



Sweden
Sverige



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN GERMANY 2020

KEY CONTRIBUTORS TO THIS REPORT

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FOREWORD

Germany is Europe's economic engine and Sweden's most important and ever growing trade partner. Economic ties between Sweden and Germany are strong, which is reflected by the more than 1,500 Swedish companies that are represented on the German market. Germany is also one of the most active trade partners in the Swedish marketplace, with over 1,000 subsidiaries registered in Sweden.

Swedish companies and products have an excellent reputation for innovation and quality among German firms and consumers. Together with a demand for solutions in areas where Swedish companies are industry leaders, there is an array of business opportunities available. A few examples of industries with promising prospects are digitalization of the industry and public operations, 5G and fiber connectivity, energy efficiency, e-health, sustainably prepared food, conversion in the consumer market to e-commerce and digital payment services. There are also areas that are suitable for Germany and Sweden to tackle jointly, for example AI and battery technology.

The bilateral innovation agreement between Sweden and Germany, set up in 2017 to promote innovation, create new export opportunities and boost competitiveness, is an important foundation that brings our companies and institutions closer together. By joining forces, we can develop products and solutions that address the European and global societal challenges ahead. One outstanding example of that is Sweden Co-Lab at Hannover Messe 2019 when Sweden as partner country showcased world leading collaborative innovations within smart industry.

Team Sweden in Germany (the Embassy, the Swedish Chamber of Commerce and Business Sweden) have conducted its first ever Business Climate Survey among Swedish companies in Germany, whose findings are presented in this report. The purpose of the survey has been to increase the understanding of Swedish companies' performance in Germany and deepen our appreciation of the opportunities and challenges that the German market poses. It sheds light on the key factors driving Swedish companies' success in Germany as well as their strategies in the face of the current climate of uncertainty. 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 has major effects on the world economy, and Swedish trade is no exception. The results of this survey should therefore be considered in light of the recent developments. However, a key finding of the 2020 Business Climate Survey is that Germany remains a very important market for Swedish companies and that the trust in economic recovery is high among respondents.

Lastly, we would like to extend our most sincere gratitude to the participating companies and respondents which have contributed to this report. We stand ready to support through and after the crisis!



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

Around
1,500
Swedish companies
active in Germany

**Advantages of the
German Market**

- ↑ Market size
- ↑ GDP per capita
- ↑ Diverse industry

**Challenges of the
German Market**

- ↓ Regional differences
- ↓ High labor costs
- ↓ Bias for German solutions

Business Climate



Neutral

Current Profitability

68%
of respondents enjoyed a
profitable 2019



Outlook

64%
of respondents expect
their industry's turnover
to decrease in 2020



Respondents' Business Areas

- 30% Industrial
- 23% Professional Services
- 20% Consumer products



Success Factors

1. Sales competence
2. Brand awareness
3. Collaboration with customers



Sustainability

50% of respondents' customers consider sustainability in their purchasing decision



ABOUT THE SURVEY

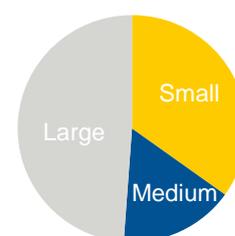
Respondents constitute a mixed crowd

With its proximity to Sweden, many Swedish companies naturally consider expanding to Germany at some point. It is an attractive market for a number of reasons: home to 83 million citizens, its population enjoys a high GDP per capita and it is conveniently located at the heart of Europe. Its well-developed logistics infrastructure as well as transport system facilitates smooth trade activity. Germany is a competitive economy with around 3.3 million businesses. While many large German corporations have reached global recognition, it is in reality the small and medium sized companies that make up the backbone of the German economy: 99.3 percent of companies fall within this size-bracket. Yet, due to the sheer size of its largest companies, nearly 40 percent of German employees are employed by large corporations.

Today, more than 1,500 Swedish companies are active in Germany. How are these companies experiencing the business climate in Germany? For the first time, 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. Where possible, the survey also shows if and how the views diverge across company type. The report provides insights about the economic outlook in Germany including interesting facts about the market. It also sheds light on the key factors that allow Swedish companies to succeed in Germany. The Business Climate Survey will be conducted regularly in the future to track and analyse changes over the years.

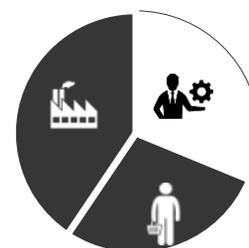
This year, the survey was sent out to 193 respondents, with 88 respondents providing answers to the questions below. The answers were collected during March and April 2020. Interviews were conducted with selected companies for a deeper understanding of the factors driving their responses. Around 50 percent of respondents were large companies, followed by 35 percent small companies and 16 percent medium-sized companies. In terms of industry affiliation, professional services, consumer products and industrial players are nearly equally represented in this survey. Around a third of companies were founded between 2001 and 2015, while younger newcomers constitute around 18 percent. 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 the very disruptive start of the covid-19 pandemic in Germany, thus the responses should be read in the light of recent developments.

SIZE OF COMPANIES



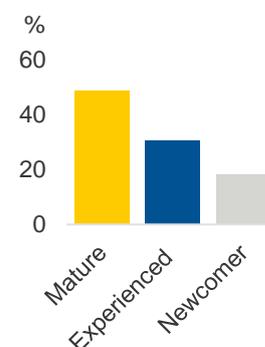
Turnover and Human Capital: Large >USD 50m and/or >249HC. Medium USD 11-50m and/or 50-249 HC. Small USD <11m and/or <50 HC.

MAIN BUSINESS AREAS



30% Industrial. 23% Professional services. 20% Consumer. 24% Other.

AGES OF COMPANIES



Year of establishment: Mature (-2000). Experienced (2001-2012). Newcomer (2013-)

ECONOMIC OUTLOOK

German economy struggles as global markets are in turmoil

Over the last few years, growth rates of German GDP have gradually been on the decline as trade tensions have put a strain on global economic activity. While this could be felt across the world, Germany's export dependent economy has proved especially vulnerable. Between 2017 and 2019, GDP growth came down from 2.8 to a mere 0.6 percent – significantly lower than the global average growth rate of 2.6 percent and only half of the 1.2 percent of Western Europe in 2019.

In addition to the challenging global trade climate, the German economy has been hit hard by covid-19. During the covid-19 related closures, economic output in Germany collapsed by 16 percent, according to surveys by ifo Institute, a leading economic research institution. The estimate was based on data on capacity utilisation as well as changes in sales between January and April among 8,800 German companies.

The extent to which economic activity is restricted varies from sector to sector. For example, the tourism sector has almost come to a standstill along the entire value chain because borders have been closed and events banned. The health sector or parts of the trade sector on the other hand continue to operate more or less to full extent. Many industrial enterprises are greatly affected by disrupted supply chains and other impairments on the supply and demand side. As a tendency, industries in which the risk of infection is lower, or where decentralised working is possible (working from home), are less affected.

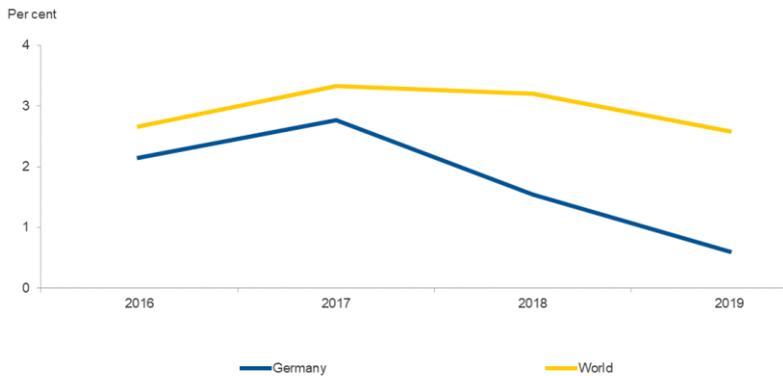
To counteract the destructive economic consequences of the covid-19 crisis, the German government has adopted several measures to support companies and employees. Amongst these is the largest economic aid package in German history, creating a protective shield amounting to approximately EUR 820 billion to support those affected by the impact of the crisis. This covers financial support to all company structures, ranging from freelancers and start-ups to large enterprises. 600 BEUR are destined specifically for large companies. The liquidity support comes both through the German state and the public credit institute KfW. The latter has secured economic coverage of approximately EUR 650 billion of its own. Furthermore, the Federal Government has given the German economy clear impulses through revising and simplifying the regulations for short-time allowance, allowing deferred tax payments and enhancing the possibilities for credit institutes to support in reconstruction through for example bonds. Apart from these national measures, Germany is also active in the discussions on the EU-level how the European Recovery Fund is to be designed and how it will relate to the multiannual financial framework to be decided in the coming months.



Despite the current situation, Germany remains the economic powerhouse of Europe which creates a really, really good environment for Swedish companies for doing business.

Managing Director Germany,
Small Swedish digital solutions
company

GDP GROWTH IN GERMANY

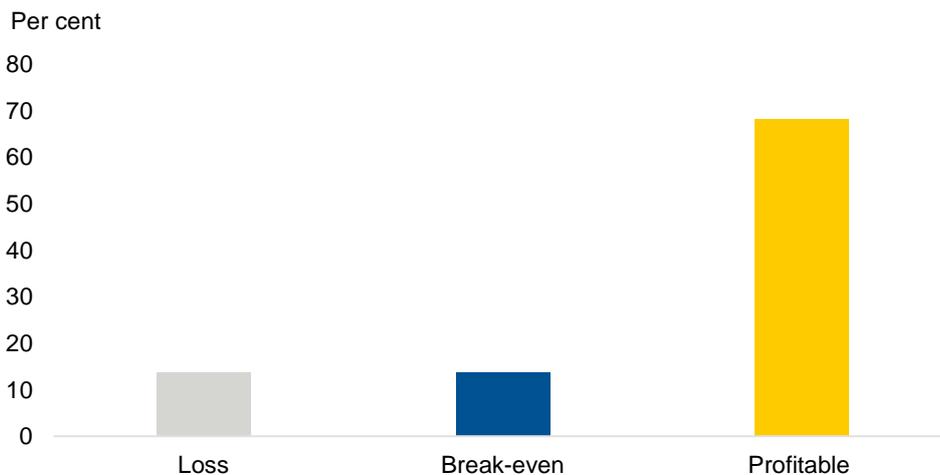


Constant prices.
SOURCE: Oxford Economics 2020-04-16.

Swedish companies look back on profitable year

Despite the slowing growth of the German economy in recent years, the vast majority of respondents in our survey report a profitable financial performance in 2019. Breaking down the respondents into company size, a more nuanced picture emerges: larger companies indicate better profitability than medium-sized or small companies. In fact, around 40 percent of small companies have reported to have only reached break-even or incurred a loss on the German market. A similar pattern emerges when looking at company experience. While around 80 percent of mature companies report profitability on the German market, newcomer companies seem to face more challenges, with around two thirds of companies reaching break-even or even incurring losses. Furthermore, compared to the category of professional services and industrial products, the German market for consumer products proved more challenging to Swedish companies in 2019 in our survey.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN GERMANY IN 2019?



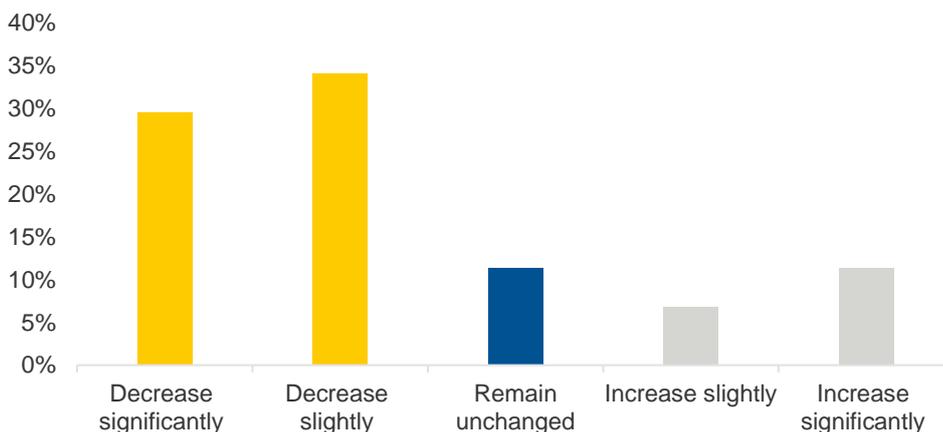
The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.

For the coming 12 months, Swedish companies who took our survey seem to have internalised the challenging business climate posed by the pandemic in their turnover expectations. Over 60 percent of respondents expect their industry's turnover to decrease either significantly or slightly, while only 18 percent expect an increase. This pessimism is most pronounced among medium sized companies, where 86 percent of respondents expect a contraction in turnover. Out of the three segments professional services, consumer products and industrials, Swedish companies active in the professional services segment are most optimistic. Swedish industrial players are least optimistic, as supply chain disruptions continue to hamper business activity.

Overall, industry forecasts paint a bleak picture for the German economy in 2020. Real household spending is expected to contract. While food and drink as well as health spending is expected to increase, all other consumer spending categories are expected to slow down. Financial insecurity caused by job losses and decreases in income is forecast to weigh on the retail sector in the near future, with non-priority retail expected to be hit hardest, according to a report by research firm Fitch Connect.

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?

Per cent



The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.

Mixed attitude towards investment

Given the uncertain and pessimistic outlook, it comes as no surprise that respondents report a mixed investment appetite for the coming 12 months. The majority of companies, 38 percent, intend to reduce their investment level slightly or significantly. Two companies indicated plans to leave the market entirely. However, there is a nearly equal number of companies that indicate that their investment plans remain unchanged in the face of the pandemic. Breaking the companies down by size provides a more nuanced picture: we find that medium sized companies are most restrictive in their investment plans, while large companies are most evenly spread across the three investment scenarios. In an interesting finding, newcomer companies are most eager on expanding their German business in the coming 12 months, showing that the current downturn has not deterred their willingness to grow.

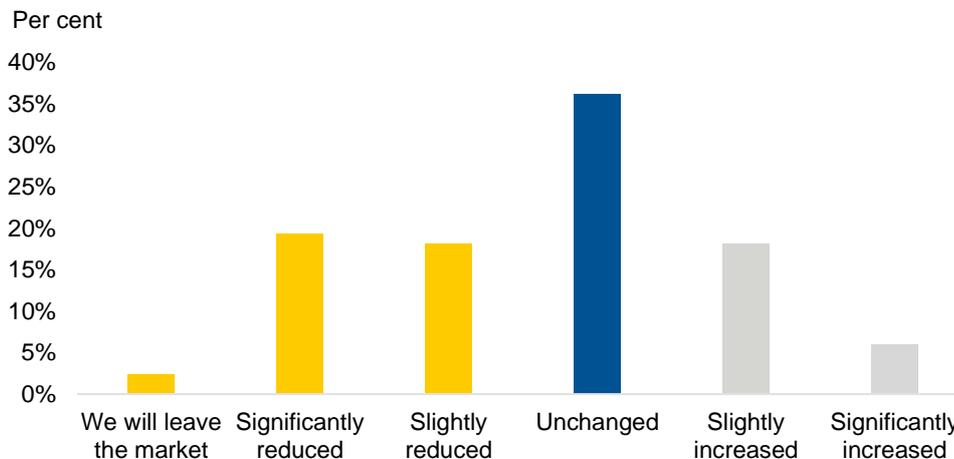


We have looked into marketing budgets and planned renovations.

Managing Director Germany,
Large Swedish retail company



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



The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.

Corona is not an expression of economic deficiency. We will therefore continue to invest because we are convinced that the market in Germany will continue to grow.

Managing Director Germany,
Large Swedish service company

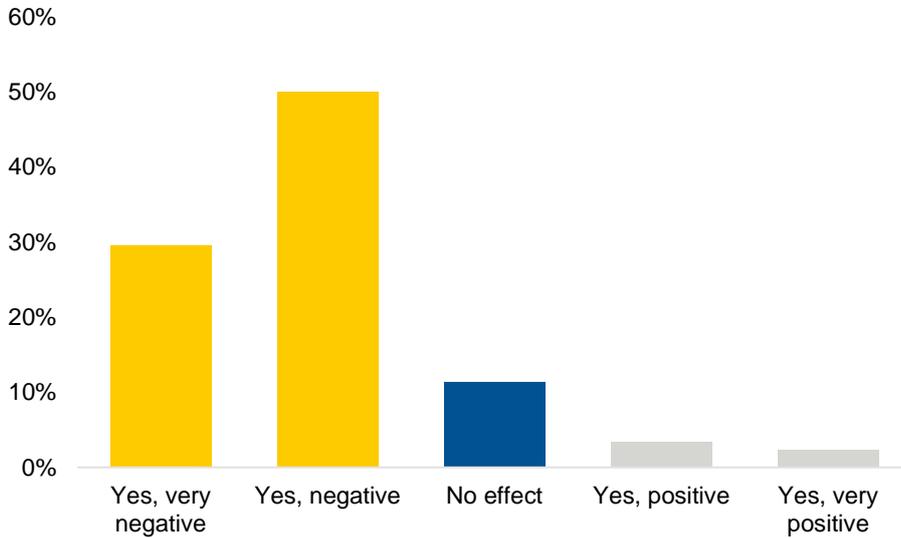
Both sales and manufacturing capacity affected

The effects of the covid-19 pandemic are already felt by German businesses. As indicated in the previous section, 18 percent of companies in Germany have cut jobs as economic output collapsed by 16 percent in the course of the lockdown. Swedish companies in our sample are no exception to these troubles. When asked about the short-term impact of covid-19 on their businesses' sales, 80 percent indicated a very negative or negative impact of the virus on their business operations. A mere 10 percent reported to experience no clear impact.

We find companies' ability to produce products and services to be impacted to a somewhat lesser extent by covid-19: here, around 50 percent of respondents indicated very negative or negative effects, while a third of respondents indicate no short-term effect. Generally, the decline in sales is most pronounced for producers of non-essential consumer goods. Companies active in food and drink as well as health and wellness products are less affected by the slump in demand.

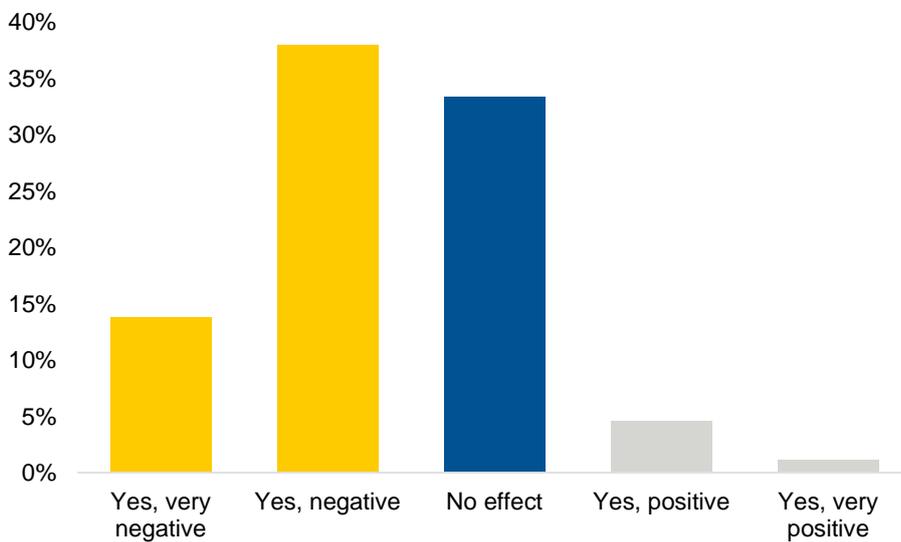
Looking at Business Sweden's export manager's index for the second quarter the outlook was unpromising, showing the largest drop within a single quarter since the survey began in 2007. However, there are large differences between geographic regions. According to Business Sweden's Chief Economist Lena Sellgren, the index for expected export demand from Western Europe has fallen significantly, but unlike other regions, is still above the level of the financial crisis from 2009.

WITH REGARDS TO THE RECENT SPREAD OF THE CORONA VIRUS, WE ASK YOU TO ESTIMATE THE EFFECTS FOR YOUR COMPANY. DO YOU SEE ANY IMPACT WITH REGARDS TO SHORT-TERM IMPACT ON YOUR COMPANY'S SALES (ALREADY FELT)?



The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.

SHORT-TERM IMPACT ON YOUR COMPANY'S ABILITY TO PRODUCE PRODUCTS AND SERVICES (ALREADY FELT)?



The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.

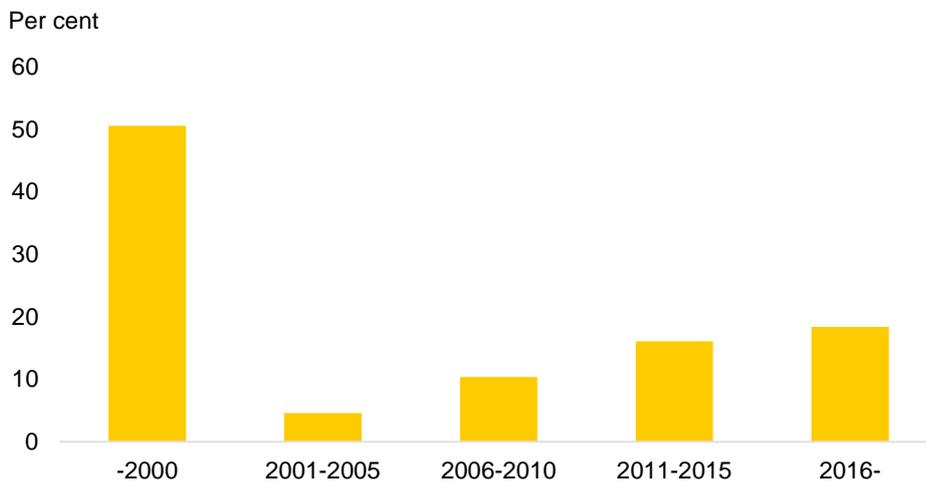
THE MARKET

Geographic proximity to the world's fourth largest economy

Germany is the world's fourth largest economy and home to 83 million people. Its infrastructure is mature and its retail market well developed. Furthermore, it has an educated workforce and ranks 17th in GDP per capita globally. Currently, it is home to 3.3 million businesses, the vast majority of which are small- or medium-sized businesses. Yet, due to the sheer size of its largest players, nearly 40 percent of German employees are employed by large corporations.

Due to its geographic proximity, ease of doing business and large consumer base, many Swedish companies choose to expand to Germany. With its location at the heart of Europe, bordering a total of 9 other countries, it is conveniently located for export to other markets. While there are many players who have been active on the German market since the last century, recent years have seen a new inflow of Swedish companies expanding to Germany. Over 30 percent of companies in this survey established operations on the German market in the past 10 years. These companies are predominantly small- or medium-sized and active within consumer products and professional services, with few large players entering the market in recent years.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN GERMANY?



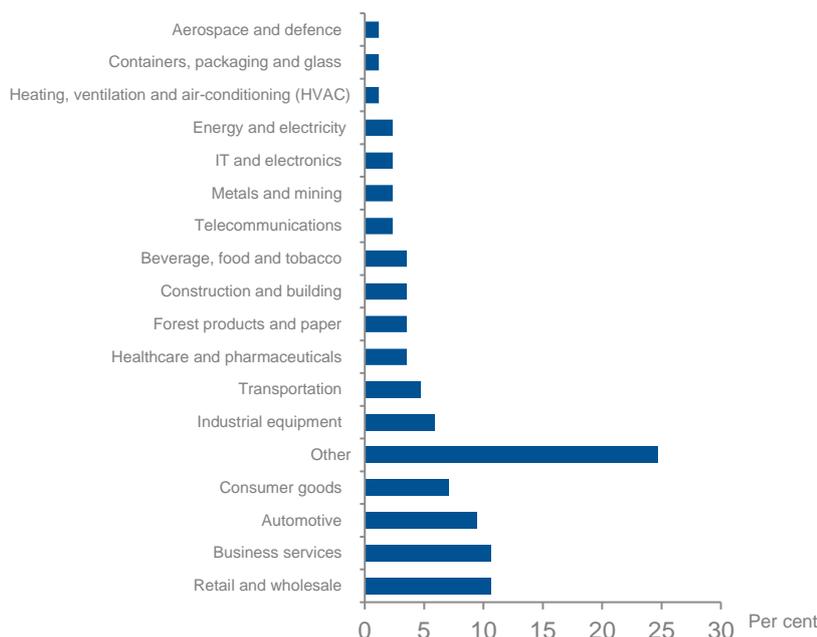
The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.



If you want to be important in Europe, you have to be in Germany.

Managing Director Germany,
Large Swedish service company

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN GERMANY?

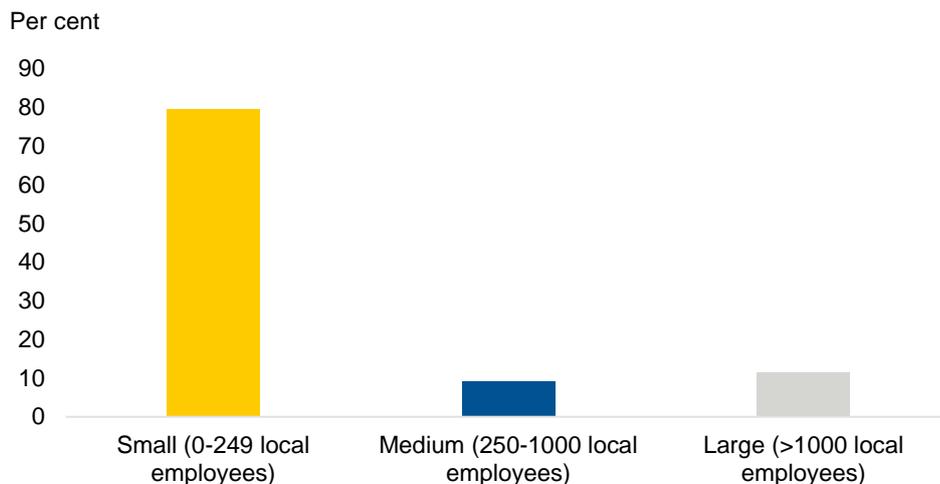


The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.

Respondents in our survey are active across a wide range of industries, with the largest share operating within retail and wholesale and business services. While not representative of the industry affiliations of the whole population of Swedish subsidiaries active in Germany, it mirrors the overall German economy very well. Here, around 70 percent of GDP originates stems in the service sector, around 25 percent from the production industry, and 5 percent from construction.

In our survey, the majority of companies employ only a small number of employees (ranging between 0-249 local employees) with only 11 percent employing a local workforce of over 1,000 employees. Unsurprisingly, we see that this holds especially true for small and medium sized businesses, and find that around 25 percent of large companies in our sample employ more than 1,000 local employees. There are no industry-differences in employment patterns. In the larger German enterprise landscape, 99.3 percent of companies have less than 249 employees, with the vast majority (80 percent) of all companies employing 9 people or less.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN GERMANY IN 2020



The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.

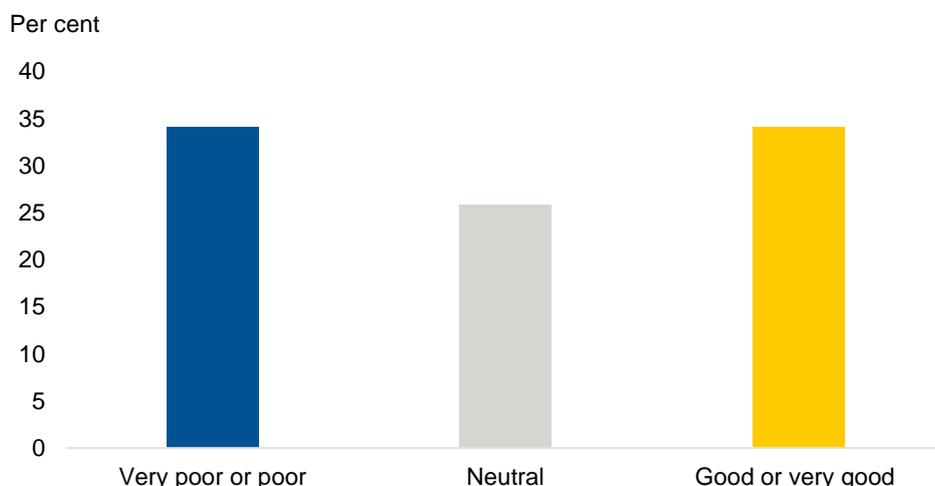
Mixed feelings about German business climate

The current business climate in Germany is challenging. After years of declining growth rates and talks about a looming recession surfacing in the past years, many managers have turned rather pessimistic when it comes to their companies' economic outlook. This has been further exacerbated by the arrival of covid-19. The business climate index published by German research institution ifo was largely stagnant until February 2020, before collapsing in March and falling to a historic low in April as the pandemic has brought large parts of the economy to a standstill. This is heavily felt across manufacturing, the service sector and trade, while the construction sector has been relatively resilient during the initial weeks of lockdown, according to Bauindustrie, a construction industry association.

In our sample of Swedish companies active in Germany, there is an equal number of respondents perceiving the German business climate as very poor or poor, as there are respondents indicating a good or very good business climate. About 25 percent of respondents see the current climate as neutral. Considering individual responses, we find that industrial companies are disproportionately represented among respondents with a more negative view of German business climate. Companies active in consumer goods on the other hand report more confidence in German business climate, with 40 percent of companies ranking it as good or very good. Breaking down the data by size, we find 50 percent of medium-sized companies optimistic about German business climate.

While the responses are certainly driven by considerations of the current economic climate, in-depth interviews with respondents revealed some of the other challenges Swedish companies are facing in the German market. The ongoing structural shift in the German automotive industry, for example, has introduced a high degree of uncertainty and made business dialogues and planning more difficult. Furthermore, during deep-dive interviews, some respondents reported a certain kind of "protectionist mindset", where customers like to buy German and demand a German reference from foreign companies. A final factor that proves challenging to Swedish companies is the lack of centralization and the importance of regional characteristics: Germany has several economic centers and each follows their own regional network and custom.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN GERMANY?



The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.

Swedish companies are satisfied with business framework

There are a number of factors that determine whether or not the business environment is conducive to success. We asked Swedish companies to evaluate to which degree certain factors met their needs in the German market. On average, respondents gave the highest score to personal safety in Germany. Companies did not face many barriers in access to other market actors such as distributors, suppliers and service providers and found the availability of financial and physical infrastructure satisfying. Trailing on the lower end of scores is the labor market regulation, corporate taxation and level of digitalization. Especially labor costs are perceived as high and the level of taxation is perceived as rather high, as is the cost of energy.

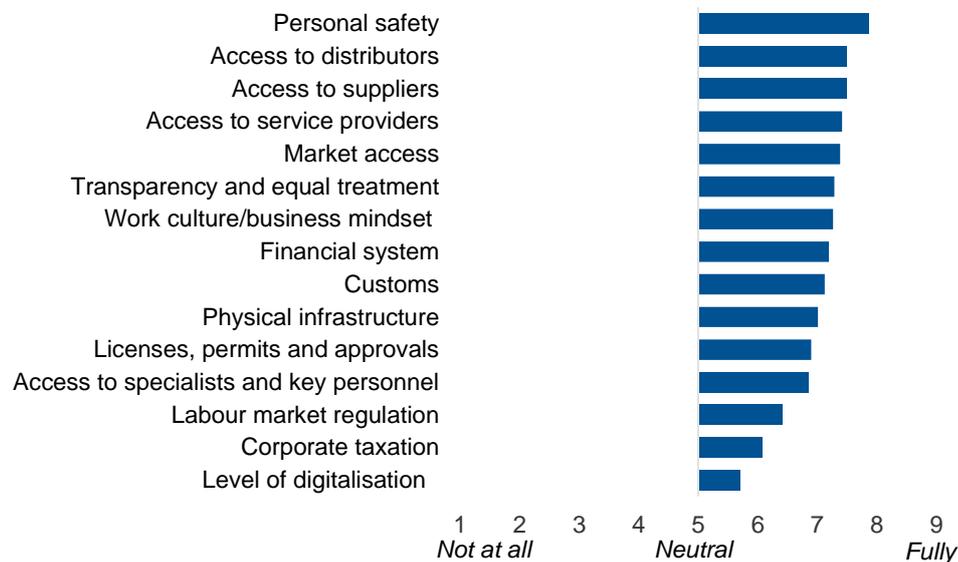
In light of Germany's industrial prowess, foreign companies are often surprised at the low degree of digital development in Germany. While Sweden scored second in the European Digital Economy and Society Index (DESI) in 2019, Germany merely ranked 12th. On the one hand, this can pose a challenge for Swedish companies seeking to enter the German market who may find the digital infrastructure unsatisfactory, compared to their home market. On the other hand, however, this can provide a significant opportunity for innovative Swedish companies who have gained experience and use cases on Sweden's early adopter market. This head-start may lend them the necessary credibility for market access in Germany and provide them with a first-mover advantage.



Digitalization hasn't come so far in Germany which means that there are many opportunities especially for Swedish companies.

Managing Director Germany,
Small Swedish digital solutions
company

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



The number of respondents for this question was 88.
 SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.

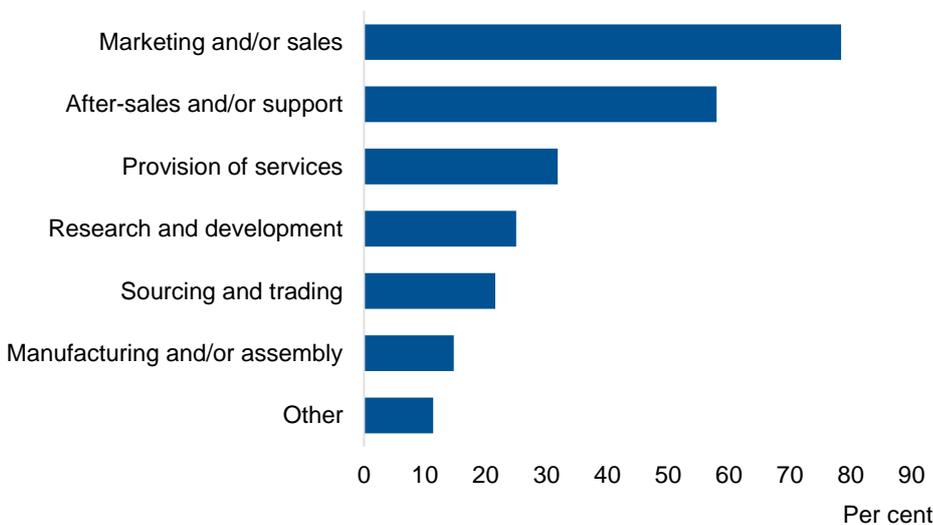
HOW SWEDISH COMPANIES SUCCEED IN GERMANY

Companies' local operations focused on sales and marketing activities

When asked about the kinds of operations undertaken by their company on the German market, most respondents reported sales and marketing activities. Only 15 percent of companies in our sample utilise the German business ecosystem for manufacturing or assembling their products. Around 25 percent of respondents perform research and development in Germany.

Marketing and sales is particularly important for small companies and companies active in consumer products, while manufacturing and research and development plays a relatively larger role for medium and large companies.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.

Competitiveness driven by sales competence

Overall, there are a number of factors that equally contribute towards driving Swedish companies' competitiveness in the German market. In line with our previous finding that Swedish firms are predominantly engaging in marketing and/or sales operations in Germany, it is not surprising that the most important factor named by the respondents in our sample is sales competence, indicated by around 60 percent of the companies. This is followed by brand awareness, indicated by over 50 percent of the respondents. Public affairs work, i.e. maintaining relations with the government, has been ranked as negligible for maintaining competitiveness in Germany.

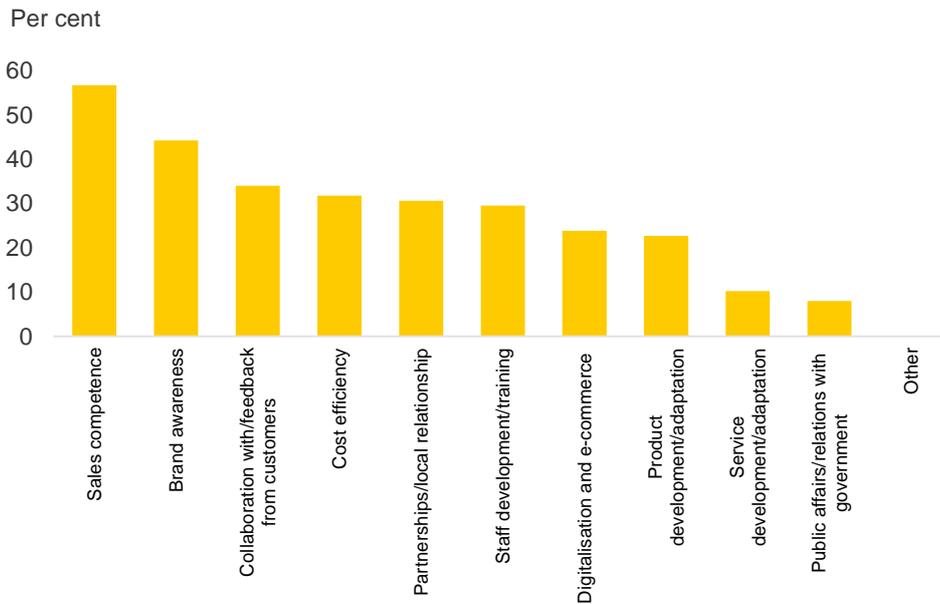


On paper, there are many reasons not to be here: High labor costs, tax rates, energy prices. But the German market is very exciting and if you use good personnel efficiently, you have the basis for success.

CFO Germany,
Large Swedish industrial
company

In line with our previous findings, sales competence is disproportionately more important for small companies in the German market. Large companies, on the other hand, indicate a close collaboration with customers as a key factor for competitive edge. Unsurprisingly, brand awareness is relatively more important for consumer products than for industrial products, while the reverse applies in the area of product development and adaptation.

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



The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.

“Swedish brand” supports companies’ value propositions

Germans have a very positive view of Sweden and associate it strongly with innovation and sustainability, among others. Sweden’s reputation has been largely stable over the years, with a high degree of trust placed in the Nordics generally. The vast majority of companies in our sample reports that this “Swedish brand” positively contributes to their business activities in Germany. Companies active in consumer products especially benefit from the positive attributes connected to the Swedish brand. Twenty percent of professional service providers, however, report that it has no or only little impact on their business success.

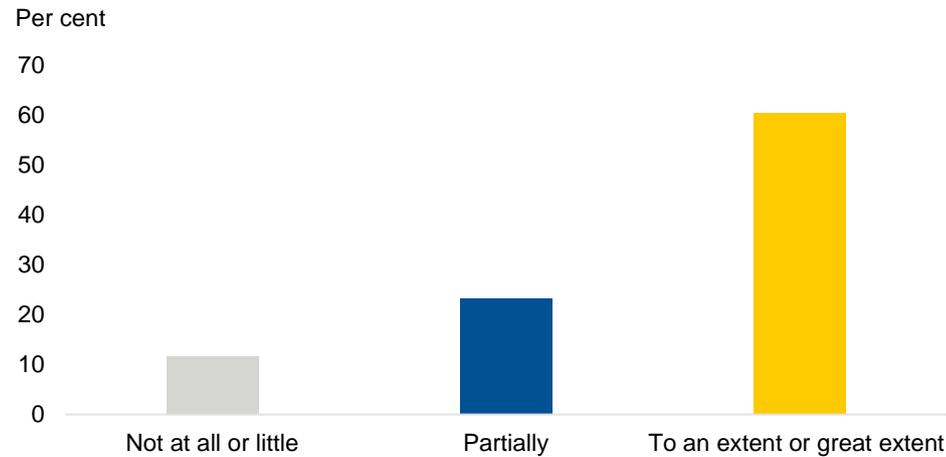
In interviews with companies in our sample, some reported that the German and Swedish mentality are perceived as more similar than, for instance, the German and southern European states. Similar to Germany, Sweden is known for quality engineering and associated with a high degree of openness and trustworthiness, as well as trust in the government. Furthermore, and of increasing importance, is Sweden’s reputation for sustainability and respect for nature.



The combination of German and Swedish mentality is a good mix, there are many similarities and that goes well together.

Managing Director Germany, Large Swedish retail company

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



The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.



Sweden is perceived positively in Germany. The values that Sweden stands for, down-to-earthness, responsible treatment of nature, equality, are highly valued in Germany. And we profit from this.

Managing Director Germany,
Large Swedish retail company

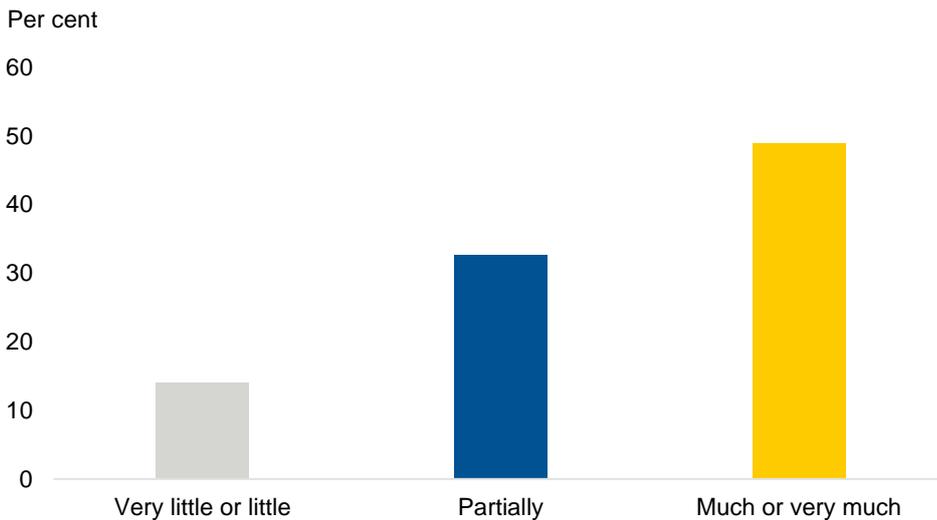
ACTING SUSTAINABLY

Purchasing decisions are increasingly driven by sustainability considerations

Swedish companies operating in Germany find their customer base to be increasingly driven by sustainability considerations. Half of the respondents reported that their customers consider environmental aspects of a product or service in their purchasing decision either very much or much. This is particularly true for consumer and industrial products, where agreement among respondents rose to 59 and 54 percent respectively. Only 14 percent of companies in our sample indicate that environmental sustainability only played a very little or little role in the purchasing decision. This share is relatively higher for small companies, where 25 percent report that environmental aspects play a small or no role.

When elaborating on their answers, Swedish companies report that they experience an increasing interest in sustainability in Germany. Sustainability is reported to be a “must-have” for packaging and large German companies have publicly pledged to become carbon neutral within the next decade. Respondents particularly see this shift towards more sustainability-oriented purchasing decisions among younger German consumers. They also note that ultimately, purchasing decisions are traditionally cost and efficiency driven – and this factor will continue to make the difference.

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?



The number of respondents for this question was 88. “Don’t know/Not applicable” responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.



The automotive industry is increasingly demanding carbon-neutral production or at least to compensate for it.

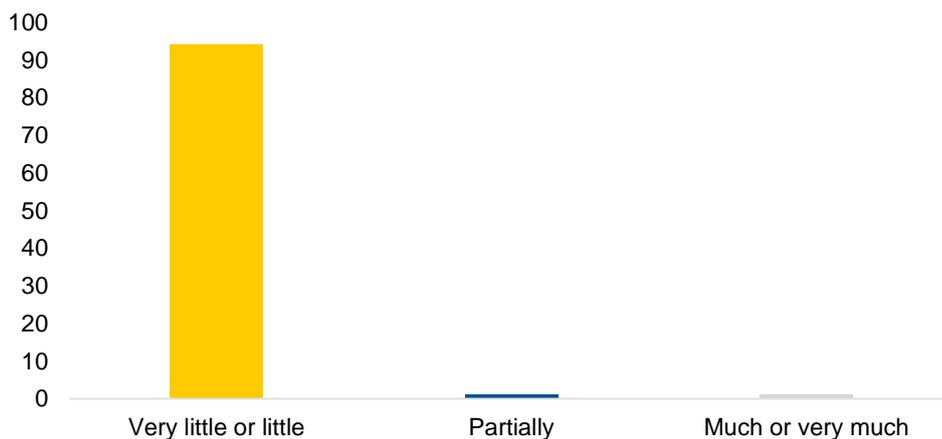
CFO Germany,
Large Swedish industrial
company

Corruption is no concern in Germany

Sustainable business practices include sustainable corporate governance. Healthy corporate governance is affected by the prevailing business environment of a given country. When asked whether corruption affects their business practices in Germany, the Swedish companies in our sample nearly unanimously reported that corruption in Germany affects their business only to a very little or little extent. This result holds true across company sizes and industries.

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

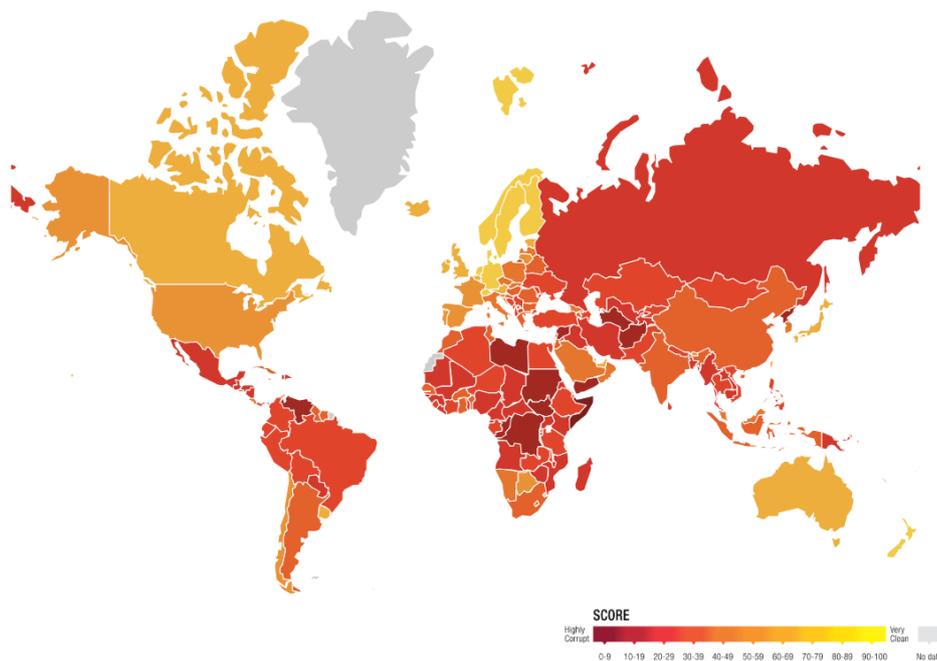
Per cent



The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.

The global Corruption Perception Index (CPI) mirrors this finding. First launched in 1995, Transparency International publishes the CPI on a yearly basis, to put policy on the international policy agenda and track corrupt corporate and public governance. The Nordic economies stand out as leaders on the CPI, with Denmark, Finland, Sweden, Norway and Iceland taking five of the top eleven places. In 2019, Germany ranked 9th in the global comparison. While strongly perceived as a country of orderly business practices, it played a role in the money laundering scandal at Danske Bank, Denmark's largest bank. Deutsche Bank was investigated in 2019 for their role in handling suspicious payments from high-risk non-resident clients.

CORRUPTION PERCEPTION INDEX 2019



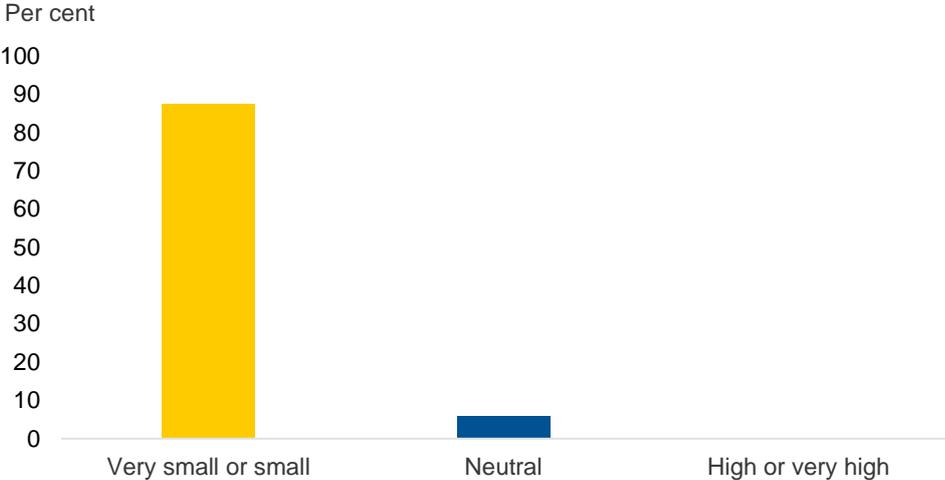
SOURCE: Transparency International.

Low perceived risk of human rights violations

Complementing its reputation and score as a country with a low degree of corruption, Germany also enjoys a positive reputation around upholding human rights. Among our respondent companies, 85 percent report a very small or small risk to encounter human rights violations and/or labor rights abuses when conducting business in Germany. There were no companies in our sample that perceived an elevated risk of human rights violations in their business practice.

Breaking down responses by industry, however, we find that 18 percent of consumer companies rank the risk of encountering human rights violations as only neutral. When filtering by company size, no specific pattern emerges.

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



The number of respondents for this question was 88. Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in Germany 2020.

CONCLUSION

Germany will remain an important market for Swedish companies

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 and shed light on the key factors driving Swedish companies' success as well as their challenges in the face of the current climate of uncertainty.

There is no doubt that the spread of covid-19 has interrupted global business-as-usual, by disrupting supply chains, halting economic activity and triggering far-reaching government responses. While the findings in our survey show that covid-19 has reduced respondents' short-term appetite for investment as well as their current sales and near-term sales expectations, in-depth interviews with respondents have shown that Germany remains an important market for Swedish companies. Companies in our survey benefit from the strong positive associations of the "Swedish brand" as innovative, sustainable and trustworthy, as well as their edge in digital solutions vis-à-vis the lagging German digitalization. Under pre-crisis conditions in 2019, they vast majority enjoyed profitability on the German market and there is a sense of confidence in the strength of the German economy to return to growth.

