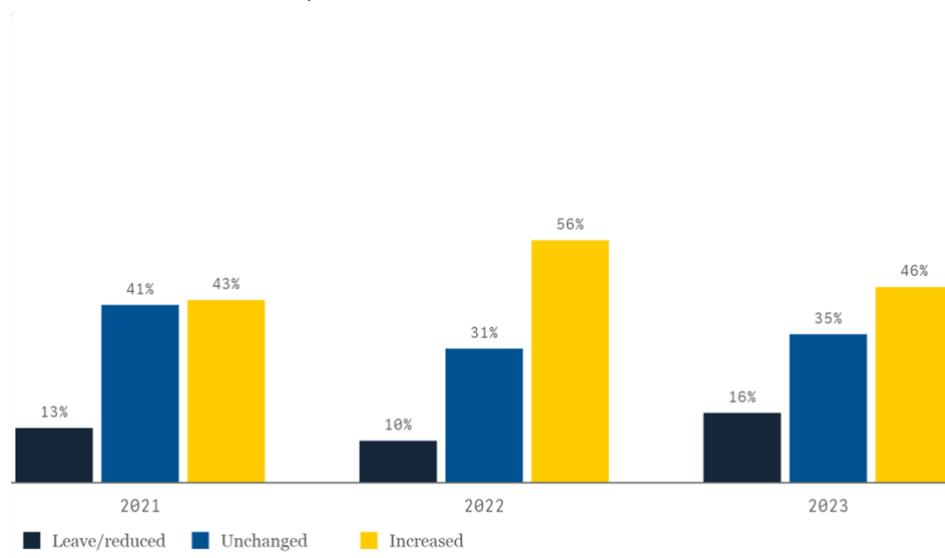
When asked to evaluate their investment plans in Germany for the coming 12 months, 46 per cent of respondents consider they will increase their level of investment, around 35 per cent of them do not anticipate any changes to their current plan, and 16 per cent of them intend to reduce their investment. In comparison with 2022, in addition to a lower percentage of companies considering an expansion of their operations in Germany, this year more companies intend to scale down their business, potentially reflecting the overall business climate previously discussed.

Breaking down results by company size, medium-sized companies have a more positive impression of the future market development as a significant majority (89 per cent) would either maintain their current investment plan or allocate greater financial resources to their German entity. A more cautious attitude towards future investment is expressed by large businesses: although 43 per cent are planning to increase their investment, 28 per cent are considering reducing investment to the German market. Moreover, some large companies are even contemplating the option of a full withdrawal from Germany.

At a sectoral level, the professional services sector stands out with nearly 60 per cent of the respondents planning to invest additional resources in their German entities. It is interesting to note that, although within the consumer goods sector a rather pessimistic outlook for industrial turnover was recorded, in terms of investment plans a majority of these same respondents anticipate maintaining or increasing their level of investment.

Finally, it is perhaps unsurprising that respondents who have entered the market more recently intend to commit to greater investment: among the 71 per cent of newcomer respondents intending to allocate greater financial investment to Germany, most of them plan to increase such investment significantly.

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



NOTE: The number of respondents for this question was 136. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

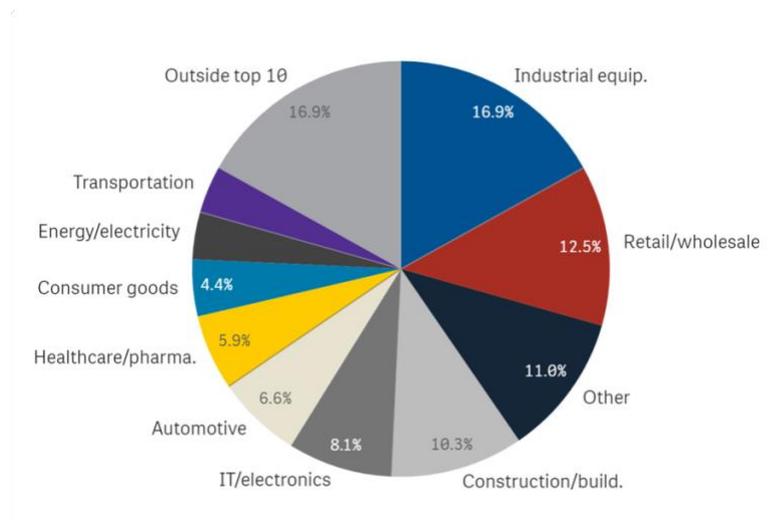
THE MARKET

The German market continues to attract Swedish companies from various industries

According to data published by the EU statistical office Eurostat, Sweden's economy is taking on ever-growing importance within international trade, seen through the increase in the trade-to-GDP ratio from 88.2 per cent in 2021 to 103 per cent in 2022. Moreover, the export to import (of goods and services) ratio also rose from 1.78 to 2.09 in the same period. With a closer look at the export destinations, the German market accounts for more than 10 percent of the total exports of goods in 2022, amounting to EUR 18.6 billion. Among the products that Sweden exported to Germany, paper, machinery, pharmaceutical products, vehicles as well as iron and steel were the top five categories. On the other side, Sweden imported products worth around EUR 29.2 billion from Germany in 2022.

The profile of the respondents demonstrates the overall attractiveness of the German market to Swedish-owned enterprises: this year over twenty different industries are represented in the survey respondents. Considering Germany's industrial strength in machinery and equipment, it is unsurprising that industrial machinery remains the largest group (16.9 per cent) represented by respondents. The second largest sector in this year's survey is retail and wholesale, with 12.5 per cent of respondents active within these areas. Other key sectors represented include construction and building (10.3 per cent), IT and electronics (8.1 per cent), and automotive industries (6.6 per cent).

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN GERMANY?

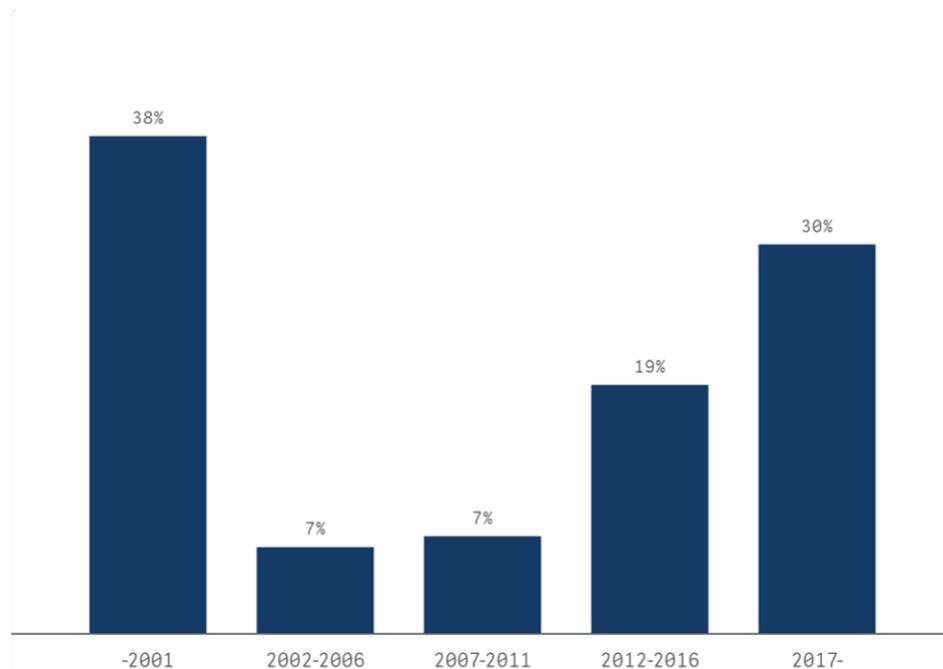


NOTE: The number of respondents for this question was 136. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

As previously mentioned, nearly 40 per cent of this year's respondents represent companies that have been operating in the German market for over 23 years, and about 30 per cent are newcomers who have set up their permanent presence in Germany within the past six years. Overall, almost half of the Swedish-owned entities are relatively new players in the German market with the market experience of less than a decade. Accordingly, the local team that Swedish-owned enterprises have set up in Germany is mostly small-sized, with the majority of them reporting a company size of fewer than ten employees.

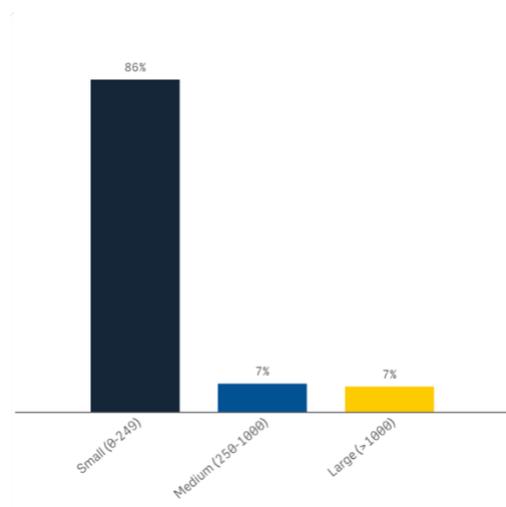
IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN GERMANY?



NOTE: The number of respondents for this question was 132. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN GERMANY IN 2023



NOTE: The number of respondents for this question was 135. "Don't know/Not applicable" responses are included but not shown in figure.

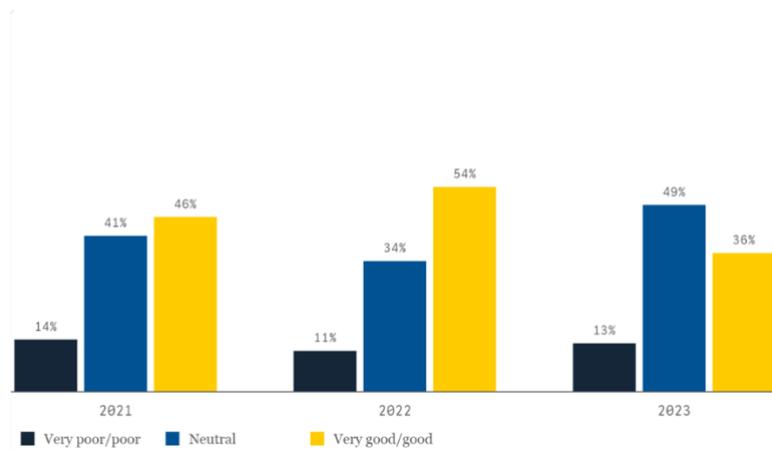
SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

Majority of respondents are confident in Germany's business climate

In last year's survey, the more positive business climate was recorded within the context of post-covid recovery optimism. This year's participants take a more cautious approach to evaluating the current business climate in Germany. Indeed, as mentioned in the economic outlook, since Russia's war on Ukraine began last February, the rising inflation rate, driven by soaring energy prices and supply chain disruption, has had a highly negative impact on Germany's economy. This reached a record-breaking 10.4 per cent year-on-year change in October 2022 with an aggregated increase of 7.9 per cent for 2022. According to the German Institute for Economic Research (DIW), the first year of the war has cost the German economy around EUR 100 billion, accounting for about 2.5 per cent of the GDP. Despite a more stabilised energy supply, experts predict that the high consumer price index may remain an issue for the coming two years, as cost pressures are transferred from producers to consumers and businesses.

Considering this overall outlook, it was to be expected that perceptions of the current business climate would decrease in comparison to previous years' results. In comparison to 2022 where a majority of respondents perceived the climate positively, this decreased by almost 20 percentage points to 36 per cent for 2023. However, it is important to note that the share of respondents viewing the climate negatively has not significantly altered, rather the share of neutral results has increased, meaning that 85 per cent respondents define the business climate as neutral to very good. In addition, the 2023 survey highlights optimism from newcomer companies: almost half of the recently established Swedish entities are of the opinion that the current business climate in Germany is good or very good.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN GERMANY?



NOTE: The number of respondents for this question was 127. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

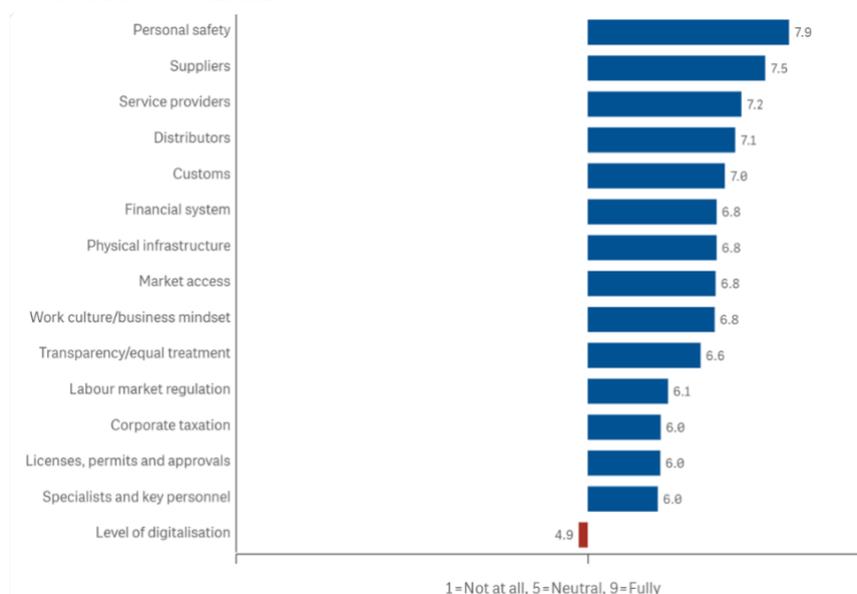
Germany's level of digitalisation continues to lag behind Swedish standards

Consistent with the results from the previous year's survey, when respondents were asked to consider how German market conditions met their company needs, personal safety achieved the highest score on the evaluation. Respondents also speak highly of the accessibility to suppliers, service providers and distributors. Furthermore, a stable financial system, well-developed infrastructure, and access to a vast consumer market, as well as a professional business culture, are all factors that contribute to Germany offering Swedish companies favourable market conditions. Operational factors such as customs, conditions of employment, corporate tax regime, licenses, permits and approvals are considered satisfactory by the survey participants, as is finding specialists and key personnel.

However, the level of digitalisation in Germany is the only market condition outlined in this survey that does not meet the requirements of the respondents, for the fourth year in a row. To position these results in a wider context, in order to measure the level of digitalisation of EU member states the European Commission publishes the annual Digital Economy and Society Index (DESI) report. In the latest DESI 2022 report, Sweden is ranked 4th after Finland, Denmark, and the Netherlands while Germany ranks 13th, putting the digital competences of the EU's largest economy just slightly above the average.

According to the analysis of the German public broadcaster Deutsche Welle, the main reasons for Germany falling behind in digitalisation are the public sector's reliance on paperwork and labour shortage within IT. The Covid-19 pandemic in particular highlighted the importance of digitalisation and triggered greater investment in Germany's digital transformation, in both public and private sectors. As part of their *Nine-Point Plan for a Digital Germany*, the German government allocated EUR 3 billion to federal, state and local governments to digitalise public administration by the end of 2022. However, experts have previously noted that although policies are put forward by the Federal government to promote digital transformation, the level to which they are prioritised and implemented is contested.

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



NOTE: The number of respondents for this question was 136.
SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

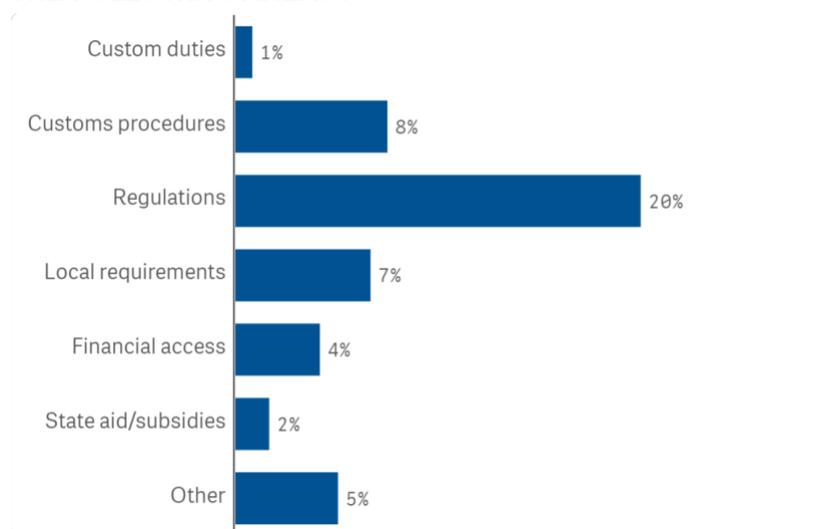
Trade barriers to doing business in Germany are minimal and within control

In general, trade between Sweden and Germany and within Germany runs smoothly and concrete trade barriers are rarely reported. The survey responses this year are very similar to the results of previous years – the majority of respondents report that they have not encountered any barriers which have a noticeably negative impact on their operations. For those who do experience barriers, the most commonly reported issue concerns compliance with technical regulations or standards, as identified by 20 per cent of respondents.

In general, data protection regulations are strict in Germany, restricting public access to company information (e.g., ownership, financial data and contact information), leading to difficulties in reaching out to potential business partners. One example is given by Swedish companies operating in the EV charging sector: they often experience difficulties with market access in Germany due to statutory calibration requirements ("Eichrecht"). Accordingly, getting chargers authorised under this regulatory framework is a lengthy and costly process, hindering market entry as a result. In comparison within the food industry, packaging and recycling regulations are extensive, specific and demanding. Packaging materials exported to Germany must be notified to a specific register ("LUCID Verpackungsregister"); and leftover packaging behind must be registered in a recycling programme. Furthermore, labels and tables of contents must be in German, which can also be a barrier for Swedish firms. On this issue of language and cultural barriers respondents commented that: "knowledge of the German language and understanding of German market requirements remain key," and "the intercultural differences (to Sweden) are still underestimated!"

However, despite regulatory difficulties, further trade barriers score low among respondents, indicating that overall, difficulties in bilateral trade between Germany and Sweden are manageable.

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



NOTE: The number of respondents for this question was 136.
SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

In 2023 Team Sweden carried out a range of activities across Germany

As a country, Germany is made up of 16 regional states, known in German as Bundesländer. Team Sweden works closely across all these states, and never more so than during the first half of 2023 when Sweden held the Presidency of the Council of the European Union. During this time the Swedish Ambassador to Germany Per Thöresson visited all 16 Bundesländer. Below is a map of Germany to give an overview of just some of the many Team Sweden engagements which have taken place recently. A deep dive on specific events (highlighted on the map) and an interview with the Ambassador is found on the following pages.



Interview with Ambassador Per Thöresson

Per Thöresson has been the Swedish Ambassador to Germany since March 2017. As he comes to the end of his term in Germany he kindly shared some reflections on the past years, and some particular highlights from 2023 when he undertook his tour of Germany's 16 Bundesländer as Sweden held the Presidency of the Council of the European Union.



1. H1 2023 was Sweden's time to hold EU Presidency, why was it important to you to visit all 16 German federal states during this time?

To understand politics in Germany, you have to get out of the "Berlin bubble" and learn about the perspectives of the different federal states. For us at the Embassy it was also important to discuss the priorities of the Swedish Presidency – a safer, greener and freer Europe – not only with the Berlin Government but also with the 16 state governments and parliaments as well as with representatives from the local business community and civil society. I am confident to say that we checked this box!

2. What new things have you discovered about the relationship between Germany and Sweden during your tour?

The relationship between Germany and Sweden holds numerous dimensions: I have seen excellent examples of business and research collaboration between our countries, I was met by huge interest and admiration for Swedish culture, Swedish literature, and our social achievements for example when it comes to gender equality. But even more importantly, I have learnt that despite our close relationship there is still room for an even closer partnership, not least within the green transformation of our economies. I am deeply convinced that Sweden – with its innovative potential and large resources of green energy – and Germany – with its economic and industrial power – form a perfect match to pioneer the green revolution in Europe.

3. As your tour of the German federal states marks the end of your time as the Swedish Ambassador in Germany, how would you summarise the last six years? What have been some particular highlights?

When I arrived in Berlin, the Brexit referendum had just happened. As one result, Germany grew to become our most important ally within the EU. Hence, my time in Germany has been shaped by an ever-closer partnership between our countries. In 2017, our Heads of Government signed a bilateral innovation partnership and between our Ministries of Foreign Affairs a "like-minded initiative" was set up, covering more than 65 common political fields. One of our single largest projects was in 2019, when Sweden had the honour of being partner country at the Hannover fair. Looking back, I would say the Co-Lab participation in Hannover was one of the most intense but also most rewarding promotion activities during my time in Germany.



Per Thöresson giving a speech at Hannover Messe, April 2019



Per Thöresson in a bilateral meeting between Ministers for Foreign Affairs in Sweden and Germany; Tobias Billström and Annalena Baerbock, Nov 2022



Swedish-German Business Day Berlin 17 November 2022

Every year in November, Team Sweden invites the Swedish-German business community to the networking forum Swedish-German Business Day. The forum consists of a Business Summit followed by a Gala Dinner where the Swedish Enterprise Award is bestowed. In 2022, Swedish-German Business Day was hosted in Germany's capital Berlin. Berlin has become a hub for start-ups and technology companies, attracting entrepreneurs from around the world. The capital is however also known to be the centre of political power in Germany. As the largest economy and one of the founding members of the European Union, Germany plays a significant role in shaping EU policies and decisions, particularly in areas such as trade, finance, and foreign policy.

THE BUSINESS SUMMIT

The focus for the 2022 Summit was the – then upcoming – Swedish presidency of the EU Council. One of the pillars of the Swedish presidency was EU competitiveness, hence the Business Summit centred around how Swedish-German collaboration can strengthen competitiveness on an EU level. Competitiveness requires constant effort, action and forward-thinking within both private and public sectors, and also demands high levels of innovation and investment. This was reflected by the summit speakers, including:

- Eva Sjögren, Director-General for EU Affairs, Swedish Prime Minister's Office
- Ola Källenius, CEO, Mercedes-Benz (digital)
- Dr. Christina Gommlich, Convenor, ERT Competitiveness and Innovation
- Lena Sellgren, Chief Economist and Head of Research, Business Sweden
- Anja van Niersen, CEO of Milence
- Prof. Dr. Johan Rockström, Director, Potsdam Institute for Climate Impact Research
- Jan Larsson, CEO, Business Sweden



The session also included a panel discussion livestreamed from the Swedish pavilion at COP27 (which was going on in parallel), highlighting Sweden's and Germany's common goals for accelerating the green transition.

THE GALA DINNER

Since 2003, the Swedish Enterprise Award has been awarded to Swedish companies that have successfully established themselves on the German market. They are honoured during a festive gala evening, this year held in the famous Heilig-Kreuz-Kirche in Berlin-Kreuzberg. In addition to the Swedish Enterprise Award (which is categorised by company size and length of time in Germany), since 2021 the Prize for German Investment in Sweden has also been awarded. This new award for outstanding investment by German companies in Sweden emphasises the importance of cooperation and the common goals of both countries. The companies awarded the prize in 2022 were as follows:

- Large company: Getinge
- Medium-sized company: Transcom
- Newcomer: Doktor.de
- German Investor in Sweden: Enercon GmbH



Mobility Innovation Forum Munich 24 January 2023



Bavaria is the largest state in Germany, and the heart of the country's manufacturing and particularly automotive industries. Companies including BMW, Audi and MAN all have their headquarters in Bavaria, and the state is also home to many research and development centres for automotive technology. The industry is a significant contributor to Bavaria's economy, providing employment for many thousands of people and generating billions of euros in revenue. Bavarian automotive companies are renowned for their high-quality engineering and innovative technologies, with BMW being a particularly notable example. The industry has also played an important role in driving innovation and sustainability, with many companies investing heavily in electric and autonomous vehicle technologies. Overall, Bavaria's automotive industry is a major driver of economic growth and technological advancement in the region and beyond.

With this in mind, it seemed a natural fit that when the Ambassador's tour reached Bavaria, the mobility sector should take a central role. Business Sweden, alongside the Embassy and Business Region Gothenburg, an area of Sweden renowned for its automotive sector, had the pleasure of hosting the first Swedish-German Mobility Innovation Forum in Munich.

PANEL DISCUSSION AND START-UP PITCHING SESSIONS

The event, set in the beautiful location of Bayerischer Hof, brought together technology and innovation drivers from leading German automotive OEMs and Swedish mobility start-ups. During the afternoon, the Swedish firms representing a range of areas, including charging solutions, autonomous driving software, sensors and electrification, had the opportunity to pitch their incredible mobility solutions to the investment and Corporate Venture Capital arms of German OEMs.

This was followed by a panel discussion centred around the topic: 'Moving towards the future: mobility innovation & disruption – What investors are seeking'. Here representatives from VW, Hyundai Cradle and Polestar shared valuable insights on questions ranging from the conditions needed for successful innovation to the evolving role of an OEM and future trends within the mobility investment landscape.

To top off a fantastic day of networking and knowledge sharing, there was a vibrant dinner hosted for all participants, including speeches from the Ambassador and the Swedish Honorary Consul in Munich.

Following the event, several of the Swedish start-ups secured further collaborations with the German OEMs, both in the form of venture capital investment and R&D and proof of concept partnerships.



Panel discussion including representatives from VW, Polestar and Hyundai Cradle, moderated by Lisa Tullus, Senior Project Manager at Business Sweden





Green batteries as a prerequisite for climate neutrality

Stuttgart 26 January 2023

Continuing the focus on the automotive sector, a few days after the Mobility Innovation Forum, the Ambassador travelled to Baden Württemberg, and specifically Stuttgart. Stuttgart is known as the “cradle of the automobile” due to its rich automotive history and the fact that it is home to several renowned car manufacturers including Mercedes-Benz and Porsche. With this in mind, the gathering combined Stuttgart’s capabilities with the green transition aims of the EU Presidency, taking the future of green batteries as the evening’s principal theme.

INVESTMENT DINNER ON FUTURE OF GREEN BATTERIES

The dinner was hosted by the Ambassador together with the Swedish Honorary Consul in Stuttgart and Business Sweden. Key topics of discussion involved how German companies can leverage Sweden’s attractive green investment climate, the strong R&D of next generation cell technology, and how incubators, suppliers and battery cell manufacturers can come together to accelerate innovative solutions on the road towards climate neutrality.

The dinner brought together fifteen CEOs and CFOs from leading German battery companies to consider how Sweden and Germany complement one another in regard to battery technology and R&D. More specifically, they also discussed the impact of the Inflation Reduction Act on the European battery landscape, posing the question of how companies should respond to this changing investment environment. The evening finished with reflections on the key advantages and opportunities associated with battery cell production in Sweden.



The Future of Aviation Cologne 1 February 2023



As the largest German state by population, North Rhine-Westphalia (NRW) generated 20.5 per cent of Germany's GDP in 2022. NRW is known for its strong transportation infrastructure for international and regional air travel, with Düsseldorf, Cologne and Bonn airports all situated in the state, giving NRW great potential as an aerospace hub for Germany. In addition, NRW is also home to established industrial clusters for pharmaceuticals, precision machinery, and logistics, and several renowned research institutions.

ROUNDTABLE DINNER ON THE FUTURE OF AVIATION IN COLOGNE

The Future of Aviation gathering was part of the Team Sweden Smart Mobility/Transportation agenda. The event aimed to foster collaboration between Swedish and German companies and strategically position Sweden as an investment location for aviation companies during an exclusive gathering and dinner in Cologne. Both German and Swedish aviation companies are leading innovators, pioneering innovative and sustainable air mobility solutions including electric and hydrogen air travel.

Along with Ambassador and Trade Commissioner to Germany, 17 German and Swedish representatives with expertise within aviation engineering, hydrogen battery, digital innovation, financing, research, EU regulation, and airport operation gathered to discuss the opportunities and challenges of the future of aviation. During the roundtable discussion, many issues were addressed, from divergent stakeholder interests and public awareness of decarbonisation technology (e.g., sustainable aviation fuel), to the impact of the Inflation Reduction Act on EU competitiveness. Overall, the dinner exhibited strong synergies between Germany and Sweden in realising electric and carbon-free urban air mobility, contributing towards the future of sustainable aviation.



The Ambassador with Trade Commissioner to Germany
Johan Holmlund / Photo by Fredrik Kämpfe

Designing the Future of Fintech Frankfurt 13 March 2023



In March, the Ambassador's tour continued to Hessen, spending the evening in Frankfurt. Frankfurt is often referred to as the financial capital of Germany as the city is a major hub for banking, finance, and commerce, attracting numerous international banks and financial institutions. Both the Frankfurt Stock Exchange and the European Central Bank (ECB) are headquartered in Frankfurt, the latter being responsible for managing the Eurozone's monetary policy.

Taking inspiration from Frankfurt's strong financial capabilities, Business Sweden, along with the Embassy, organised a networking mingle centring around Fintech, and, with the EU Presidency's focus on the green transition in mind, a key discussion topic was sustainable finance and green investment.

INVESTMENT NETWORKING MINGLE

The principal aim of the event was to showcase the best of Swedish innovation within Fintech, bringing together key representatives of this ecosystem with technology and innovation drivers from the German investment landscape. Hosted by the Ambassador and Swedish Honorary Consul in Frankfurt, participants included representatives of Sweden's leading Fintechs including Klarna, Milkywire and Doconomy, alongside German venture capitalists specialising in Fintech, and ESG specialists from some of Germany's biggest banks, including Deutsche Bank.

Following welcome speeches from the Ambassador and Honorary Consul, each of the start-ups gave a short presentation reflecting on Sweden's unique start-up ecosystem and innovative Fintech capabilities. Participants were then encouraged to network and mingle, providing an opportunity to discuss future collaborations and investments.



The Ambassador pictured with the Head of Sustainability at Klarna (centre) and Swedish Honorary Consul in Frankfurt (left)



Semiconductor Innovation Forum 27 April 2023



At the end of April, the Ambassador's tour reached Dresden, Saxony. Saxony has become a significant hub for the semiconductor industry in Europe. This is due to the presence of many high-tech companies and research institutions, as well as the availability of a highly skilled workforce. The industry has been growing rapidly in recent years, and the state government has been investing heavily in research and development to support its expansion. As a result, Saxony has become a major player in the global semiconductor market, with its companies and research institutions contributing significantly to the development of new technologies and products.

A prominent example of a semiconductor factory is Infineon Technologies who are expanding their Saxon location into one of the most modern production facilities in the world. Companies from the Swedish semiconductor ecosystem, ranging from suppliers to customers, were invited to join a two-fold delegation programme to Dresden: firstly, an introduction and visit to Infineon and secondly a vibrant networking dinner.

FAB TOUR AT INFINEON

Infineon Technologies AG is a global leader within the production of semiconductors for a wide range of applications, including automotive, industrial, and consumer electronics. The Dresden site is known for producing power semiconductors and microcontrollers, which are used in a variety of electronic devices, from cars to home appliances. Selected Swedish participants were invited to pitch their solutions to Infineon's COO Dr. Rutger Wijburg. The pitching session was followed by a tour of the fabrication – known as a “fab” within the semiconductor industry – providing visitors with a glimpse into the production process of semiconductors and an insight into how they are manufactured in a cleanroom environment.



Group of Swedish representatives enter the fab

NETWORKING DINNER IN DRESDEN

In the evening, the Swedish Embassy and Business Sweden invited all visiting Swedish companies and local German actors to a networking dinner. During the dinner the 30 participants discussed current topics such as the European Chips Act – which aims to bolster Europe's competitiveness and resilience in semiconductor technologies and applications – and what collaboration opportunities this represents.



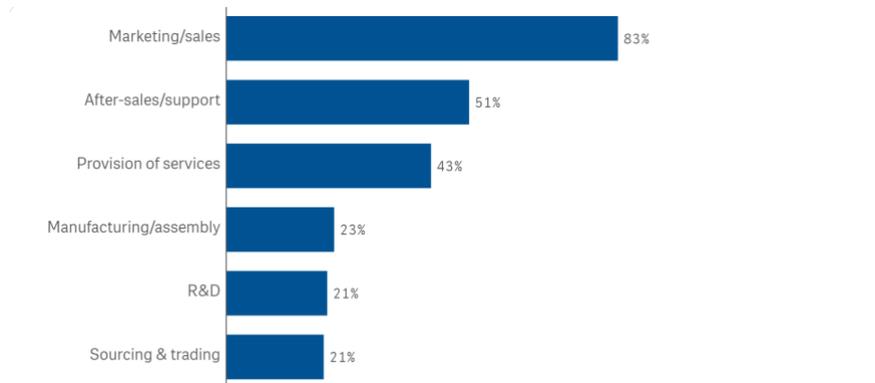
HOW SWEDISH COMPANIES SUCCEED IN GERMANY

Local operations are marketing and sales-focused

When it comes to the activities Swedish-owned enterprises carry out in the German market, 83 per cent of respondents report that marketing and sales are prioritised: not a surprising result when considering the importance of marketing and sales in establishing a recognised presence on a new market. Focus is also placed on nurturing relationships with clients after a sale takes place, with more than half of the companies surveyed reporting setting up a local team dedicated to after-sales service support. Similarly, another function that many German entities of Swedish-owned enterprises tend to perform is provision of services, carried out by 43 per cent of survey participants.

Additional operations undertaken include by Swedish-owned enterprises include manufacturing (23 per cent), research and development (21 per cent), and strategic sourcing (21 per cent).

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



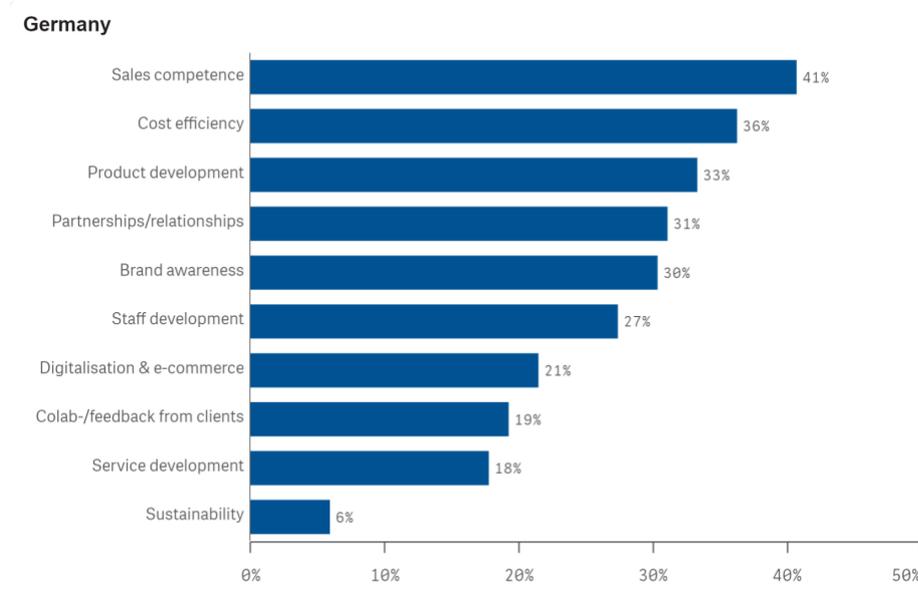
NOTE: The number of respondents for this question was 136. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

Sales competence is the most important success factor in the German market

When asked to consider how they remain competitive in the German market, the surveyed companies reported differing experiences: in line with the major operations carried out in Germany by respondents, sales competence is identified as one of the key success factors by 41 per cent of the respondents. For other respondents, it is vital to achieve cost efficiency (36 per cent), develop the right products for the market (33 per cent), build strong relationships with local partners (31 per cent) or have well-established market presence (30 per cent). The lowest-ranked item on the list is, however, sustainability, with six per cent of the respondents agreeing on its importance in securing a competitive advantage. In the next section, Swedish-owned companies' approach to sustainability is discussed in more detail.

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



NOTE: The number of respondents for this question was 135. "Don't know/Not applicable" responses are included but not shown in figure.

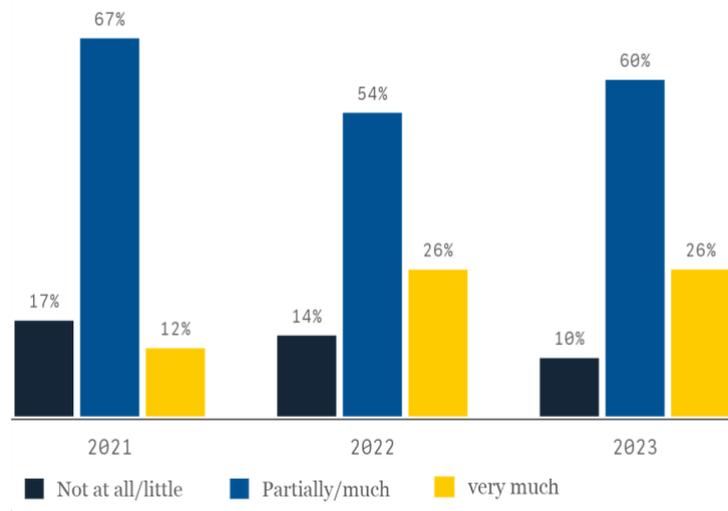
SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

The “Swedish brand” continues to add value to doing business in Germany

The Business Climate Survey also investigates whether respondents leverage the “Swedish image” in their branding and looks to explore how this image brings practical value to firms’ overall business. In general, the “Swedish image” is perceived as beneficial among the companies surveyed: 60 per cent report a positive impact of the Swedish image and more than a quarter of the survey participants believe that the Swedish brand contributes to their business in Germany to a great extent. Taking a closer look at the results, only a minority of the respondents (10 per cent) do not perceive much add-on value from the Swedish brand to their business. The results of the survey therefore imply that Swedish image is an effective tool for Swedish companies in Germany.

Furthermore, the “Swedish brand” has generated increasingly positive feedback from the German market. As shared by one respondent: ‘Swedish companies continue to be viewed as innovative and reliable business partners in Germany.’ Moreover, some concrete examples of how this Swedish image helps businesses are summarised by one participant that: ‘Being a Swedish company helps our perception on the market – [we can utilise Sweden’s] excellent reputation in regard to ethics, compliance and sustainability...[in addition] "Swedish Quality" is perceived in Germany as very durable, and products have a long life..."Swedish" comes also with the tag of being people oriented and with moderate / low hierarchy.’

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 134. “Don’t know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

ACTING SUSTAINABLY

Sustainability is considered important by German customers, but challenges are found in its implementation

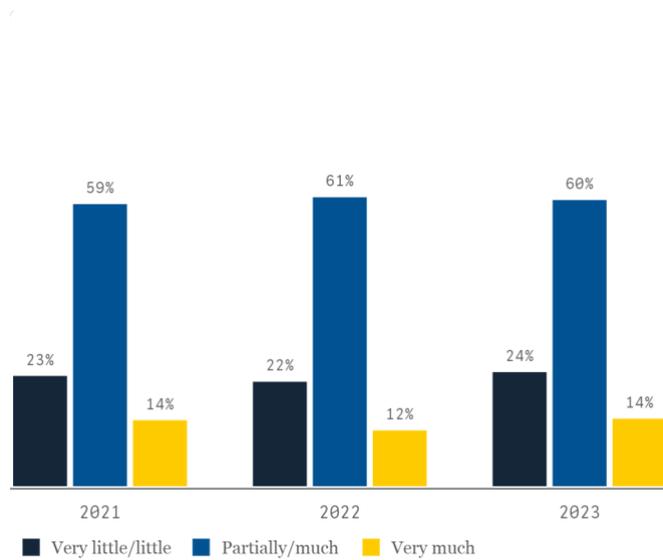
Although sustainability is not one of the key success factors identified by the survey participants, 74 per cent of companies surveyed reported that, in their experience, German consumers do take environmental aspects into consideration when purchasing a product or service. These results are consistent across previous years' surveys, indicating that for German consumers, the environment remains front of mind. However, from a company-perspective, respondents highlighted four main issues which prevent them from prioritising sustainability: customer's willingness to pay, cost efficiency, regulations, and standardisation and certification.

Crucially, although it is acknowledged that German consumers take into account environmental aspects in their purchasing decisions, their willingness to pay extra is limited. For businesses this creates a dilemma of how to meet customers' sustainable requirements while maintaining price performance. As noted by one respondent, "It is only relevant as long as it does not cost extra. Our customers are not willing to pay for a more sustainable solution".

Similarly, respondents reported struggling to achieve cost efficiency and maintain profitability while aiming to reduce their overall environmental impact. This is an issue as although awareness of the importance of sustainable business practices is growing, inflation and high-cost pressures are also negatively affecting the cost of goods and transportation. However, some Swedish-owned enterprises have been able to address both issues through re-evaluating their supply chain strategy and sourcing more products locally, reducing both their carbon footprint and transportation costs.

Overall, Swedish-owned companies in Germany strive to provide sustainable solutions to German consumers eager for environmentally friendly products and services, while retaining cost efficiency and competitive pricing. Additionally, it is important to note that effective communication of such matters is vital, with the risk of greenwashing at front of mind for both consumers and companies. One respondent summarised the situation as follows: "the challenge is to find an all-over-approach and to transport this in the right message to our customers."

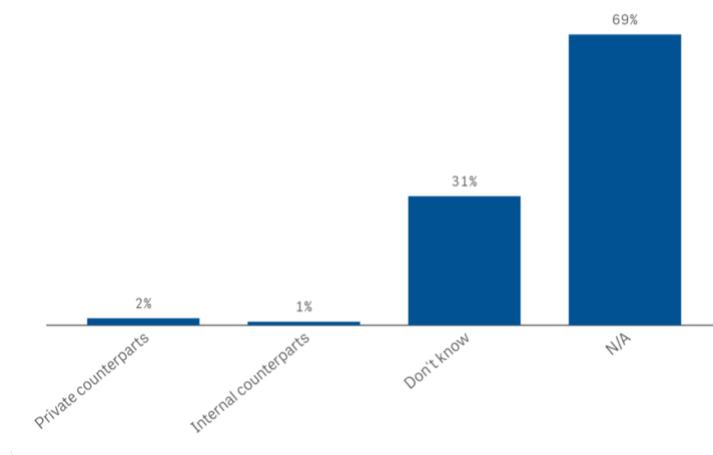
TO WHAT EXTENT DO CUSTOMERS IN GERMANY CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



Risk of exposure to corruption is very low in Germany

According to survey respondents, corruption is not a pressing issue in Germany with 97 per cent of participants either not aware of the issue or deeming it not applicable. These results are aligned with the 2022 Corruption Perceptions Index published by Transparency International. Germany received a score of 79 (out of 100) and was ranked 9th worldwide, indicating that the business climate is perceived to be predominantly free of corruption by business representatives and experts.

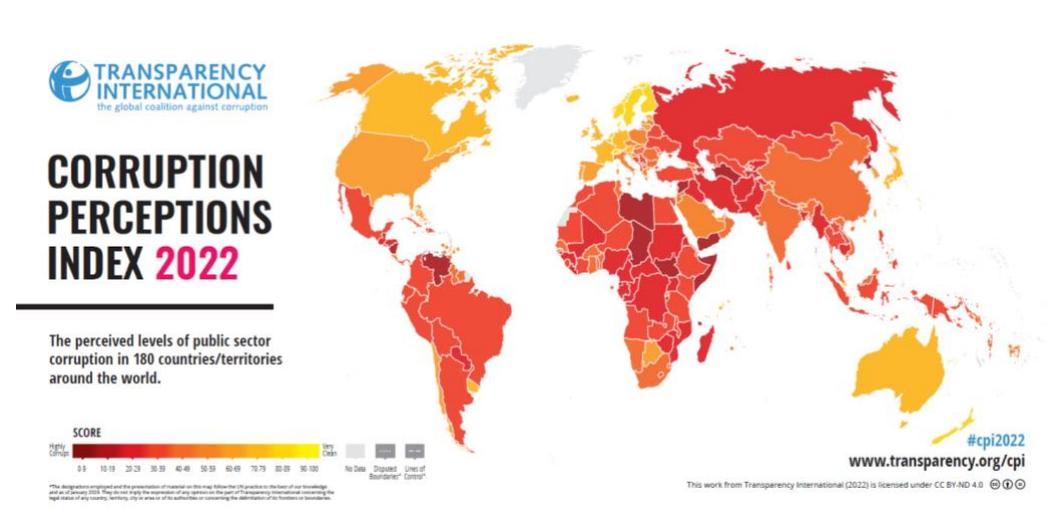
HAS YOUR COMPANY IN GERMANY BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 124. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

CORRUPTION PERCEPTION INDEX 2022

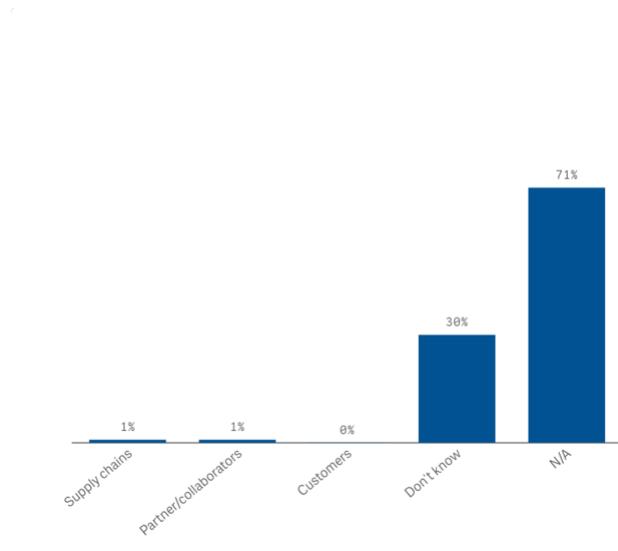


SOURCE: Transparency International.

Companies surveyed are secure about the labour rights conditions in Germany

Based on this year's result, we can see that 98.4 per cent of the Swedish-owned enterprises surveyed have not perceived any human rights or labour rights violations in Germany. These figures are consistent across industry sector, company size and length of time in Germany, indicating that human rights violations are not considered a pressing issue and any risk of violations is very low.

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



NOTE: The number of respondents for this question was 136. Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Germany 2023.

