



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN THE UNITED STATES 2022

A REPORT FROM TEAM SWEDEN USA

KEY CONTRIBUTORS TO THIS REPORT

Business Sweden in the US

Swedish American Chambers of Commerce in the US

Swedish American Chamber of Commerce in New York

Embassy of Sweden in Washington DC

Consulate General of Sweden in New York

© Team Sweden USA 2022, all rights reserved. This study may not be reproduced either in part or in full without prior written consent of Team Sweden and its constituents in the USA

FOREWORD

US-Sweden trade ties continue to be strong, despite an increasingly volatile global market. In this year's Business Climate Survey, a majority of respondents signal continued confidence in the US market by increasing their local investments and raising expectations of US revenue growth. Moreover, they continue to perceive the US business climate as generally stable and favorable. This is further supported by the fact that the US is the leading location for Swedish foreign direct investment.

However, the US's post-Covid economic recovery faces several challenges. Significant inflation at home, combined with a European energy and security crisis driven by Russia's invasion of Ukraine, as well as persistent Covid-19-related lockdowns in China, have significantly dampened growth prospects. US labor shortages are becoming rampant and hurt the competitiveness of many firms by restricting talent acquisition and retention. Inability to find the right personnel, or meeting rising wage demands, is a key barrier to growth among most of the Swedish companies interviewed.

Moreover, US trade and industrial policies are increasingly characterised by a domestic focus. This push is especially pronounced around manufacturing, with a revised Buy American Act at its center, aiming to significantly increase the domestic content requirement in public procurement. Customs duties, customs procedures and other regulations continue to be perceived as impediments to Swedish-US trade among respondents – although only a minority of respondents express these barriers as having a noticeably negative impact on operations.

A more inward-looking US economy may also have reduced the benefits of being explicitly branded as a Swedish company. We note a clear drop in the extent to which survey respondents perceive the Swedish brand as helpful to their US business success. While a vast majority still consider the Swedish brand as at least partially positive, these benefits seem to be highly context-driven.

At the same time, there are unique opportunities in the US market, as both the private and public sector accelerate efforts to realize a generation-defining energy transition, with the aim of a carbon-free economy by 2050. The Biden Administration's \$1.2 trillion Infrastructure Investment and Jobs Act (IIJA) is perhaps the most significant federal government move in this direction – unlocking massive funds over the coming decade. Moreover, the eleventh-hour Inflation Reduction Act (IRA) – which is set to provide an additional \$369 billion in federal cleantech spending – enables an unprecedented US effort to address climate change, if passed. In 2021 alone, the US poured \$114 billion into low-carbon energy projects – accounting for 15 per cent of global investments. Rapid growth is expected in the development and deployment of mature technologies like solar and wind power as well as batteries, electric vehicles, and related infrastructure, but also across emerging technologies such as long-duration energy storage systems, advanced biofuels, nuclear SMRs, carbon capture and storage, and green hydrogen production.

The time is now for Swedish firms to seize these US energy transition opportunities. As always, Team Sweden is here to support both small and large business in all their US growth endeavors – be it with physical office space, a local incorporation, partnership networks, policy intelligence, or strategic business advice to validate product-market fit and determine the best go-to-market strategy. On a final note, we would like to extend our most sincere gratitude to the Business Climate Survey respondents for their invaluable contributions to this report. Together, we will continue to seek opportunities for growth and mutually beneficial trade, despite global economic uncertainty and turmoil.



Ambassador Karin Olofsdotter
Embassy of Sweden in
Washington DC



Vlad Månsson
Country Manager USA,
Business Sweden



Karin Hammar
Executive Director,
SACC-USA



Camilla Mellander
Consul General,
Consulate General of
Sweden in New York



Anna Throne-Holst
President, SACC-NY

EXECUTIVE SUMMARY

RESPONDENTS	88	Number of Swedish companies with US operations that responded to the survey
	> 600	Number of Swedish companies with US operations that were contacted for the survey
ECONOMIC OUTLOOK	80%	Share of respondents expecting higher turnover for their US operations in 2022 versus 2021
	75%	Share of respondents moderately or severely concerned with the impact of inflation on their ability to do business in the US
MARKET BARRIERS		Physical infrastructure is the business condition that least meets the respondents' needs – but only 6% criticize the general business climate
		Customs duties and procedures continue to be the trade barriers which most commonly have a negative impact on respondents' business
MARKET FOCUS		Among respondents, 50% prioritize California for growth investments, followed by New York (39%), Texas (32%), Florida (27%) and Illinois (16%)
	39%	Share of respondents that think the “Swedish brand” contributes greatly to their business – a significant reduction from the 2021 survey
SUSTAINABILITY	50%	Share of respondents that think US customers consider environmental aspects moderately, much, or very much in purchasing decisions
	\$114bn	Billion dollars spent on the US deployment of energy transition technologies in 2021 – accounting for 15 percent of global spend

ABOUT THE SURVEY

Report on Swedish business activity in the US

The Business Climate Survey is a tool used by Team Sweden to map the opportunities and challenges Swedish companies face when doing business across the world. This survey observes how Swedish companies operating in the US perceive market conditions and the economic prospect of their businesses – and whether these views diverge across company types. The Business Climate Survey for the US market will be conducted regularly in the future to track and analyse changes.

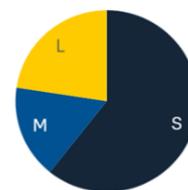
Today, it is likely that more than a thousand Swedish or Swedish-affiliated subsidiaries are active in the US. More than 600 Swedish companies were contacted to partake in the 2022 Business Climate Survey with answers collected during March and April 2022. Selected companies were interviewed to ensure a deeper understanding of the factors driving their responses. This year's Business Climate Survey received a total of 88 responses.

This report is presented in four main sections. Firstly, we elaborate on the economic situation in the US, including respondents' business performance and outlook. Secondly, we focus on the respondents' view on the US business climate in general and which market conditions improve or hurt their commercial success. Thirdly, we cover Swedish companies' operations and perceived success factors in the market. Lastly, we explore sustainability-related factors and their effects on the market.

60 per cent of respondents were small-sized companies, followed by large-size companies (23 per cent) and medium-sized companies (17 per cent). The diverse range of business areas represented in this report are grouped into three broad categories: professional services representing 43 per cent of respondents, followed by industrial companies (31 per cent) and consumer companies (13 per cent). An additional 13 per cent of respondents did not indicate which category was applicable to them. When excluding the non-respondents, the category distribution is 50 per cent professional, 36 per cent industrial and 14 per cent consumer companies as outlined in the pie-chart.

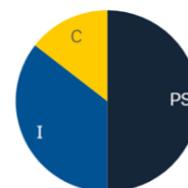
In terms of age or time of establishment in the US, experienced companies represent 41 per cent of respondents, followed by mature companies (37 per cent) and newcomers (22 per cent). It should be noted that the size and industry composition of our respondents is not representative of the overall American business landscape. Any of the statistics presented in this report are solely indicative of our respondents' experience in the US. Due to the limited sample size, segmented analyses are also held to a minimum, as the significance of such results are highly uncertain.

SIZE OF COMPANIES



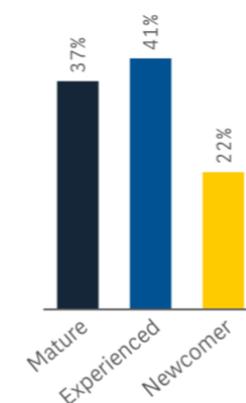
NOTE: Global employees. Large >1000 (23%), Medium 250-1000 (17%), Small 0-249 (60%).

MAIN INDUSTRY



NOTE: 50% Professional. 36% Industrial. 14% Consumer.

AGE OF COMPANIES



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

ECONOMIC OUTLOOK

US recovery faces several challenges

After a historic pandemic-induced downturn – with a record 31.4 per cent plunge in annualised real GDP change in the second quarter of 2020 – the US economy experienced a strong recovery in 2021. The US Bureau of Economic Analysis noted an average real GDP growth of 5.7 per cent for 2021 – the highest annual figure since 1984.

However, the first and second quarter of 2022 saw a reversal – with annualised real GDP declining by 1.6 and 0.9 per cent, respectively.¹ The US thus entered a technical recession.² By July, the annual rate of consumer-price inflation was 9.1 per cent and average hourly wages were 5.2 per cent higher than the previous year. The Federal Reserve, America’s central banking system, has raised interest rates to combat inflation, while a European energy and security crisis as well as persistent Covid-19-related lockdowns in China continue to hinder global trade – all which lessen growth.

▶ **America’s central banking system has raised interest rates to combat inflation**

Many economists now warn of a prolonged recession in the US. As of April, Oxford Economics still projected US growth for 2022 as a whole, but uncertainty remains, mainly relating to Fed policies, the Ukraine War, and pandemic-induced supply bottlenecks.

PROJECTED GDP GROWTH IN THE US



SOURCE: Oxford Economics, GDP, real, annual growth. Last update: 15 July 2022.

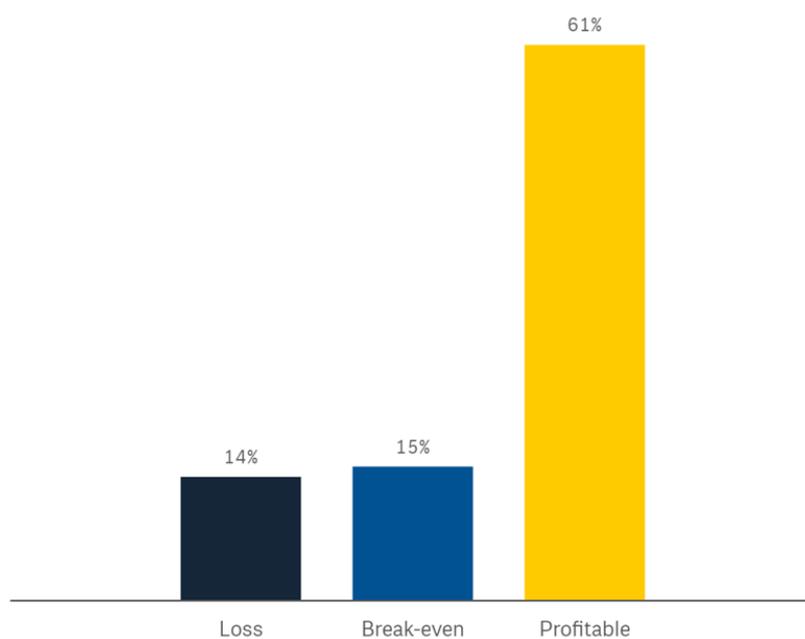
¹ The figure for 2022 Q2 is an advance estimate by US BEA, subject to revision when more data is available

² The most widely accepted definition of a recession is two consecutive quarters of declining GDP

2021 was profitable for most respondents

Among Swedish companies responding to the Business Climate Survey, 61 per cent reported a profitable financial performance in 2021 – while 15 per cent broke even, and 14 per cent registered a loss. An additional 10 per cent of respondents did not indicate their profitability. When excluding these “non-respondents” (i.e., answering “Don’t know/Not applicable”), the share of profitable respondents was slightly higher for 2021 (67 per cent) compared to 2020 (63 per cent) – in line with expectations, given the post-pandemic economic recovery.

HOW WOULD YOU DESCRIBE YOUR COMPANY’S FINANCIAL PERFORMANCE IN THE US IN 2021?



NOTE: The number of respondents for this question was 88. “Don’t know/Not applicable” responses are included but not shown in figure.

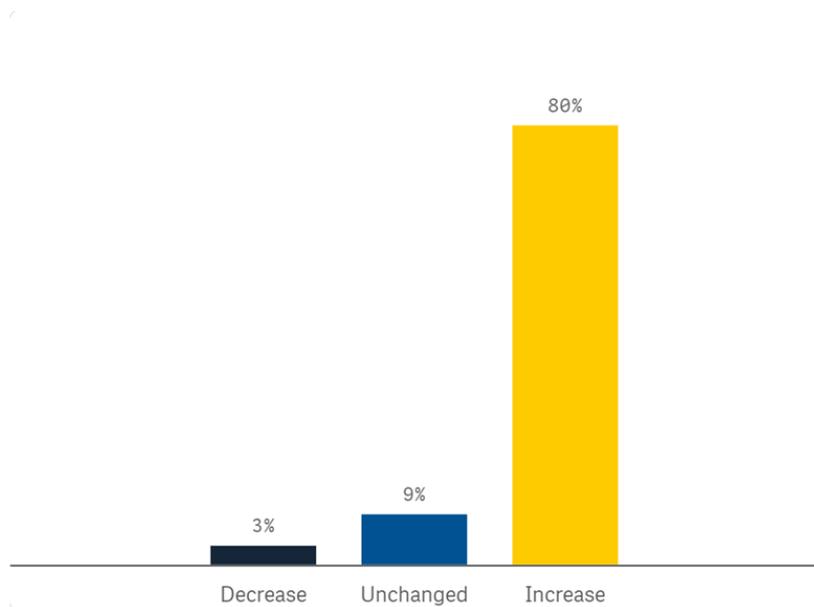
SOURCE: Business Climate Survey for Swedish Companies in the United States 2022.

Looking ahead, Swedish company respondents are overwhelmingly optimistic about turnover growth in their respective industries over the coming 12 months – with 80 per cent of respondents expecting increased turnover, nine per cent expecting unchanged turnover, and three per cent expecting a decline. An additional eight per cent did not indicate their expectations. When excluding non-respondents, turnover optimism was slightly higher in 2022 (87 per cent) compared to 2021 (82 per cent).

Clearly, increasing uncertainty around economy-wide US growth is not reflected in respondents’ expectations of their own business growth. It is possible that this is partly affected by comparably greater uncertainty in other regions around the world, contributing to the US being viewed as a relatively thriving and stable haven. Business Sweden’s Export Managers’ Index (EMI), which reflects sentiment among Swedish exporters of goods and services, indicated a major tumble in expected export demand around the world for the second quarter of 2022 – in every region except the Americas. North America remains the region where export managers expect the most demand, while the Central and Eastern Europe index collapsed in light of the Ukraine War.

▶ **Respondents are overwhelmingly optimistic about turnover growth over the coming 12 months**

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



NOTE: Decrease and increase represent aggregations of slight / significant development changes. 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 the United States 2022.

Overwhelming majority of respondent plan to increase US investments

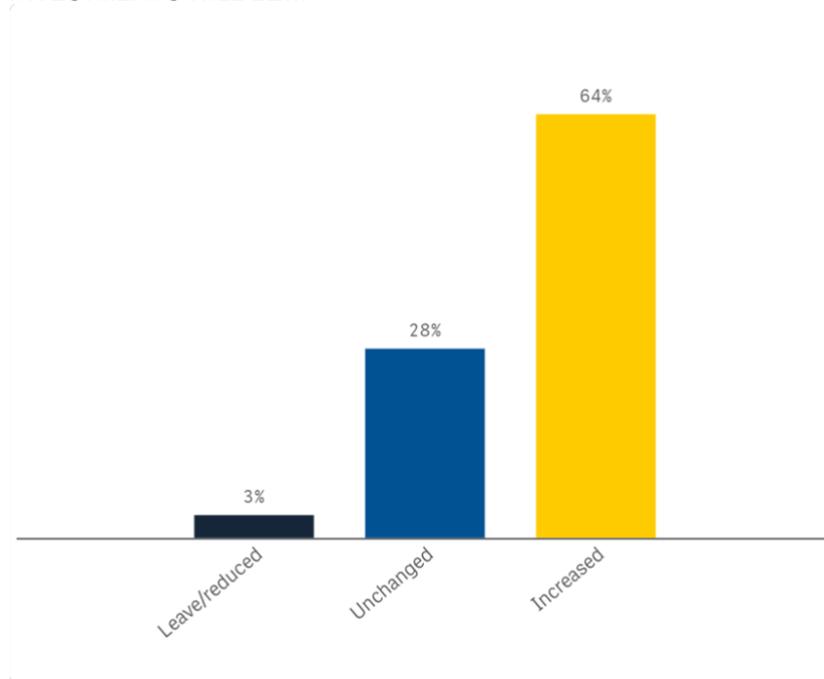
The US continues to be a prime destination for Swedish foreign direct investment (FDI).³ The US is home to the highest amount of Swedish FDI assets, accounting for 18.5 per cent of Sweden's global share – a rise from the 15 per cent annual average of the preceding three years, placing Sweden as the 15th largest investor in the US. Furthermore, a 2019 Business Sweden analysis showed that the 100 largest Swedish companies with international presence derived an average 25 per cent of their global revenue from US sales.

Among survey respondents, 64 per cent plan to increase US investments in the coming year, while 28 per cent plan to maintain investment levels and only three per cent plan to reduce investments or exit the market entirely. When excluding non-respondents, the share of respondents planning to increase investments increased slightly in 2022 (67 per cent) compared to 2021 (64 per cent). However, by the same measure, the respondents who plan to reduce or leave the market increased in 2022 (three per cent) compared to 2021 (two per cent). These lower-end discrepancies should be taken with some care, given the small sample size and the relatively high impact of individual respondents.

³ The Swedish Statistical Agency, SCB, has yet to release data for 2021

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

INVESTMENTS WILL BE...



NOTE: Reduced and increased represent aggregation of slight/ significant development changes. 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 the United States 2022.

Inflation is a major concern among respondents

Supply chain bottlenecks, strong and latent consumer demand, and political overstimulus of the economy, have together contributed to exceptionally high inflation in the US – not seen since the early 1980s. Among economists, initial predictions of temporary inflation are giving way to expectations of a more persistent high-inflation business climate.

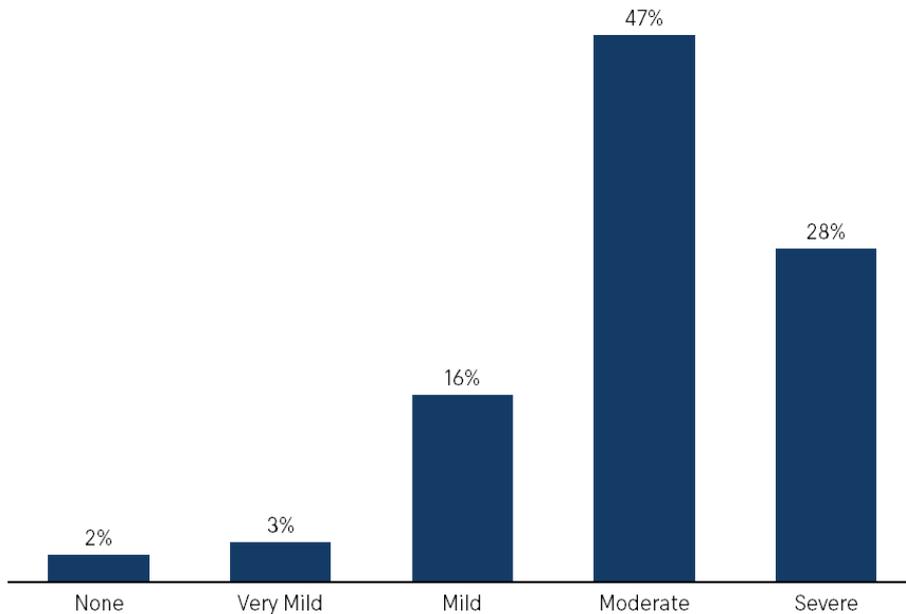
Concerns related to the inflation are evident among survey respondents, with 75 per cent indicating moderate or severe concern with the effects of high and persistent inflation on their ability to do business in the US. Only two per cent indicated no concern, while another 19 per cent indicated very mild or mild concern.

Rising inflation is intensifying pre-existing problems with talent acquisition and retention, as smaller firms struggle to keep pace with rising wages while protecting their bottom line. Some interviewed companies note that this has coincided with lower supply of highly skilled workers, as immigration policies have tightened and made it both more complicated and costly to recruit non-citizens for work in the US.

“ I’m less concerned that we won’t be able to raise prices in line with inflation. I’m more concerned with attracting talent. In this, we literally compete with the likes of Google and Facebook.

Chief Solutions Officer
Software Development Company

HOW WOULD YOU DESCRIBE YOUR CONCERN WITH THE EFFECTS OF HIGH AND PERSISTENT INFLATION ON YOUR ABILITY TO DO BUSINESS IN THE US?



“It’s always been hard to find talent in the US, but now it’s worse. We see dramatic inflation in wages.

Chief Executive Officer
Safety Equipment Manufacturer

NOTE: Reduced and increased represent aggregation of slight/ significant development changes. 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 the United States 2022.

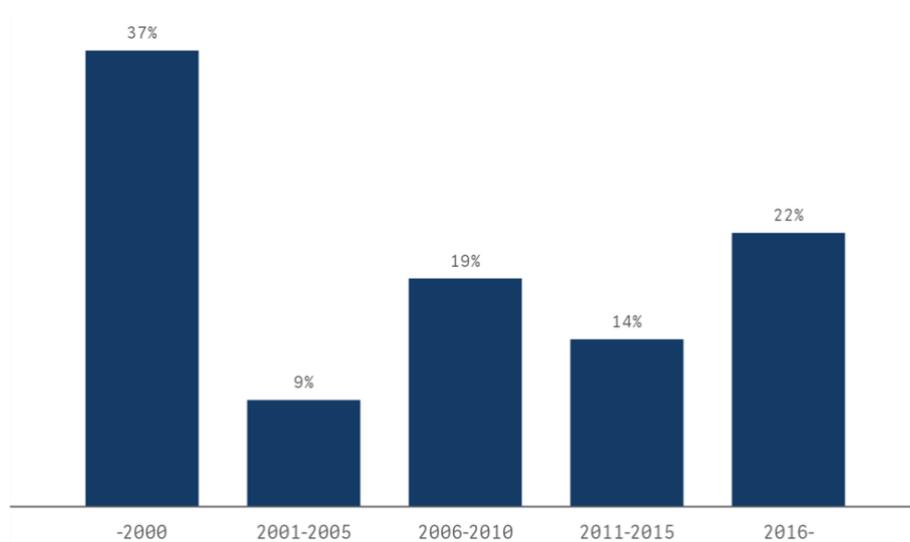
THE MARKET

Massive size, affluence, diversity, and rule of law continue to characterise the US market

The US's \$23 trillion economy continues to be the world's largest at the country level – followed by China at roughly \$18 trillion, or 22 per cent lower. Among countries with at least 10 million inhabitants, the US – with just over 330 million people – has the highest per-capita GDP, estimated to roughly \$69,000 (current dollars) per year in 2021, according to the World Bank. This is also reflected in a labor productivity which ranked seventh among OECD countries in 2021 – at \$73.4 per hour worked. Its economy ranks as one the most complex and diversified in the world, placing ninth in the MIT and Harvard-developed Economic Complexity Index (Sweden ranks in seventh place).⁴ Moreover, the economy is characterised by relatively open markets and the rule of law, according to an annual global survey by the Heritage Foundation, a conservative US think tank. Taken together, the US becomes a highly significant market due to its institutional coherence, consumer affluence, and production capabilities. For many companies, it also serves as an entry point to the Canadian, Mexican, and Latin American markets.

As such, the US continues to attract Swedish companies. While a majority of survey respondents have been in the US market for more than a decade, 22 per cent entered as recently as post-2015.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN THE US?



NOTE: 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 the United States 2022.

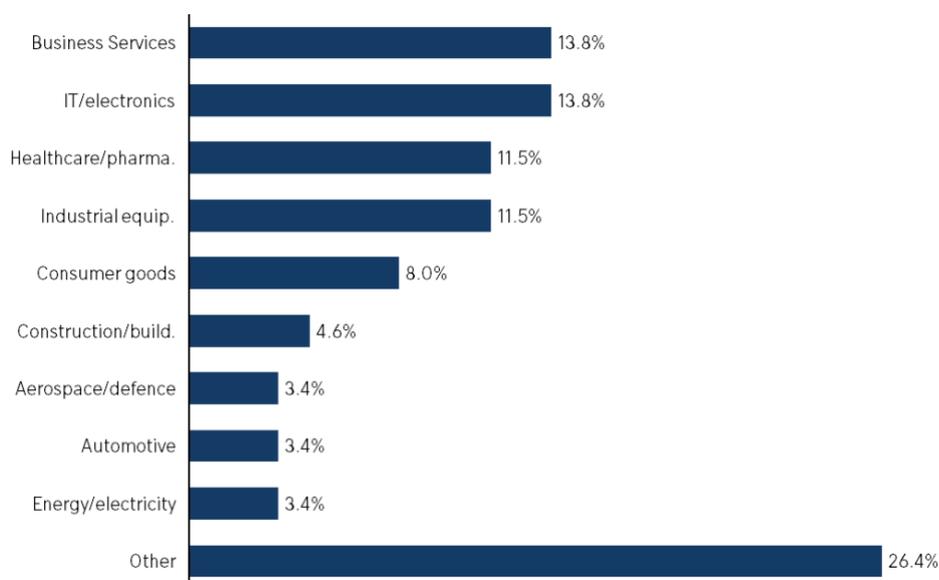
⁴ The Economic Complexity Index is a ranking of countries based on the diversity and complexity of their export basket. High complexity countries are home to a range of sophisticated, specialized capabilities and are therefore able to produce a highly diversified set of complex products.

In 2019, 6.1 million employer firms⁵ operated in the US – of which 89 per cent employed fewer than 20 people, according to the US Bureau of Labor Statistics. However, these very small firms only employed 16 per cent of the total employer firm workforce. In fact, the 0.2 per cent of US companies that employ more than 1,000 people account for 48.2 per cent of the employer firm workforce – illustrating the essential and skewed role of big business in the US economy. Among global Fortune 500 companies, 126 were American in 2021 – decreasing from 133 in 2017 and marking the first year that China has led the count with 135 companies (up from 109 in 2017).

In addition to employer firms, there were 26.5 million nonemployer businesses in 2018 (the latest available Census Bureau data). Taken these into consideration, 98 per cent of US businesses have fewer than 20 workers.

The 2022 survey respondents are active in a wide array of industries, but roughly half are active across four categories: business services, IT and electronics, healthcare and pharmaceuticals, and industrial equipment. A majority of them have a global workforce of fewer than 250 employees – while 16 per cent have 250 to 1000 employees and 22 per cent have more than 1000 employees globally. Naturally, these companies have a smaller workforce in the US. Among the respondents, 85 per cent had fewer than 250 US full-time employees, five per cent had 250-1000 and seven per cent had more than 1000 US employees, respectively.

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN THE US?

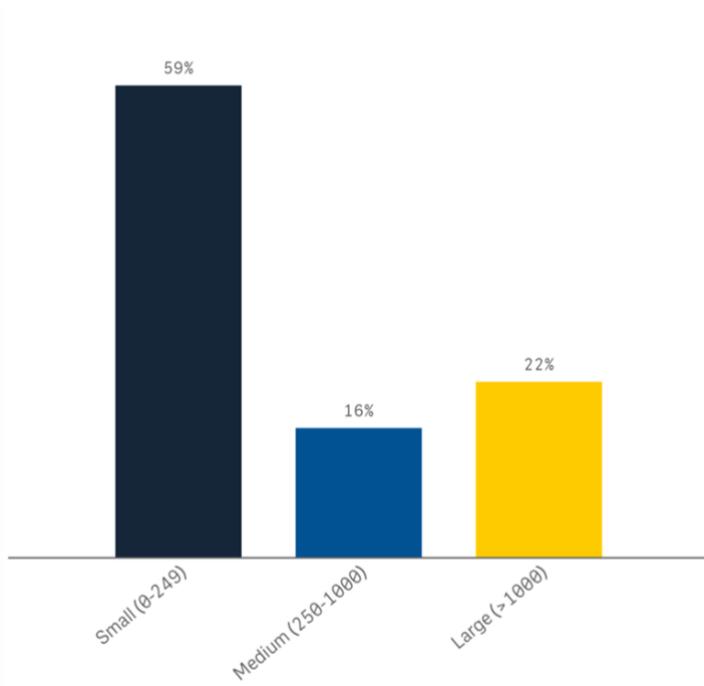


NOTE: The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in the United States 2022.

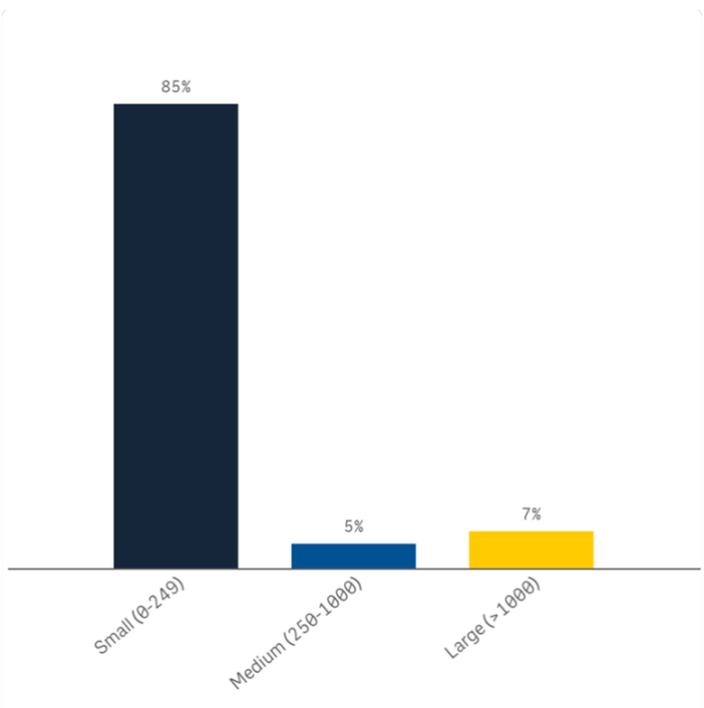
⁵ Employer firms differ from nonemployer firms, the latter of which have no employees

PLEASE ESTIMATE: A) THE GLOBAL NUMBER OF EMPLOYEES (FULL-TIME RESOURCES) IN YOUR COMPANY IN 2022



NOTE: 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 the United States 2022.

PLEASE ESTIMATE: B) THE LOCAL NUMBER OF EMPLOYEES (FULL-TIME RESOURCES) IN YOUR COMPANY IN 2022



NOTE: 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 the United States 2022.

Labor shortages have become a pressing issue in the US. In March 2022, the country had 11.5 million jobs to fill and not enough workers to do so – with only 6 million unemployed people in the labor force. Moreover, labor force participation has decreased from 64.4 per cent in 2010, to 63.6 per cent in 2019, and its current level of 62.2 per cent, according to the US Census Bureau.

This is partly driven by a higher rate of early retirements – a trend which was accelerated by the pandemic. In 2015, roughly 17 per cent of the US’s working-age population (i.e., 16 to 64 years) was retired. Today, that figure is almost 20 per cent. One study estimates that the US economy would have 2.4 million fewer retirements by 2022, had the retirement rate continued at its pre-pandemic level. Another driving factor of lower labor force participation has been the tendency of eligible workers, mainly women, to exit the labor force to take care of home and family due to lack of access to childcare, according to the US Chamber of Commerce and the Federal Reserve Bank of St. Louis.

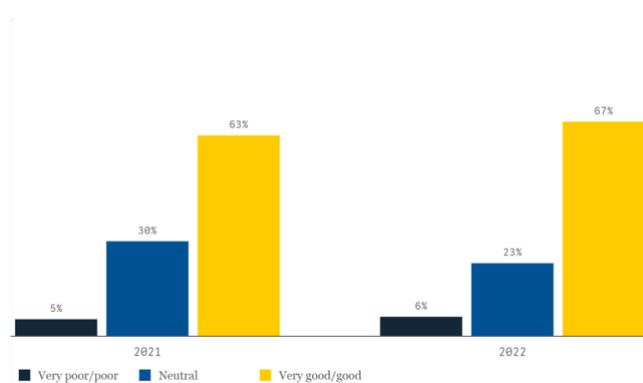
Other factors have also contributed to shortages. Enhanced unemployment benefits, stimulus checks, and not being able to spend money during lockdowns have increased savings and reduced the need for work – particularly affecting jobs with low wages or otherwise poor working conditions. Low willingness or ability to relocate for jobs is another problem reflected in the disparate worker shortages between states. There is also a widely debated “skills gap” that prevent workers from qualifying for open positions. Evidence for the latter is weaker, although it is clear that highly knowledge-based jobs have lower fill rates. Finally, reduced immigration during the pandemic – with a collapse in green card issuance and fewer temporary migrant workers – has played a part.

Respondents continue to report an overall good business climate

Two-thirds of Swedish company respondents operating in the US market state that the general business climate is “good or very good.” An additional 23 per cent are neutral, and six per cent consider the business climate to be “poor or very poor.” Large-scale or industrial companies seem to perceive the US business climate as better than corresponding small or consumer companies, although data reliability is considerably lower for segmented analyses due to the relatively small sample size.

When excluding non-respondents, the respondents who perceived a “good or very good” US business climate rose in 2022 (70 per cent) compared to 2021 (64 per cent) – which is not surprising in light of the immediate post-pandemic challenges of 2021.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN THE US?



NOTE: 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 the United States 2022.

US market conditions meet respondent needs – infrastructure is still the weakest point

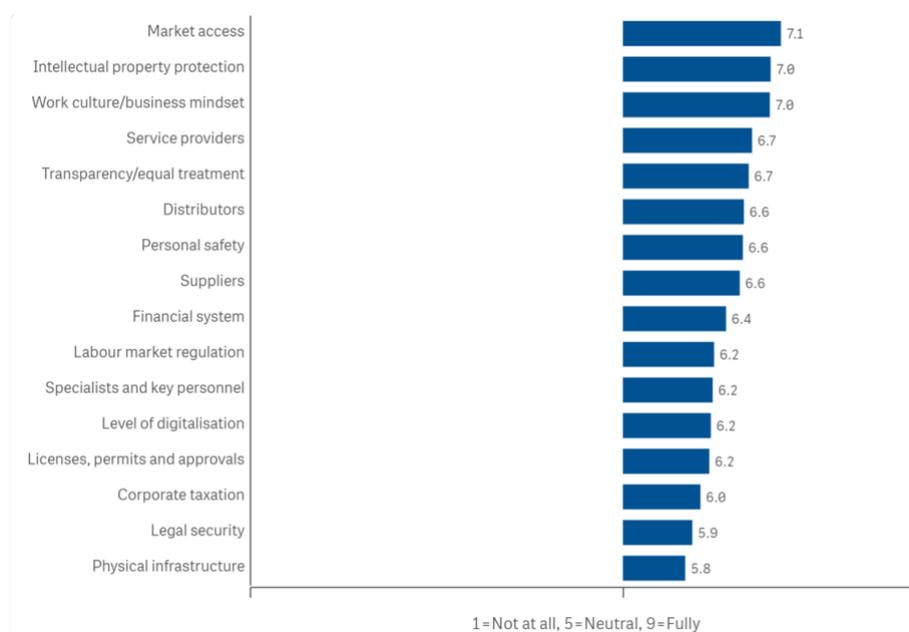
Many conditions determine the success of Swedish companies in the US. Of those measured, the overall sense among respondents is that they, at least to some extent, meet the needs of the respondents' businesses. Among the most favorable conditions, market access is found at the top, followed by intellectual property protection, work culture and business mindset, and service providers.

The least favorable condition is physical infrastructure, which was also the case in the 2021 survey. The US population has doubled since the 1960s, when most of country's major infrastructure systems were designed. The American Society of Civil Engineers, which has compiled "score cards" on the state of US infrastructure since the 1980s, gave the US a "C-" in 2021 – up from a "D+" in 2017, the highest grade in twenty years. Still, many analysts consider infrastructure to be a fundamentally underinvested field.

Failing infrastructure has been a political talking point for years, and one that engages both Democrats and Republicans. Arguably, the Biden Administration's most significant political achievement has been passing and enacting the \$1.2 trillion Infrastructure Investment and Jobs Act (IIJA), otherwise known as the Bipartisan Infrastructure Bill, which broadly funds repairs and expansion of roads, bridges, public transit, passenger and freight train, EV charging stations, internet access, electric grid modernisation, airports, and water and wastewater infrastructure.

Other relative weak points include legal security, corporate taxation, licenses, permits and approvals, and level of digitalisation – although several more conditions are closely ranked.

PLEASE RATE FROM 1-9 HOW THE BELOW CONDITIONS MEET THE NEEDS OF YOUR COMPANY'S BUSINESS IN THE US



NOTE: 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 the United States 2022.

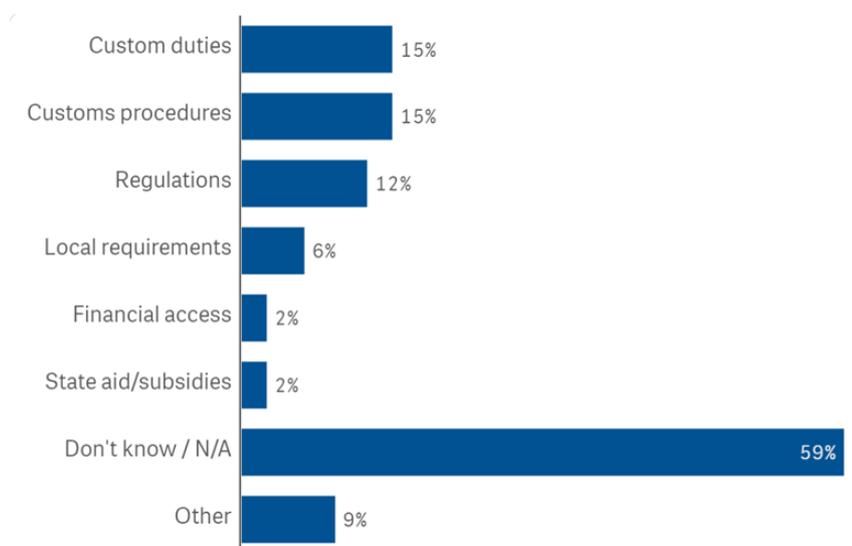
Customs and regulations are the main trade barriers among respondents

While the pandemic inflicted unique restrictions on global trade, barriers to US trade have developed over a longer period. In particular, the Trump Administration's trade policies, which escalated the long-in-the-making US-China conflict, marked a clear shift toward increased protectionism. Some of these policies have continued during the Biden Administration, particularly in its stance toward China.

Since 2008, Global Trade Alert has tracked 1892 trade interventions considered harmful by the US affecting Sweden – of which 84 per cent are still in force. In 2021, 122 new harmful interventions were implemented – 45 per cent fewer than in 2020, but still higher than 2019. The main Swedish products categories affected include certain fabricated metals (517 harmful interventions), motor vehicles, trailers, and semi-trailers as well as parts (111), and machinery for mining, quarrying and construction as well as parts (108).

However, “only” 20 per cent of Swedish products are affected by these interventions, as opposed to the G20 country average of 45 per cent. Nonetheless, it is unsurprising that custom duties and procedures are considered the main barriers to trade by the survey respondents, given this reality.

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



NOTE: The number of respondents for this question was 88.
SOURCE: Business Climate Survey for Swedish Companies in the United States 2022.

The effects of US policy on respondents' US operations are mixed

Increasingly protectionist trade policies, as well as more active domestic industrial policies, are consequences of perceived losses of US economic power to other countries, mainly China. While the US is still the EU's main trading partner in services, China overtook the US in trade of goods in 2020. Given the central and ubiquitous role of manufacturing in human society, this has made China the most important trading partner to the EU in purely economic terms. As the main cause of the US's chronic trade deficits – and an often-cited contributor to the perceived weakening of its middle class – the

relative loss of US manufacturing power is hotly debated at all levels of public discourse.

The trade imbalance is evident in the US-EU trade relation. In 2021, the US ran a trade surplus toward the EU in terms of services (£305 billion of US services exports to the EU versus £221 billion imports from the EU), but a deficit in terms of goods (£233 billion of US goods exports versus £400 billion imports), according to European Commission – an example of the economic arrangement which increasingly characterises American trade relations, particularly since the 1970s.

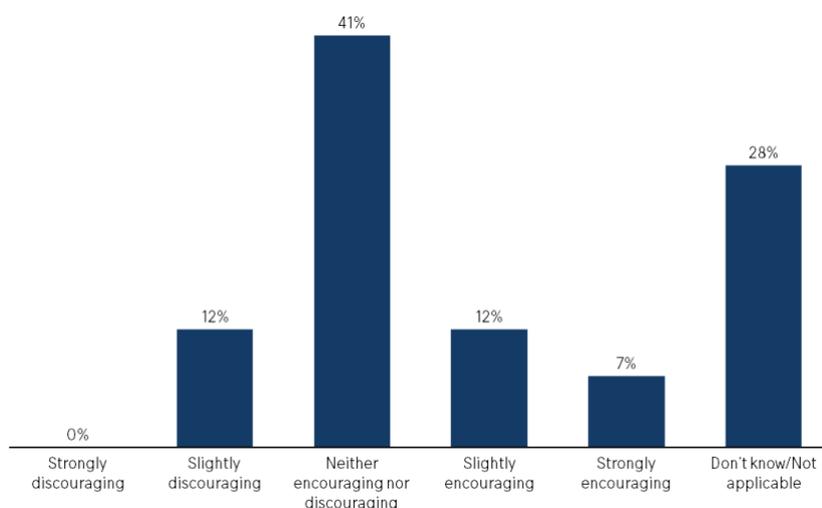
US manufacturing is still significant in absolute terms. In 2021, manufacturing value-added amounted to \$2.6 trillion, or 11 per cent of the country's added value, according to the US Bureau of Economic Analysis. Between 1987 and 2019, real value-added in manufacturing grew by 122 per cent, while employment decreased by 33 per cent to 12.5 million workers in 2019 – indicating a clear shift toward higher capital intensity and productivity.

When asked about the effect of recent US policies on their planned US operations, the vast majority of survey respondents, 69 per cent, indicated either no known effect or were not sure. Additionally, 12 per cent of respondents indicated that US policies are discouraging them from additional US operations, while 19 per cent indicated US policies encouraging additional US operations.

The domestic push for investments into energy transition technologies is an area likely to stimulate opportunities for Swedish companies, many of which have strong offerings in fields relating to energy efficiency, renewable energy, energy storage, and sustainability in general. In a world increasingly divided by the politics of the US-China conflict, and affected by increasingly unreliable global value chains, companies might seek to localise production and other activities in the US. Policies like the revised Buy American Act, which is set to increase the domestic content requirement of goods and services procured by the US federal government, will further necessitate US-based manufacturing of some products or components that might previously have been located elsewhere. Meanwhile, many of the harmful trade interventions mentioned above are likely to reduce the appeal of American market, especially for smaller companies without the muscle to overcome trade barriers.

HOW ARE RECENT OR UPCOMING POLICIES BY THE US FEDERAL OR STATE GOVERNMENTS AFFECTING YOUR FUTURE US OPERATIONS?

EFFECT ON EXPANDING US OPERATIONS...



“ We will expand our manufacturing footprint in the US – driven entirely by Buy American policies.

Chief Executive Officer
Safety Equipment Manufacturer

“ Our main growth area is the power sector – driven by the clean energy transition.

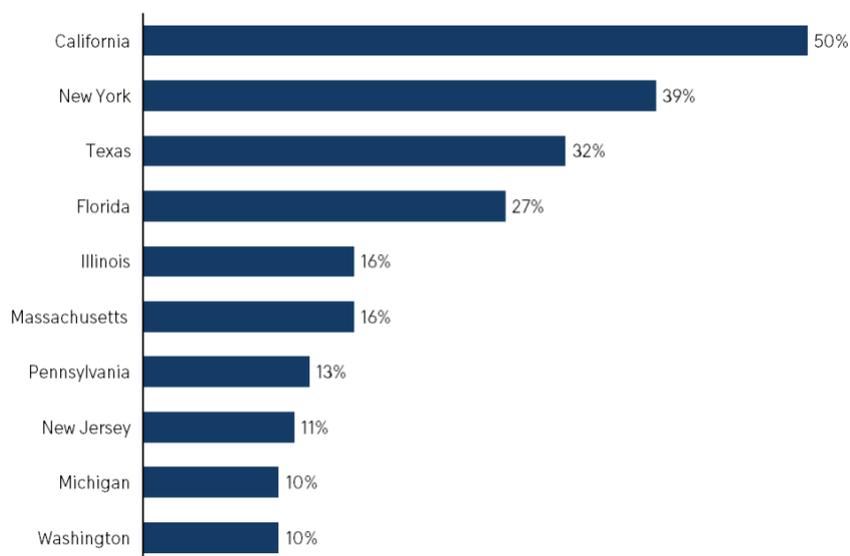
Chief Solutions Officer
Software Development Company

California is the primary region for growth among respondents

The US is a massive country – with a population and land mass more than 33 and 19 times the size of Sweden, respectively. Out of 50 states, ten have roughly the same or significantly larger populations than Sweden. Moreover, states exercise considerable autonomy in political decision-making, and are characterised by varying cultural norms and practices. It follows that establishing or growing a business in the US often starts with a more specific region in mind.

Among respondents, half of them indicated that California is a key state for business growth in the coming three years. New York was considered key by 39 per cent, followed by Texas (32 per cent), Florida (27 per cent), and Massachusetts and Illinois (both at 16 per cent). Among these states, five are among the top six most populous states, with Massachusetts as a slight outlier.

WHICH FIVE (OR LESS) US STATES ARE YOUR TOP PRIORITY FOR GROWTH IN THE COMING THREE YEARS?



HOW SWEDISH COMPANIES SUCCEED IN THE US

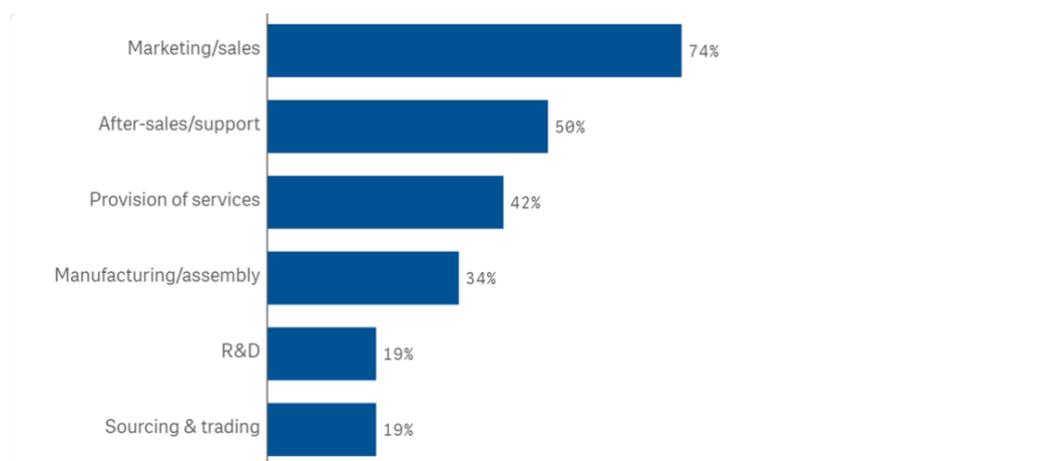
Respondents are sales-focused in their US-based operations

The vast majority of survey respondents, 74 per cent, carry out marketing and sales operations in the US – unsurprisingly, given the size and affluence of the market. Another 50 per cent perform after-sales and support, while 42 per cent offer services. One-third of respondents have US-based manufacturing, which is, as previously mentioned, a political priority and will likely continue to be so for years to come.

Industrial policy is not the only force affecting manufacturing siting. Disrupted supply chains – and the inability of firms to serve key markets, like the US, when demand rebounded after the pandemic – have forced companies to reconsider decades of off-shoring to low-cost countries. Business Sweden has noted a clear increase in interest for near-shoring manufacturing in Mexico among Swedish companies, given the country's cost advantages and proximity to the US. However, it remains to be seen if the expressed intention of many company leaders to near-shore or re-shore production in North America will materialise – and make a dent in the long-term off-shoring trend.

Another 19 per cent of respondents carry out research and development (R&D) in the US. With a world-class system of universities, national laboratories, and industry research, the US has and continues to produce many of the world's most important discoveries.

WHAT OPERATIONS DO YOU CARRY OUT IN THE US?



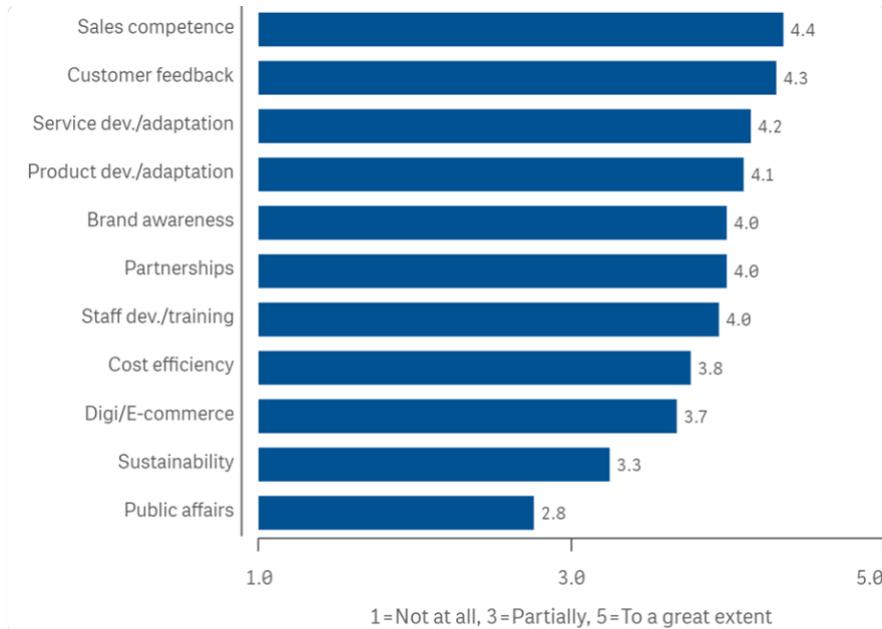
NOTE: The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in the United States 2022.

Sales competence and customer feedback

Respondents indicate that sales competence and customer feedback are the two most important areas for maintaining competitiveness in the US market – an expected by-product of having highly sales-oriented operations. These areas are closely followed by several others, among them making service and product development and adaptations, leveraging partnerships, and developing and training staff.

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



NOTE: The number of respondents for this question was 88.

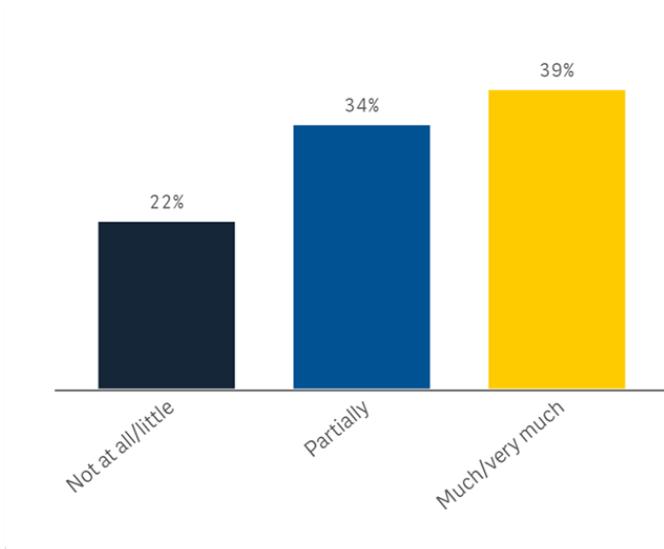
SOURCE: Business Climate Survey for Swedish Companies in the United States 2022.

Significant reduction in respondents who believe Swedish brand helps them

A noteworthy development between the two latest Business Climate Surveys relates to Sweden's brand appeal and how it contributes to the positioning of Swedish companies in the US. A majority of respondents still believe being explicitly Swedish contributes to their US business – with 39 per cent claiming it contributes much or very much, 34 per cent that it contributes partially, and 22 per cent that it contributes little or not at all.

However, when excluding non-respondents and comparing to the previous year's answers, the contrast is stark. While the share that felt being Swedish had minimal contribution to their business has not shifted notably (23 per cent in 2022 versus 22 per cent in 2021), the group that felt it contributed greatly was significantly reduced (41 per cent in 2022 versus 55 per cent in 2021). Evidently, this shift has occurred toward the middle category – indicating a partial reduction in confidence in the Swedish brand appeal. One factor for this might be the increased focus and rhetoric on Buy American.

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



NOTE: 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 the United States 2022.

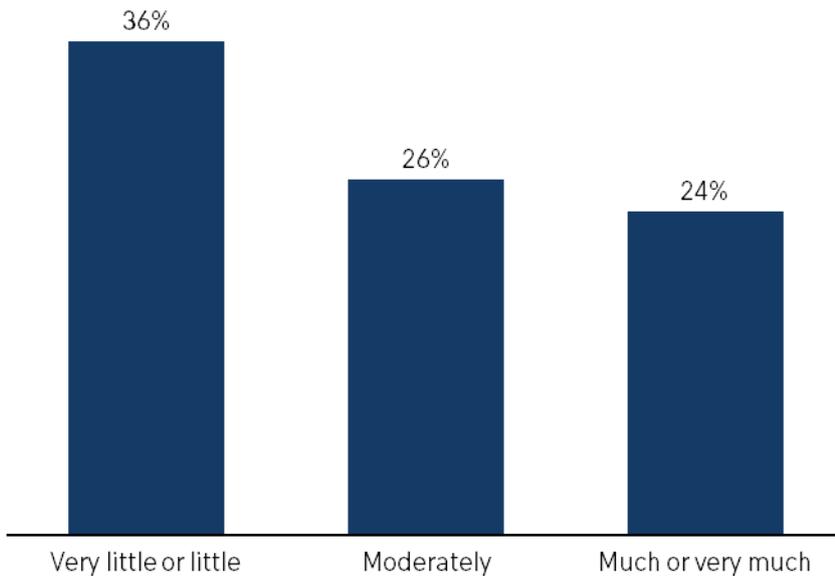
ACTING SUSTAINABLY

More of respondents' customers considering environmental aspects in purchasing

Roughly one-quarter of respondents indicate that the environmental aspects have a high impact on purchasing decisions in their industry, while 26 per cent indicate partial impact and 36 per cent indicating low impact. Another 13.6 per cent were unsure.

When excluding non-respondents, the respondents who perceived "much or very much" impact on the purchasing decisions declined significantly in 2022 (28 per cent) compared to 2021 (41 per cent). At the same time, those who perceived "little or very little" impact *a/so* declined in 2022 (42 per cent) compared to 2021 (48 per cent). Thus, in 2022, there was still an increase in respondents who saw at least some consideration of environmental aspects among their customers.

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



NOTE: 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 the United States 2022.

Energy transition is high on both political and business agendas – but challenges remain

The US is the second largest greenhouse gas emitter in the world – producing 11 per cent of global emissions according to Rhodium Group, a research provider. Compared to other large-scale advanced economies, the US lags in several energy transition indicators, ranging from EV adoption to industrial carbon intensity. However, heavy investments are being made to remedy this. Of the \$755 billion invested globally in

“ The sustainability discussion in North America is 5-10 years behind Europe.

Global Sales Manager
Industrial Equipment Manufacturer

“ Until recently, our customers didn't take sustainability into account. Now they see it as an imperative for their suppliers' long-term viability.

VP of North America
Steel Manufacturer

energy transition projects in 2021, \$114 billion, or 15 per cent, occurred in the US. Only China had a higher share – accounting for 35 per cent of global energy transition investments. In the US, the vast majority of investments are being made in renewable energy, electrified transport, and electrified heat – with smaller sums invested in sustainable materials, energy storage, nuclear power, hydrogen, and carbon capture and storage (CCS) technologies.

The Biden Administration has set ambitious energy transition targets across all emitting sectors. By 2030, the administration aims to halve national CO₂ emissions compared to 2005 levels. By 2035, the target is a carbon pollution-free power sector, and by 2050, Biden hopes for an economy-wide net-zero America. The \$1.2 trillion Infrastructure Investment and Jobs Act (IIJA) has been the federal government's main vehicle to advance its green agenda. While the Democrats' key piece of climate and social infrastructure legislation, the Build Back Better Act (BBBA) – originally a massive \$3.5 trillion package – failed to pass in Congress due to concerns over rising inflation and government debt, the newly announced Inflation Reduction Act (IRA) captures a majority of the BBBA's climate legislation. IRA passed the Senate in early August, thereby paving the way for an additional \$369 billion in federal cleantech spending.

The combination of private and public sector investments is set to accelerate the US's energy transition in the decade to come – across both mature technologies (e.g., solar and wind power, battery storage, electric vehicles, and related infrastructure) and nascent technologies (e.g., advanced biofuels, nuclear SMRs, CCS, and green hydrogen). This trend is reshaping the US economy and presents an opportunity for Swedish firms across the energy value chain.

However, the US energy transition also faces challenges. First, energy security is rising on the political agenda – driven by large-scale deployment of intermittent renewables and volatility in the fossil fuel market – the latter particularly affected by Russia's war on Ukraine. While the Russian invasion is arguably an anomalous supply shock, the lack of low-carbon dispatchable power and inadequate grid infrastructure are long-term issues that will need to be addressed to enable the transition without greatly increasing both energy prices and uncertainty – and thereby provoking popular discontent. As of now, achieving clean dispatchable power will require either considerable advances in energy storage research, development and deployment, or a societal and political shift in the attitude toward nuclear power. Regardless, it is likely that the electric will have to be modernized through heavy investments.

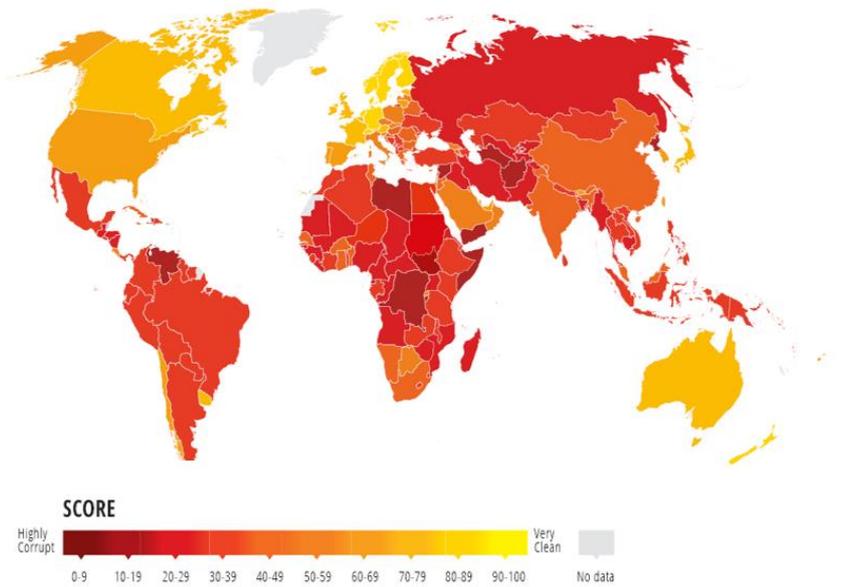
A second issue relates to US tariff policy in general, and the US-China trade conflict in particular. While the relative loss in global power has pushed US to “reindustrialise” its economy, partly through green investments, political interventions also risk introducing crippling inefficiencies in global trade that ultimately reduce the pace of the energy transition. A recent example of this is the US Commerce Department's investigation into circumvention of anti-dumping tariffs, originally aimed at Chinese solar product makers. Allegedly, Chinese firms are avoiding these tariffs by assembling their products in Cambodia, Malaysia, Thailand, and Vietnam. The Solar Energy Industries Association, an advocacy group, has warned that the uncertainty caused by the investigation – which could stretch for months – will reduce the US's planned solar power installations by half in the coming year.

Domestic corruption and human rights abuses remain at low levels

Expectedly, respondents indicate exceedingly low levels of domestic corruption and human rights abuses in their dealings with US public bodies, private counterparts, and internal counterparts. In Transparency International's corruption perception index, the US

ranks among the countries least plagued by such issues – although not entirely absent. There has been no statistically significant change to the US’s score in this index between 2012 and 2021.

CORRUPTION PERCEPTION INDEX 2021



SOURCE: Transparency International.

TEAM SWEDEN USA CONTRIBUTORS

BUSINESS SWEDEN USA

Business Sweden is commissioned by the Swedish government to help Swedish companies grow global sales and international companies invest and expand in Sweden. Business Sweden offers hands-on support to Swedish companies with global ambitions, with 45 offices across the globe. In the US, we have offices in New York, Chicago and San Francisco and have a strong presence in the local market. We cover all 50 states and provide our clients with strategic advice, tailor-made market analyses and introductions to suitable partners and reliable legal advisors.

SWEDISH AMERICAN CHAMBERS OF COMMERCE USA

The Swedish American Chambers of Commerce (SACC-USA) is a key player in the development of trade relations, investment opportunities, and talent mobility between Sweden and the United States. Our network consists of 20 offices and regional chambers across the US and together we serve more than 2,000 members in Sweden and the US and arrange more than 200 business events a year. We provide you with contacts and potential business partners through events, tailored corporate programs, trade missions, business matchmaking and business intelligence. Additionally, SACC-USA facilitates talent mobility in both direction between Sweden and the US. We are designated by the US Department of State as a J-1 visa sponsor for Swedish exchange visitors in the intern and trainee categories. We are approved by the Swedish Migration Board as an international exchange organization that can assist Americans with the application for a Swedish work permit for training. SACC-USA looks forward to welcoming you as a member of our extensive network.

SWEDISH AMERICAN CHAMBERS OF COMMERCE, NEW YORK (SACCCNY)

SACCCNY is the largest and oldest Swedish Chamber of Commerce globally, having served and supported Swedish businesses looking to establish and thrive on the US market for close to 115-years. With a modernised mission to act as an indispensable support arm for internationalising Swedish entrepreneurship and innovation, SACCCNY recently launched Gateway – a State-of-the-Art innovation hub, office, co-working meeting and conferencing space, providing Swedish and Nordic businesses a unique soft landing and launch platform on to the US market, including on-site market and establishment expertise and services, as well as broad range business-to-business networking assistance. Moreover, SACCCNY curates and hosts a series of notable programs and events, including Acceleration Programs, Business Matchmaking, Investor Matchmaking, Pitch & Marketing Consultations, Mentorship Programs, Legal and Immigration support services, Market Research; as well as recurring meetups including Innovate46, Sustainability Summit, the Executive Women's Conference, and most recently, the newly launched virtual fireside chat series, "Checking the Pulse with SACCCNY," where top industry experts share insights and experience.

EMBASSY OF SWEDEN

The Embassy of Sweden in Washington, D.C. is one of Sweden's largest diplomatic missions in the world and serves as the official link between Sweden and the United States. The purpose of Sweden's trade and promotion policy is to facilitate trade and investment, and to further Sweden's economic interests as well as the image of Sweden abroad. The Swedish Embassy is located at the House of Sweden, a flagship building for Swedish public diplomacy, on the Potomac River in Washington D.C. In addition to the Embassy there are approximately 30 Swedish Consulates located throughout the US.

CONSULATE GENERAL OF SWEDEN IN NEW YORK

The Consulate General of Sweden in New York represents Sweden in the states of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont. The Consulate General works to strengthen the relation between Sweden and the Northeastern US, promotes Swedish trade interests and furthers exchanges in culture and education. The Consulate General also provides assistance in a wide range of consular matters.

Team Sweden

