



Sweden
Sverige



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN HONG KONG SAR 2024

A REPORT FROM TEAM SWEDEN IN HONG KONG SAR

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FOREWORD

Swedish businesses have a strong presence in Hong Kong, covering a multitude of industry sectors. With more than a hundred Swedish or Sweden-related companies, active in the financial sector, life science, transportation and logistics, creative industries, retail and much more, our commercial and economic ties are strong. Many of the Swedish businesses have been active in Hong Kong for many years, contributing to the development of the city. Others have more recently discovered the benefits of doing business here, bringing in new innovations and technology.

In the annual Business Climate Study, conducted jointly by the Consulate General of Sweden in Hong Kong, Business Sweden and the Swedish Chamber of Commerce in Hong Kong, it is evident that Swedish businesses continue to regard Hong Kong as an attractive business location. The 63 companies that have responded to this year's survey identify several key factors, among them Hong Kong as a gateway to/from Mainland China and as a regional hub. The regional integration through the Greater Bay Area is expected to open up further possibilities.

Swedish businesses have confidence in the market of Hong Kong – they are here to stay. The companies see potential for continuing doing business here. Hong Kong's ambitions for a sustainable future is of great interest. Many of the Swedish companies have attractive solutions to offer for a sustainable development of Hong Kong is a great place not only to do business but also to live.

While the overall picture is predominantly positive, there are certain challenges. Even though the local economy is gaining strength again after the years of the pandemic, the recovery is slower than previously projected. Geopolitical tensions have had an adverse effect on international trading and logistics. Locally, the Swedish companies would welcome more transparency and equal treatment in public procurement processes.

The Swedish brand has a strong and positive position in Hong Kong. Team Sweden will continue to support Swedish companies in fulfilling their potential in Hong Kong!

Louise Bergholm
Consul General of Sweden in Hong Kong
Hong Kong, May 2024



Louise Bergholm
Consul General of Sweden
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63 respondents in Hong Kong SAR

Business climate score

3.1

Down from 3.2

Industry turnover

55%

of Swedish companies expect their industry turnover to increase

Future investments

33%

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

Locally valued success factors

1. Cost efficiency
2. Partnerships/ local relationships
3. Product development/ adaptation

Brand Sweden

83%

of Swedish companies in Hong Kong consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Personal safety
2. Corporate taxation
3. Physical infrastructure

Local conditions with least satisfaction

1. Transparency and equal treatment
2. Level of digitalisation
3. Access to specialists and key personnel

Environmental considerations

27%

of respondents believe the environment is a considerable factor in their customers' purchasing decisions

Corruption

- Hong Kong is ranked 14th globally in the Corruption Perception Index 2023
- Three respondents encountered corruption in 2023

Human rights violation and labour rights abuse

- Only one respondent encountered any form of human rights violations and/or labour rights abuse in the past year

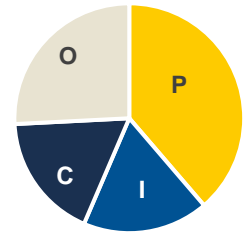
ABOUT THE SURVEY

The Business Climate Survey for Swedish Companies in Hong Kong SAR 2024 is a joint initiative by Team Sweden in Hong Kong SAR (hereafter referred to as “Hong Kong”); Business Sweden, the Swedish Chamber of Commerce, and the Consulate General of Sweden.

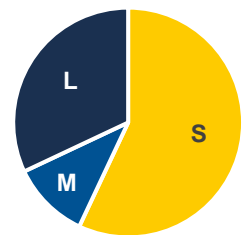
The Business Climate Survey has been carried out in Hong Kong annually since 1997 as part of a global initiative, with reports published regularly in several markets around the world. The aim of the survey is to further understand the performance of Swedish companies, their perception towards market conditions, opportunities and challenges that they are facing, as well as their outlook on the Hong Kong market.

The companies that participated in this survey either have headquarters in Sweden, have Swedish shareholders or owners, are part of a Swedish conglomerate, or have other significant affiliations to Sweden. With the participation of high-level representatives from more than 60 Swedish companies in Hong Kong, the survey gives a comprehensive perspective on how Swedish companies view the business climate and their own performance in Hong Kong – an important business, finance, and trading hub in Asia.

Most of the questions in this year’s survey are similar to previous surveys in order to allow for comparison over time. Nevertheless, some questions have been added or removed to account for differences, and some alterations have been made to questions and response options to follow the evolving market conditions. The survey has also been synchronised with the Business Climate Surveys carried out by Team Sweden in other markets around the world to enable comparability where relevant.



- Professional services
- Industrial companies
- Consumer goods
- Other

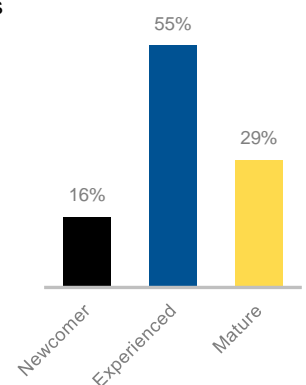


- Small
- Medium
- Large

The respondents represent a diverse set of companies in size, industry, and market experience

The 2024 survey was conducted between 19 February and 6 March 2024. The response rate was 58 per cent. Out of the 108 Swedish companies in Hong Kong who were invited to take part in the survey, 63 companies participated. Group discussions were conducted with select companies for a deeper understanding of the factors driving their responses. 57 per cent of the respondents were small companies with less than 250 global employees, 11 per cent were medium-sized companies with between 250 and 1,000 global employees, and the remaining 32 per cent were large companies with more than 1,000 global employees.

The range of business areas represented in this report was grouped into three broad categories: professional services, consumer goods, and industrial companies. The distribution remained similar to previous years, with companies in professional services making up the largest share of respondents at 39 per cent (36 per cent in 2023), followed by consumer goods and industrial companies, both at 17 per cent (18 per cent in 2023 and 17 per cent in 2023 respectively). Professional services have historically made up the largest share of respondent companies, which matches the general Hong Kong business landscape, while consumers goods and industrial companies have stayed at a similar level.



The vast majority of responding companies, 84 per cent, have been present in the Hong Kong market since 2017 or earlier, while the remaining 16 per cent were considered newcomers. The distribution remains similar to previous years, with last year showing 88 per cent and 12 per cent of respondent companies being considered experience/mature and newcomers respectively.

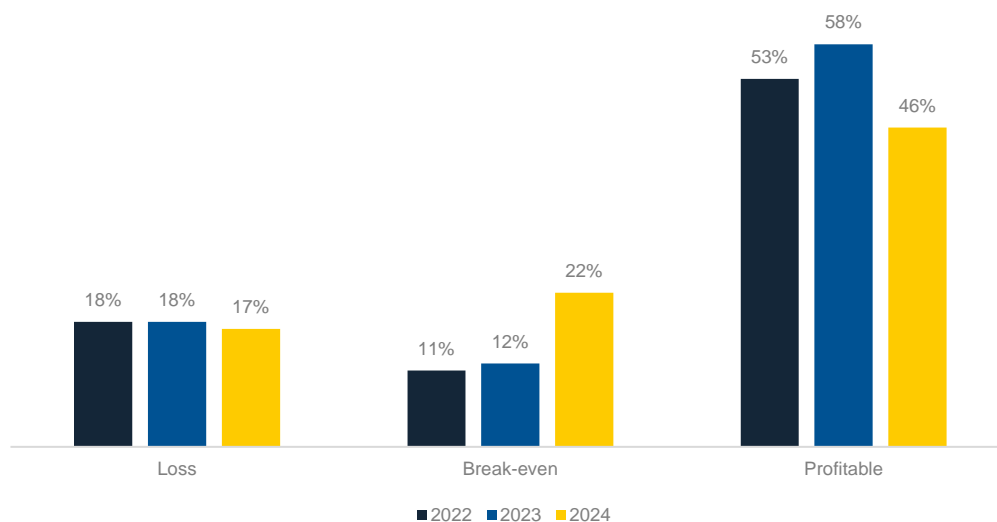
ECONOMIC OUTLOOK

Overall performance is down, but losses remain on a low level

This year's survey shows a departure from the recovery trend that had been present for a few years after the initial effects of the Covid-19 pandemic. During the fiscal year of 2023, 68 per cent of responding companies reported making a profit or breaking even, remaining on a similar level to 70 per cent from the 2022 survey, however, the distribution between profitable and break-even saw a change for the negative, with 12 percentage points fewer companies reporting making a profit in 2023.

When we separated the respondents by company size, we observed that larger companies fared much better than medium-sized and small companies. In 2023, 83 per cent of large companies reported making a profit, down from 88 per cent in last year's survey, compared to 29 per cent of medium-sized companies and 41 per cent of small companies. Breaking it down by sector, companies in the industrial sector fared better than in others, with 82 per cent of industrial companies recording a profit in 2023, followed by consumer products at 57 per cent, professional services at 48 per cent, and other sectors at 36 per cent.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN HONG KONG SAR IN 2023?



NOTE: The number of respondents for this question was 63 (2024), 66 (2023) and 72 (2022). "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

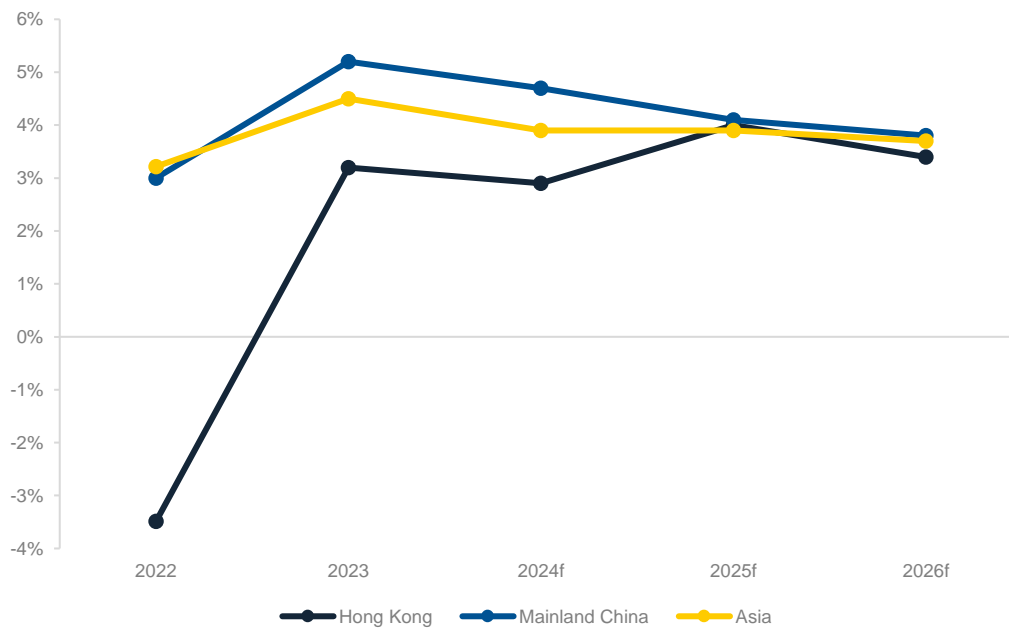
Economic growth resumed in 2023, but landed below forecast

Hong Kong's GDP grew by 3.2 per cent in 2023, following a struggling 2022 where GDP contracted by 3.5 per cent. This is slightly below the government's forecasted growth of 3.4 per cent, and below the growth levels in both Mainland China and Asia, but above the projections from the start of 2023 which put expected growth at two per cent.

A major contributing factor to the growing GDP was the increase in Private Consumption Expenditure, which increased by 7.4 per cent compared to 2022. Imports and exports saw diverging trends for goods and services, with imports and exports of goods decreasing by 8.5 and 10.3 per cent respectively, while imports and exports of services increased by 26 per cent and 21.2 per cent respectively. Unemployment continued to decrease following a spike during the Covid-19 pandemic. At the start of 2023 unemployment was 3.3 per cent, but by December it was down to 2.9 per cent.

For 2024, the GDP growth is forecast to slow down, a pattern that is also seen in Mainland China and Asia as a whole, however economists expect it to once again pick up in Hong Kong by 2025 and put growth in Hong Kong at a similar level to the broader region.

PROJECTED GDP GROWTH IN HONG KONG SAR



NOTE: Constant prices.

SOURCE: Oxford Economics 12 March 2024, Hong Kong SAR Census and Statistics Department

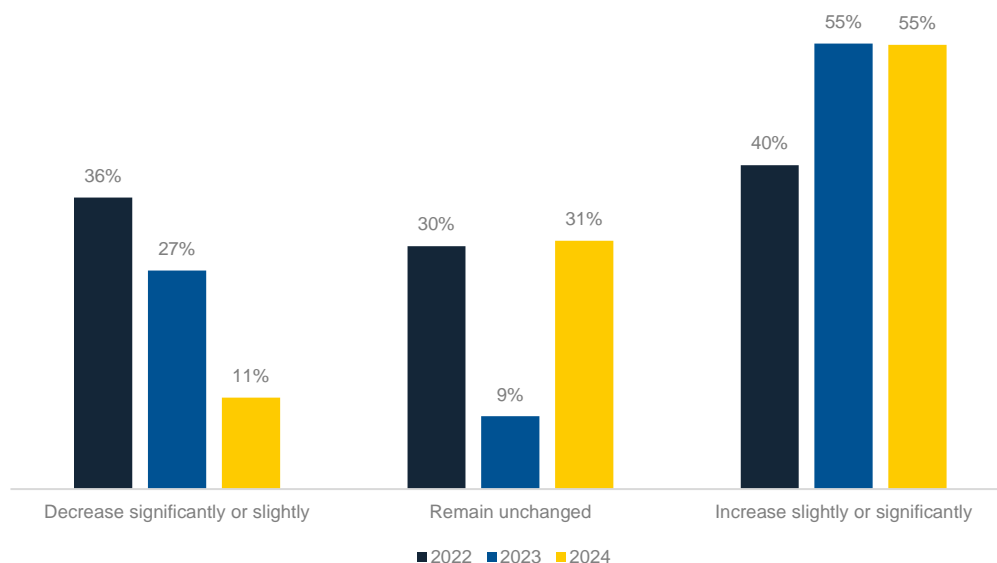
Companies are more aligned on future development for their industries compared to previous years

Just like last year's survey, around half of all respondents (55 per cent) expect their industries to grow in the coming 12 months. However, the number of companies expecting decreased turnover is down to 11 per cent, while those expecting unchanged industry turnover increase from nine per cent to 31 per cent, continuing the positive trend from last year.

Looking at expected turnover by company size, we see that the smaller companies are less optimistic than the medium sized and large ones. Of the respondents from small companies, 49 per cent expect industry turnover to grow in the coming 12 months, while the number for medium sized and large companies are 71 per cent and 60 per cent respectively. This is a change compared to last year's survey, where responses from all company sizes fell in the 53-60 per cent range.

The biggest disparity can be found when separating the companies by sector. The most optimistic sector is industrial companies, where 82 per cent of respondents expect increased turnover in the coming 12 months and no companies expect decreased turnover. Companies in professional services and other fields are also optimistic, with 52 per cent and 63 per cent expecting increased turnover respectively, however companies in the consumer goods sector have the most negative outlook with only 27 per cent of respondents expecting increased turnover and 27 per cent expecting decreased turnover.

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



NOTE: The number of respondents for this question was 60 (2024), 66 (2023) and 73 (2022). "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

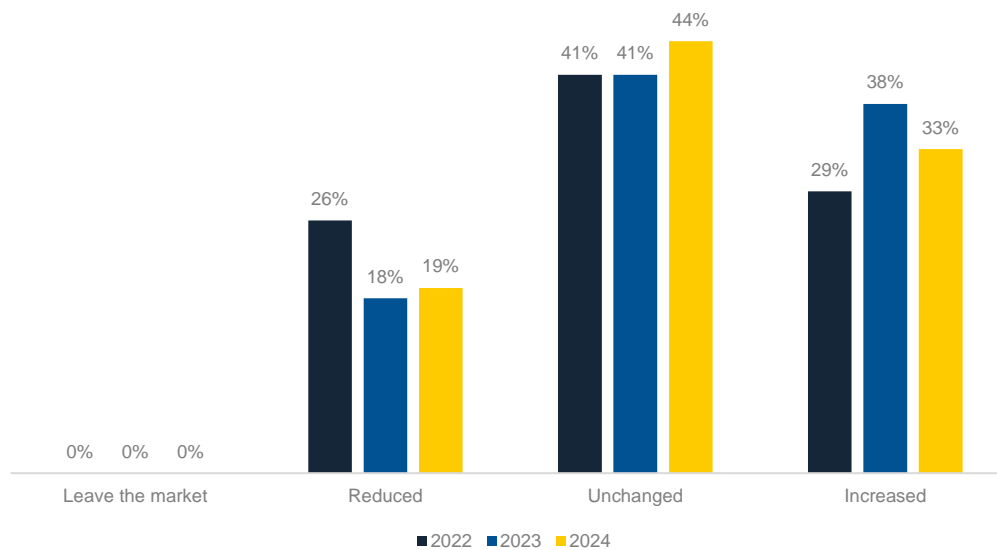
Planned investments remain high after a peak in 2023

Planned investments in Hong Kong are somewhat down compared to 2023, but they remain on a higher level than during the Covid-19 pandemic. Of the respondents, 33 per cent stated that the company plans to increase their investments in the coming 12 months, down from 38 per cent in 2023, while the share of respondents saying that investments will remain unchanged or reduced stay similar to last year at 44 per cent and 19 per cent respectively.

Small companies with fewer than 250 global employees are the most optimistic in terms of planned investments, with 42 per cent of respondents stating that investments will increase in the coming 12 months, while medium-sized companies are the most negative, with 43 per cent expecting investments to decrease.

Looking at the different sectors, companies in the industrial and professional services sectors are the most optimistic with 45 and 42 per cent of respondents expecting increased investments. However, while no industrial company expects decreased investments in the coming 12 months, 29 per cent of professional services companies see investments decreasing.

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



NOTE: The number of respondents for this question was 61 (2024), 66 (2023) and 73 (2022). "Don't know/Not applicable" responses are included but not shown in figure.

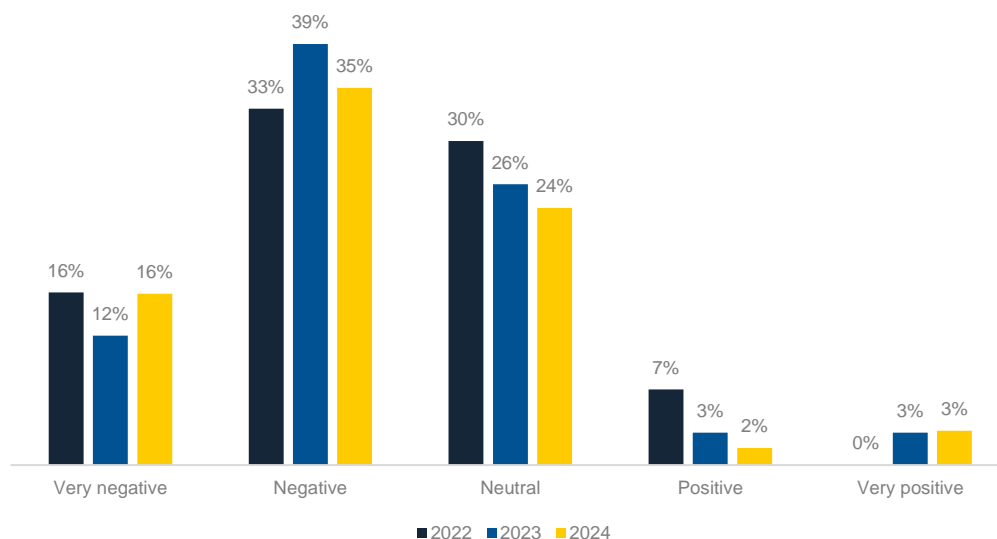
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

Political development continues to be seen as having a negative impact on the business climate

As in previous years, Swedish companies in Hong Kong perceive that the political development has a negative impact on the overall business climate of the city, and while responses are very similar to previous years, a slight negative trend can be perceived.

Just like in the 2023 survey, 51 per cent of respondents believe that the political development has had a *negative* or *very negative* impact on the business climate, with a slight shift towards *very negative*. 24 per cent are neutral towards the development, down from 26 per cent last year, while five per cent of respondents see the development as *positive* or *very positive*, down from six per cent last year.

WHAT HAS BEEN THE IMPACT OF POLITICAL DEVELOPMENTS DURING THE PAST 12 MONTHS, INCLUDING THE IMPLEMENTATION OF THE NATIONAL SECURITY LAW, ON THE OVERALL BUSINESS CLIMATE IN HONG KONG SAR?



NOTE: The numbers of respondents for this question were 63 (2024), 65 (2023) and 69 (2022). "Don't know/Not applicable" responses are included but not shown in the figure.

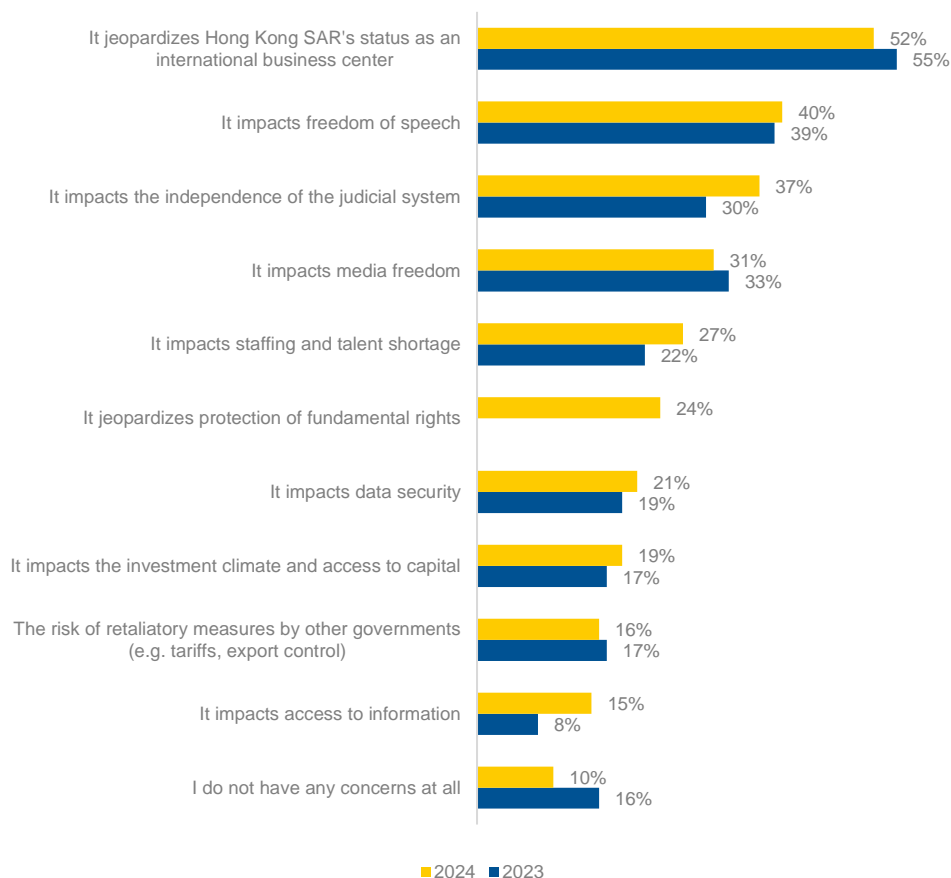
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

The impact on business remains the main area of concern regarding political development

Just like in the last two years, the main area of concern regarding the political development for Swedish companies in Hong Kong is the effect of political development on *Hong Kong SAR's status as an international business center* at 52 per cent, followed by the *impact on freedom of speech* at 40 per cent. The *impact of the independence of the judicial system* overtook the *impact on media freedom* for third place, at 37 per cent and 31 per cent respectively.

This year's survey saw the addition of one answer option, *jeopardisation of protection of fundamental rights*, which 24 per cent of respondents chose. The biggest change was with *impact on access to information*, which increased from eight per cent in 2023 to 15 per cent this year.

WHAT ARE THE MAIN AREAS OF CONCERN (IF ANY) FOR THE OVERALL BUSINESS CLIMATE IN HONG KONG SAR WITH REGARD TO POLITICAL DEVELOPMENTS DURING THE PAST 12 MONTHS, INCLUDING THE IMPLEMENTATION OF THE NATIONAL SECURITY LAW?



NOTE: The number of respondents for this question was 62 (2024) and 64 (2023). "Don't know/Not applicable" responses are included but not shown in the figure. "It jeopardizes protection of fundamental rights" was added as a new answer option in this year's survey.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023-24.

Most companies state that they are unaffected by political developments

Most companies report no impact stemming from the political development, but a number of respondents do state impact within a few key areas. While some respondents report having been affected in some way by political development, very few say that the effect has been direct. Rather, the effect has been due to outside reactions and perceptions of Hong Kong affecting international trade, staffing and overall hesitation towards Hong Kong as a market.

HAVE YOUR COMPANY'S OPERATIONS IN HONG KONG SAR BEEN IMPACTED BY THE POLITICAL DEVELOPMENTS, INCLUDING THE IMPLEMENTATION OF THE NATIONAL SECURITY LAW, AND IF SO, HOW?

“ We see a migration of business away from China – for political or economic reasons. It is hard to get full clarification as to exactly why.

“ We've been hit by retaliatory measures by other governments, mainly export control, [...] and we've had to find alternative solutions.

“ No direct impact at all, but we produce and trade with consumer goods manufactured in China and can see an increasing negative tendency in some of our European customers attitude towards goods produced here, based on the political developments of the past 5 years.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2024, Interviews.

The impact of political developments on future plans remains uncertain

Opinions on how future political development will affect future plans in Hong Kong vary quite drastically. Most respondents do not see any immediate impact on their future plans, and among those who chose to answer there is a lot of uncertainty regarding how Hong Kong will develop.

As with the question regarding impact on operations in the last 12 months, some respondents are worried about how political developments will affect the outside perception of Hong Kong and how it in turn will affect their operations here from a pure business viability perspective. Some respondents also see that the development could strengthen Hong Kong position as a transit point for companies and capital looking to move from Mainland China out into the world, while losing importance as a gateway into China, however the effect of such a development on their business is more uncertain.

HOW DO YOU EXPECT THAT THE POLITICAL DEVELOPMENTS, INCLUDING THE IMPLEMENTATION OF THE NATIONAL SECURITY LAW AND PROPOSED SECURITY LEGISLATION UNDER ARTICLE 23, WILL IMPACT YOUR COMPANY'S FUTURE PLANS IN HONG KONG SAR?

“ The biggest problem is how our customers “in the west” see Hong Kong more and more like China and thus may act by not choosing us.

“ There is a risk more staff will leave, and it could be harder to find qualified staff.

“ Hopefully the main development to impact us would be a continued digitisation, which would be a positive.

“ Laws change, but the judicial system still holds up.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2024, Interviews.

THE MARKET

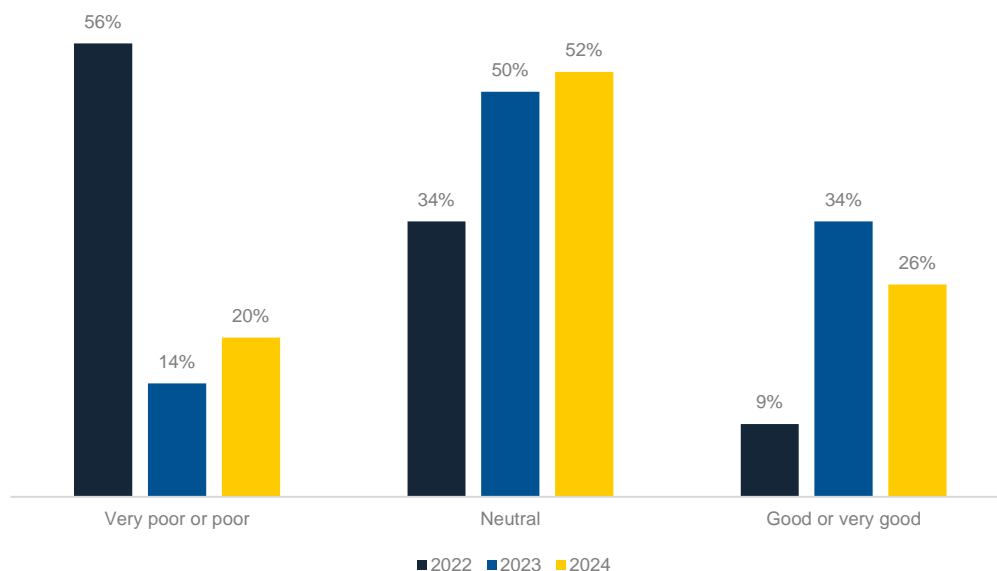
Hong Kong's business climate has stagnated following improvements in 2023

As the final public Covid-19 measures were lifted in 2023, the perception of the business climate improved. 2023 saw the highest score since 2018, and while the 2024 survey saw a slight decrease compared to last year's results (3.2 out of 5), the average business climate score this year landed at 3.1 out of 5.

The difference in responses this year was enough to reduce the business climate score slightly, but the changes were marginal. 26 per cent responded that the business climate was good or very good, down from 34 per cent, 52 per cent were neutral, up from 50 per cent, and 20 per cent responded poor or very poor, up from 14 per cent.

Separating respondents by sector showed a very high degree of consistency, with industrial, professional services, and other companies all giving the business climate an average score of 3. The one outlier was consumer goods companies, who instead gave the business climate an average score of 3.3. Looking at company sizes, the small companies were the most positive with an average score of 3.3, followed by large companies at 2.9 and medium-sized companies at 2.3.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN HONG KONG SAR?



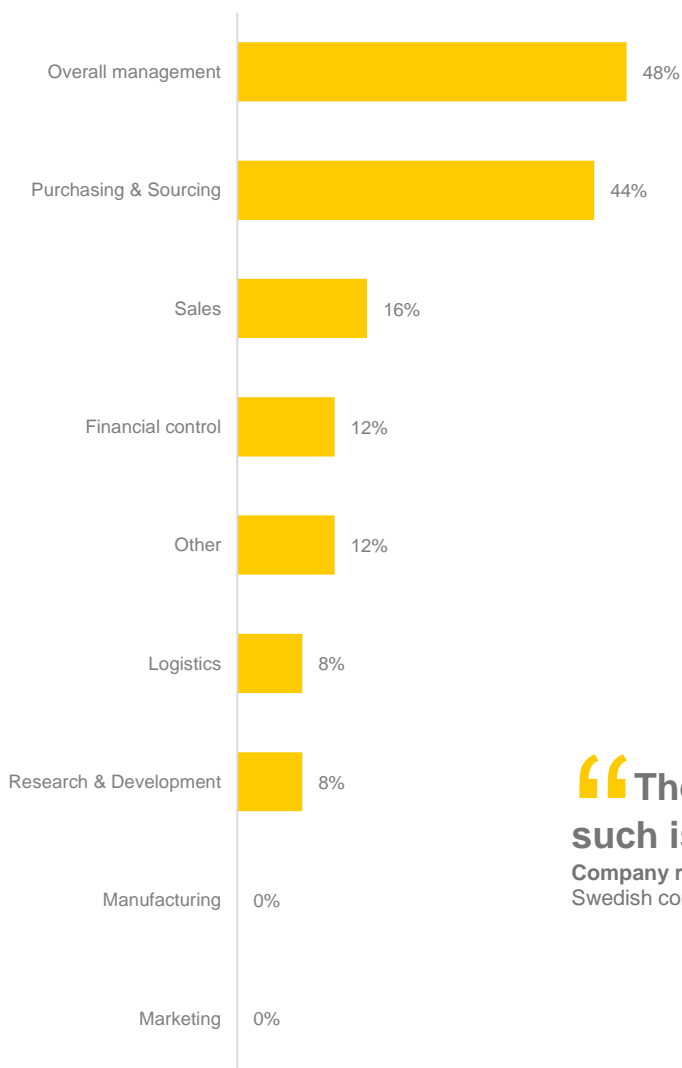
NOTE: The number of respondents for this question was 61 (2024), 64 (2023) and 70 (2022). "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

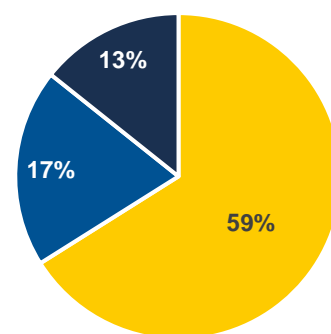
Fifty-nine per cent of Swedish companies in Hong Kong use the office as a regional hub

Of the Swedish companies, 59 per cent reported using Hong Kong as a regional hub for Asia/Asia-Pacific, staying on the same level as last year's 61 per cent. 17 per cent stated that Hong Kong used to be a regional hub, while 13 per cent have never used their Hong Kong office as a regional hub.

WHAT IS THE MAIN PURPOSE OF THE REGIONAL HUB?



IS YOUR OFFICE IN HONG KONG SAR A REGIONAL HUB?



■ Yes ■ Used to be ■ Never has been

NOTE: The number of respondents for this question was 63. "Don't know/Not applicable" responses are included but not shown in the figure. SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2024.

“The notion of a hub as such is disappearing.

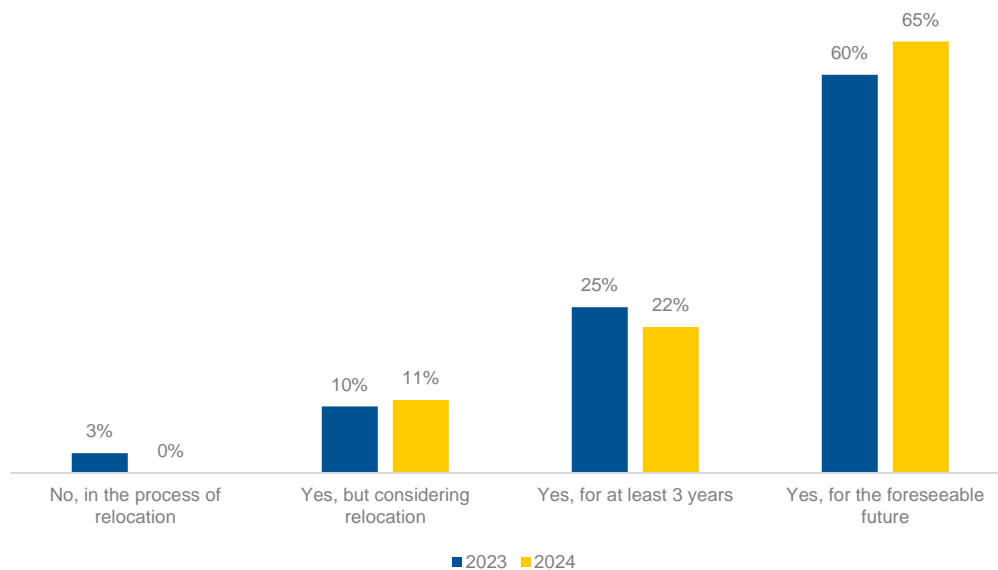
Company representative
Swedish company

NOTE: The numbers of respondents for this question were 37 (2024). This question was only asked to those who responded 'Yes' to the question "Is your office in Hong Kong SAR a regional hub?"
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2024, Interviews.

Swedish companies plan on keeping Hong Kong as their regional hub

Of respondent companies, 86 per cent use their Hong Kong office as a regional office and state that it will remain as such for at least the coming three years. This is very much in line with last year's results, and while some issues were raised regarding Hong Kong's position as a hub, it has not affected the willingness of companies to stay in the short term.

WILL YOUR HONG KONG SAR OFFICE REMAIN THE REGIONAL HUB IN THE COMING YEARS?



NOTE: The number of respondents for this question was 37 (2024) and 40 (2023). This question was only asked to respondents who reported their office in Hong Kong currently being a regional hub. "Don't know/Not applicable" responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023-24.

High costs and the overall business climate are the main reason for companies to considering moving

The companies that consider relocating their regional hub away from Hong Kong have named a number of underlying issues that could lead to such a move. The most common reason is the high cost of living and operating in Hong Kong, but multiple respondents also name a general challenging business climate, political development affecting their business, brain drain and a need to move operations into Mainland China.

For the companies that had already moved their regional hub away from Hong Kong, respondents gave three different reasons, with the main one being five companies having moved the hub to Singapore and three companies having moved operations to Mainland China. Some also reported splitting responsibility, going from Hong Kong covering both China and Southeast Asia to now covering the Chinese market from Mainland China and Southeast Asia from Singapore. Multiple respondents also expressed that cost played a role in moving the hub away from Hong Kong.

IF YOU ARE CONSIDERING OR PLANNING TO MOVE YOUR REGIONAL HUB AWAY FROM HONG KONG SAR, WHAT WOULD THE MAIN REASON BE?

“Challenging business climate and high costs.

“In [our] industry, we see a huge migration of business away from China – we will need to review this situation in the coming period as despite all the benefits of working in HK, law, finance, tax, staff and expertise, the wider political situation may bring more pressure to look elsewhere.

WHY IS YOUR OFFICE IN HONG KONG SAR NO LONGER A REGIONAL HUB?

“We moved to Mainland and Singapore.

“The spectacular rise of China and the shift to Singapore to be closer to the overall business in Southeast Asia has directed this shift for more than 10 years.

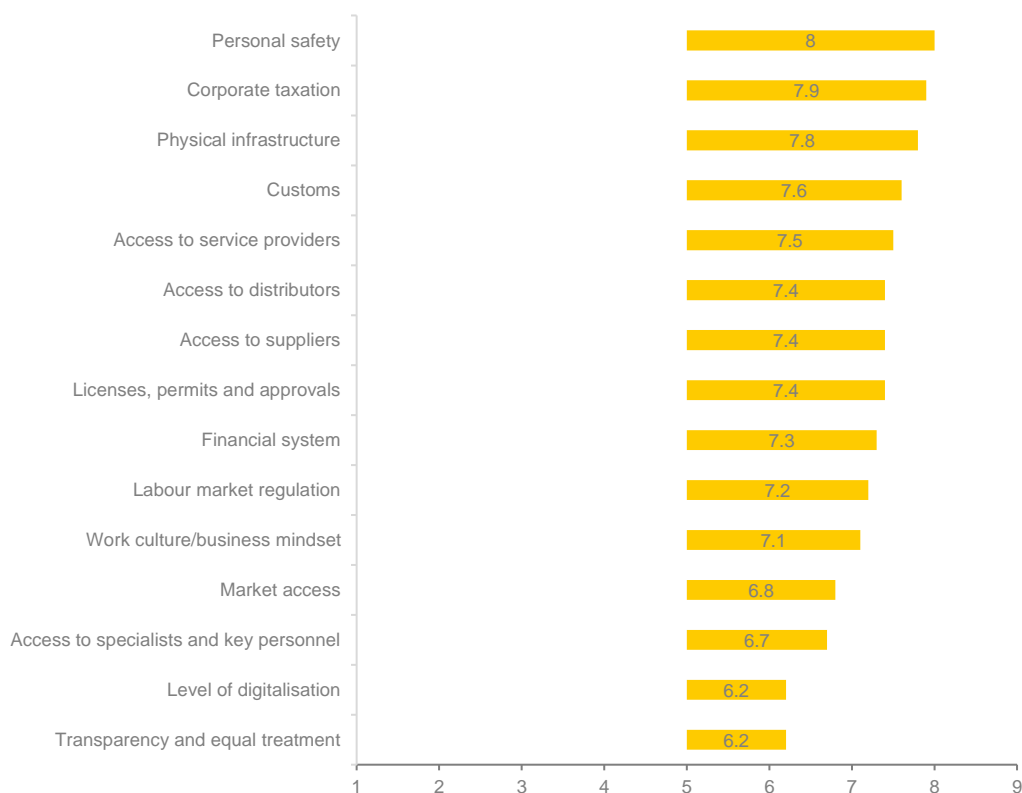
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2024, Interviews.

Business conditions in Hong Kong remain favourable

As in previous years, most market conditions receive high scores from respondents, and the results from 2024 are very similar to those of 2023. *Personal safety* has overtaken *corporate taxation* for the first position, while *physical infrastructure* maintained its third position. At the bottom, *transparency and equal treatment* has dropped below *level of digitalisation*.

The conditions with the biggest drops in score compared to last year's survey are *financial system*, which dropped from 7.7 to 7.3, and *market access*, which dropped from 7.1 to 6.8. Meanwhile, the most positive changes were for *access to service providers* and *access to specialists and key personnel*, which rose from 7.2 to 7.5 and from 6.4 to 6.7 respectively.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN HONG KONG SAR?



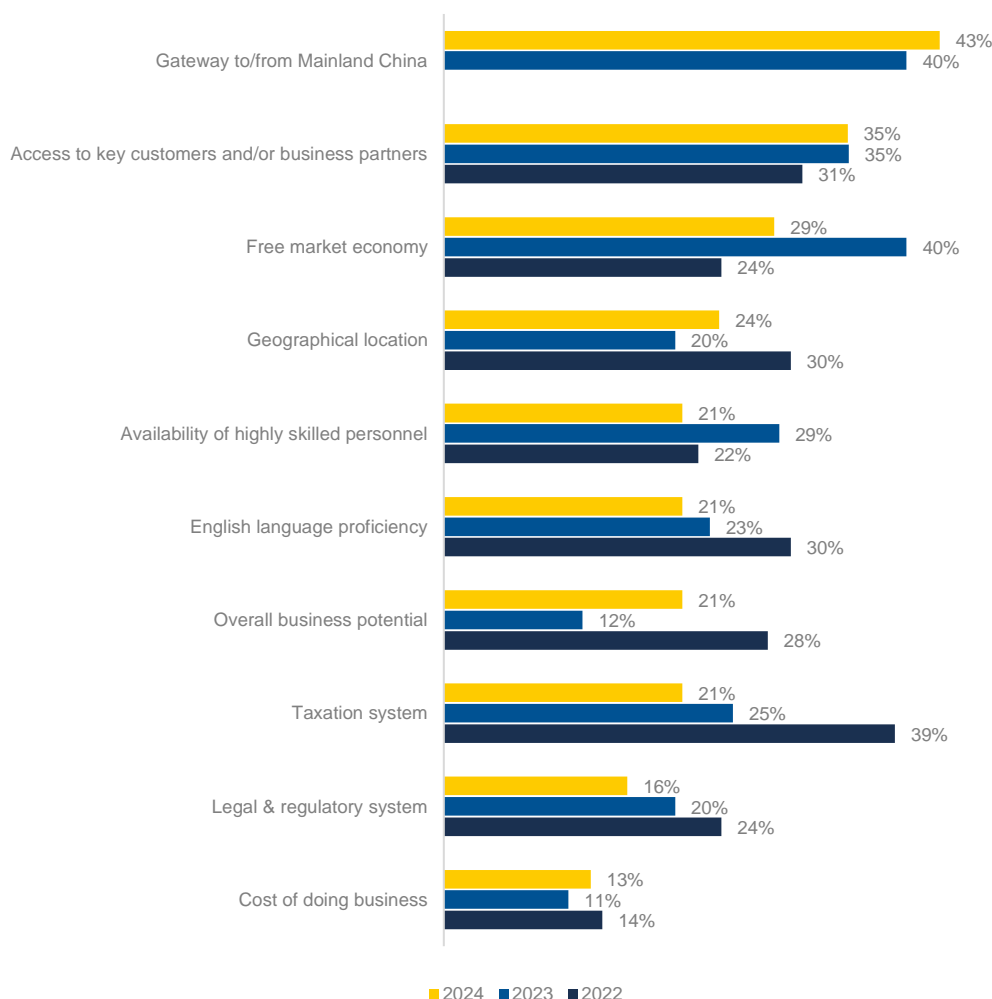
NOTE: The number of respondents for this question was 63. "Don't know/Not applicable" responses are not included.
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023-24.

Commercial factors remain the most important advantage of being in Hong Kong

Hong Kong has always had a special position between China and the world, and as the responses to this question indicate, that is still the case. *Gateway to/from Mainland China* is seen as the most significant advantage of being in Hong Kong for the second year in a row, with the response rate increasing from 40 per cent to 43 per cent, and *access to key customer and/or business partners* has risen to second place while remaining at 35 per cent.

Free market economy has dropped from tied first to this third year, receiving 29 per cent of responses compared to 40 per cent last year. Combined with *taxation system* dropping from 39 per cent in 2023 to 21 per cent this year, as well as *overall business potential* increasing from 12 per cent in 2023 to 21 per cent, it could be indicative of companies not being drawn to Hong Kong for reasons related to financial aspects, but rather broader business aspects.

WHICH ARE THE MOST SIGNIFICANT ADVANTAGES OF BEING IN HONG KONG SAR WITH REGARDS TO YOUR BUSINESS ACTIVITIES?



NOTE: The numbers of respondents for this question was 63 (2024), 65 (2023) and 72 (2022). "Don't know / Not applicable" responses are included but not shown in the graph. *Gateway to/from Mainland China* has replaced *Gateway to China* and *Gateway from China* as a response option. Note that the overall drop in percentages between 2022 and 2023 is due to reducing the number of maximum answers from five to three.

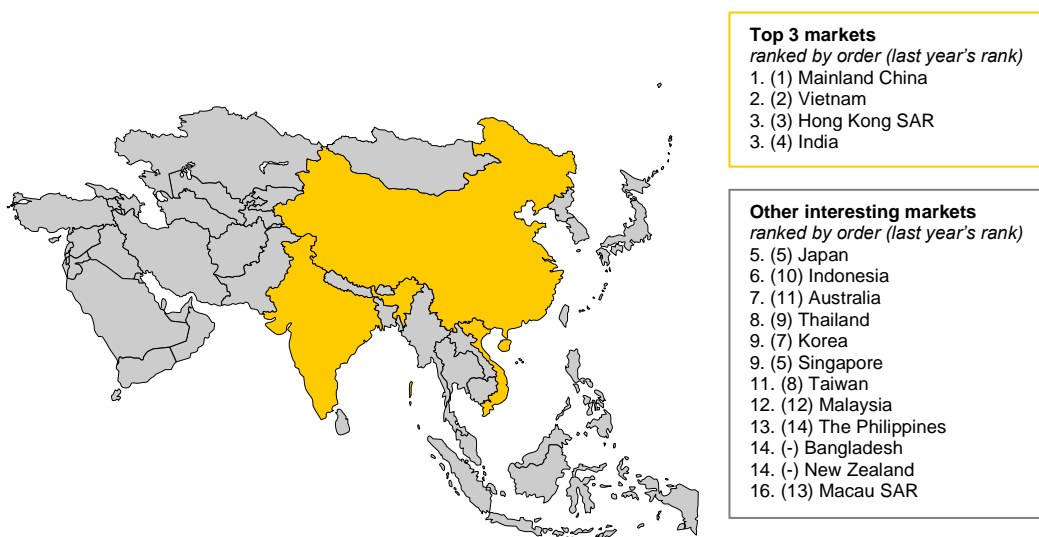
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

Mainland China is still the most interesting market, while interest in India is rapidly growing

As in previous years, Mainland China remains the most interesting market for Swedish companies in Hong Kong, with 58 per cent of respondents listing it as one of the five most interesting markets for them, slightly below the 62 per cent mark from the 2023 survey. Vietnam maintained its second position with 39 per cent, up from 32 per cent last year, and while Hong Kong SAR remained third with 34 per cent of respondents, up from 27 per cent last year, it also shares that position with India, which has surged from 20 per cent last year.

Bangladesh and New Zealand are new entries into this year's survey, owing to both countries receiving two write-in responses.

WHICH MARKETS IN THE ASIA-PACIFIC REGION DO YOU CONSIDER THE MOST INTERESTING FOR THE NEXT THREE YEARS FOR YOUR COMPANY?



NOTE: The numbers of respondents for this question was 62 (2024) and 66 (2023). "Don't know / Not applicable" responses are included but not shown in the graph.

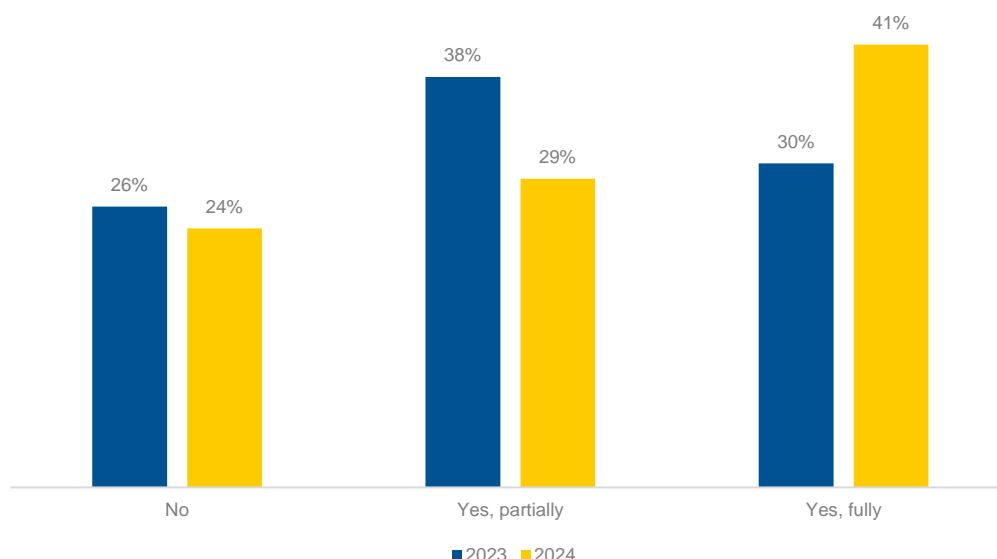
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023-24.

Companies continue to use their Hong Kong office to cover the Greater Bay Area

Hong Kong maintains its role as the base for many companies' operations in the Guangdong – Hong Kong – Macau Greater Bay Area (GBA). Of the respondents, 41 per cent stated that their Hong Kong office is used to cover the entire region, up from 30 per cent last year. While the number of companies partially covering the GBA from Hong Kong is down from 38 per cent in 2023 to 29 per cent in 2024, the increase in full coverage results in an overall decrease for companies not covering the GBA from 26 per cent to 24 per cent.

Looking at the different company sizes, we see that a majority of companies in all categories cover at least some part of the GBA from Hong Kong. Of small companies, 47 per cent cover the entire GBA from Hong Kong, and while the medium-sized group has fewer companies covering the entire GBA, they make up for it by having 57 per cent of companies covering parts of it. The large companies have the largest share of respondents not covering the GBA from Hong Kong, which could be attributed to them having enough resources to also have offices elsewhere in the area.

DOES YOUR HONG KONG OFFICE COVER THE GREATER BAY AREA (GUANGDONG – HONG KONG – MACAU) BESIDE HONG KONG SAR?



NOTE: The number of respondents for this question was 63 (2024) and 66 (2023).
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023-24.

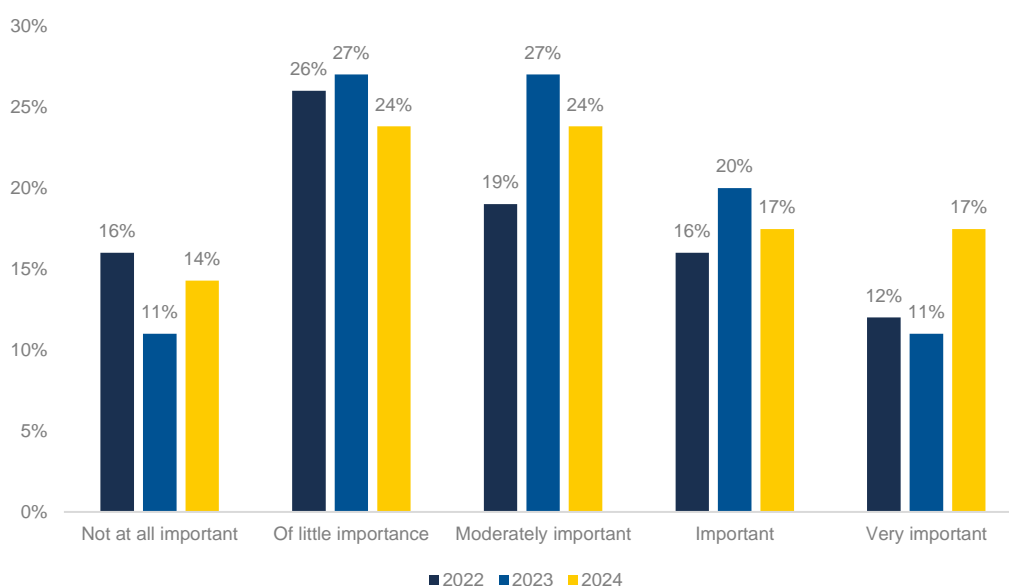
The Greater Bay Area is not crucial to Swedish companies in Hong Kong, but interest is growing

The Greater Bay Area integration initiative was launched in 2018 with the aim of integrating the two special administrative regions of Hong Kong and Macau with the nine main cities of the Guangdong province.

Continuing the trend from last year's survey, an increasing number of companies see the Greater Bay Area as *important* or *very important* to their growth prospects, going from 31 per cent in 2023 to 34 per cent in 2024. The number of respondents who see the Greater Bay Area as *of little importance* or *not at all important* remained at 28 per cent, however on both sides we also saw responses skewing more towards the extreme options, which could indicate clearer plans for the region.

A similar trend can be seen in the responses for large companies, where only 15 per cent of respondents stated that the Greater Bay Area was moderately important, compared to 27 per cent for small companies and 43 per cent for medium-sized companies, however the average importance remains fairly equally distributed regardless of company size. Similarly, separating the companies by industry did not show any significant differences.

HOW DO YOU VIEW THE IMPORTANCE OF THE GREATER BAY AREA TO YOUR ORGANISATION'S GROWTH PROSPECTS?



NOTE: The numbers of respondents for this question were 61 (2024), 66 (2023) and 73 (2022). "Don't know / Not applicable" responses are included but not shown in the graph. Percentages may vary due to rounding numbers.
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

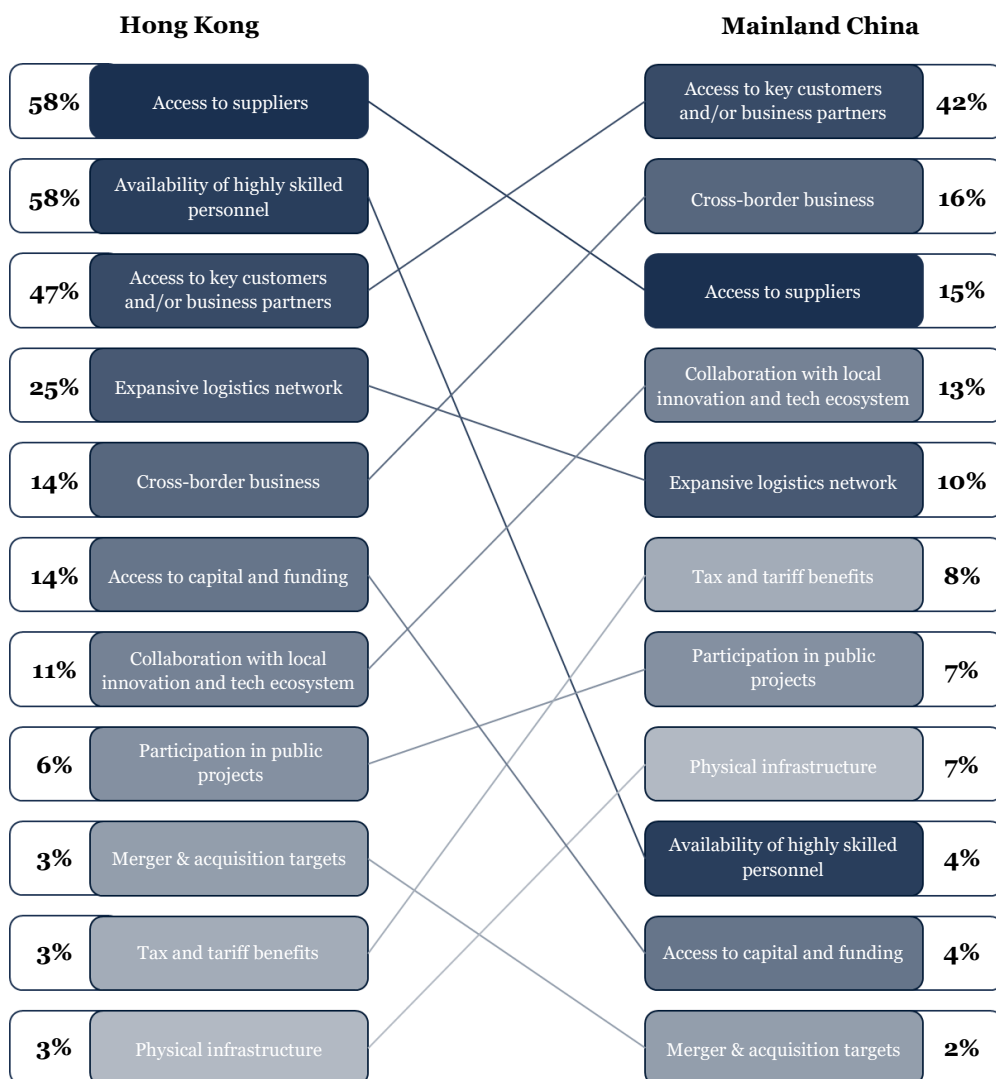
Views on the Greater Bay Area vary across markets

Respondents in both Hong Kong SAR and Mainland China were asked about what opportunities they see in the Greater Bay Area in order to get an indication of how sentiments towards the GBA might differ depending on which market within part of the region companies operate in. The main trend is that we see more interest from the Hong Kong side than from companies in Mainland China, and more factors were important to respondents in Hong Kong.

Some responses were at the top for respondents on both markets, including *Access to suppliers* and *Access to key customers and/or business partners*, but the main difference was that the respondents in Mainland China mainly saw value in the Greater Bay Area for its *key customers and/or business partners*, while the other answers were significantly less common.

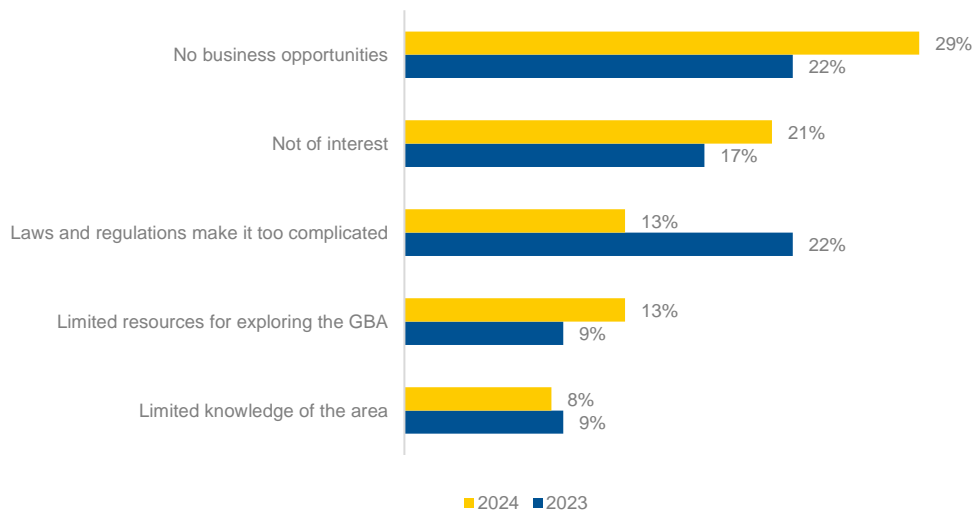
The biggest difference in response rate between the market is for *Availability of highly skilled personnel*, where 50 per cent of respondents in Hong Kong saw it as an opportunity compared to four per cent in Mainland China. Companies in Hong Kong have for the last few years expressed issues in attracting talent, and since Shenzhen has become a hub in China for highly educated personnel from the entire country it is likely easier for companies in Hong Kong to attract them from there rather than elsewhere in China.

WHAT OPPORTUNITIES, IF ANY, DO YOU SEE FOR YOUR COMPANY IN THE GREATER BAY AREA?



SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2024, Business Climate Survey for Swedish Companies in Mainland China 2024.

WHY IS THE GREATER BAY AREA NOT IMPORTANT TO YOUR ORGANISATION'S GROWTH PROSPECTS?



NOTE: The number of respondents for this question was 24 (2024) and 23 (2023). The question was only asked to those who responded "Not at all important" or "Of little importance" to the question "How do you view the importance of the Greater Bay Area to your organisation's growth prospects?".

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023-24.

WHAT OPPORTUNITIES DO YOU SEE FOR YOUR COMPANY IN THE GREATER BAY AREA?

“Greater Bay Area integration is probably good for Hong Kong, but not good for Swedish companies in Hong Kong.

“For us it's more of a threat than an opportunity.

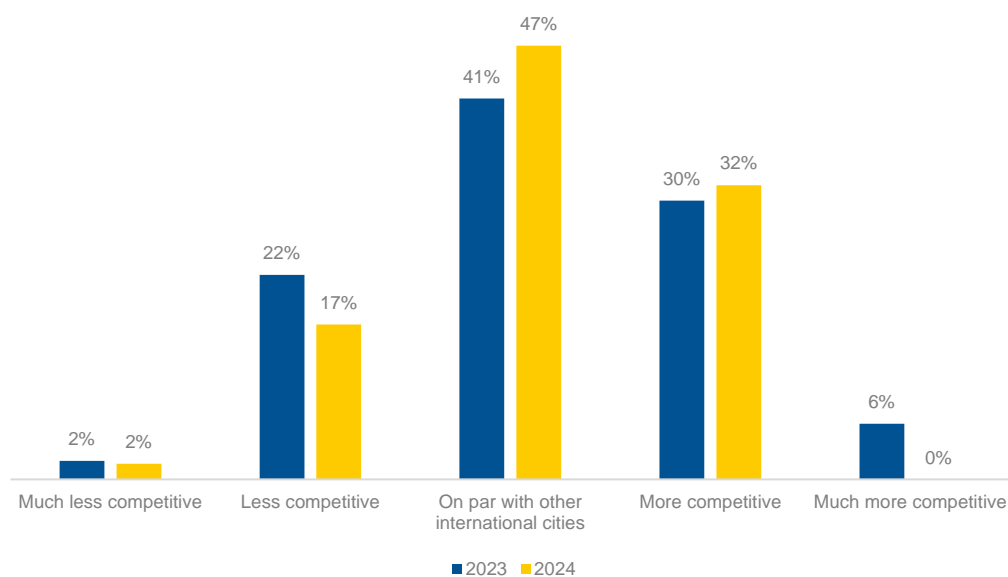
“The Greater Bay Area concept might mainly be the entrepreneurship and innovation.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2024, Interviews.

Hong Kong remains a highly competitive city according to Swedish companies

After a dip in perception during the pandemic, the positive trend from 2023 continued in 2024. Of the respondents, 32 per cent consider Hong Kong to be *more competitive* or *much more competitive* than other international cities in the region and globally, slightly down from 36 per cent last year, while the number for *less competitive* and *much less competitive* is a combined 18 per cent, down from 24 per cent last year.

WHAT IS YOUR ASSESSMENT OF HONG KONG SAR'S OVERALL COMPETITIVENESS COMPARED TO OTHER INTERNATIONAL CITIES IN THE REGION AND GLOBALLY?



NOTE: The number of respondents for this question was 60 (2024) and 64 (2023).
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023-24.

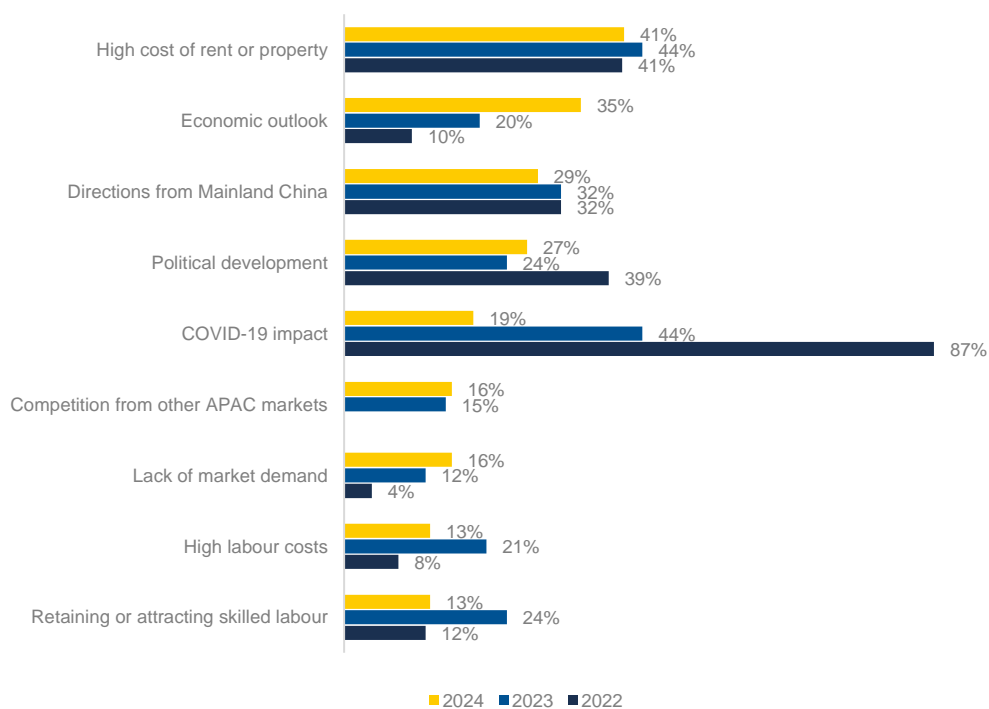
As the impact of COVID-19 subsides, the overall economic outlook has become a bigger challenge

After being by far the biggest challenge in 2022 and tied for first in 2023, the *impact of Covid-19* has finally fallen down to fifth position among respondents. While *high cost of rent or property* has been perceived about equally in the last three surveys, being seen as one of the three biggest challenges for 41 to 44 per cent of respondents, the weakened effect of the Covid-19 pandemic means that it has once again become the biggest challenge for Swedish companies in Hong Kong.

In second place we find *economic outlook*, with 35 per cent of respondents putting it among the top three challenges. Concerns have been raised regarding Hong Kong's financial position vis-à-vis the Chinese economy, and how negative signs regarding the Chinese economy can affect Hong Kong, although the economic concerns also apply on a global scale.

In last year's survey both *high labour costs* and *retaining or attracting skilled labour* saw a rise compared to previous years, and while they tie in 8th position this year, they are down to 13 per cent, which is closer to their earlier notations.

WHAT ARE THE TOP THREE FACTORS THAT YOU CONSIDER THE MOST CHALLENGING FOR YOUR BUSINESS IN HONG KONG SAR?



NOTE: The numbers of respondents for this question were 63 (2024), 66 (2023) and 73 (2022).
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

The long-term effects of the COVID-19 pandemic and subsequent measures are still felt by companies

With the final public-facing pandemic measures being lifted in 2023, the impact of Covid-19 is no longer a direct effect on mobility or business in Hong Kong. However, many respondents still feel the effect of the pandemic measures, continuing issues from previous years regarding staffing and recruitment, outside perception of Hong Kong and decreased spending. While it has had a negative effect on the perceived business climate in Hong Kong and has reduced the importance of the city in the eyes of multiple organisations, the vast majority of companies still plan to remain in Hong Kong.

HOW HAS THE HANDLING OF THE COVID-19 PANDEMIC, THE RE-OPENING AND SUBSEQUENT IMPACT ON HONG KONG AFFECTED YOUR COMPANY'S FUTURE PLANS IN HONG KONG SAR?

“We used to be the hub for our European colleagues for their visits in Asia, working from our office etc. The psychic distance* to/from Europe did grow immensely during the pandemic but has not reduced to 2019 level, and perhaps never will.

“Uncertainty and slow bounce back have created a challenging business climate.

“Generally, it has not impacted our long-term plans. But we've implemented contingency plans in case of supply chain issues or lockdowns in which the company needs to be run remotely.

“We relocated personnel from Hong Kong to Singapore, permanently.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2024.

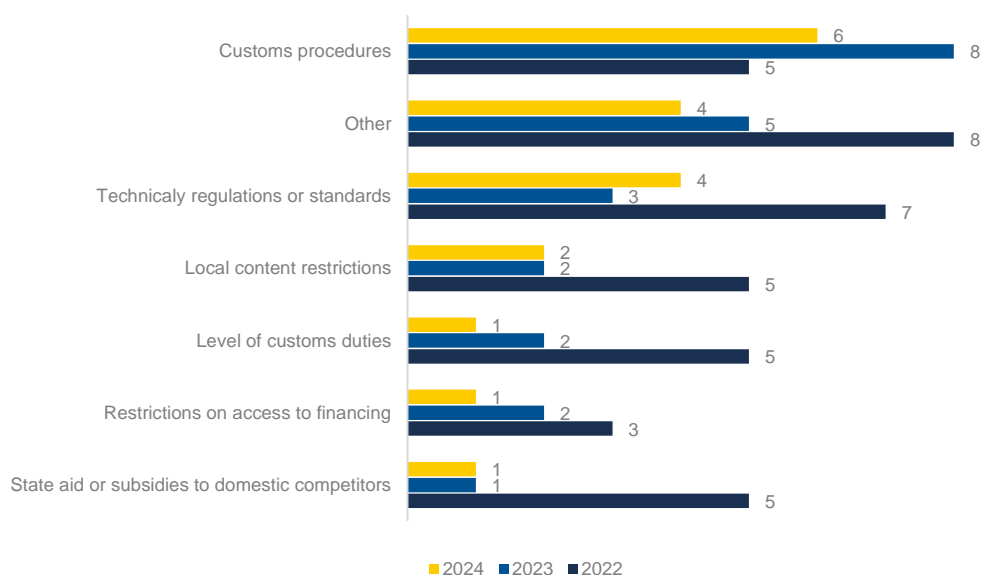
* According to the Palgrave Encyclopedia of Strategic Management, psychic distance is defined as “a behavioural concept capturing the uncertainty of decision makers due to lack of knowledge about foreign markets.”

A quarter of respondents encountered trade barriers in 2023

Of the respondents, 26 per cent stated that their company had encountered trade barriers in the past year, and while that number is an increase from 22 per cent in last year's survey, the total number of trade barriers that the respondents have encountered has decreased for the second year in a row.

Customs procedures and *technical regulations or standards* have been the two most common responses for the past three years, and this year, *customs procedures* was the most common answer. The other responses include issues regarding banking as well as sanctions between the United States and China.

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



NOTE: The number of respondents for this question was 57 (2024), 59 (2023) and 73 (2022). The numbers in the graph represents the number of "Yes" answers within each category.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

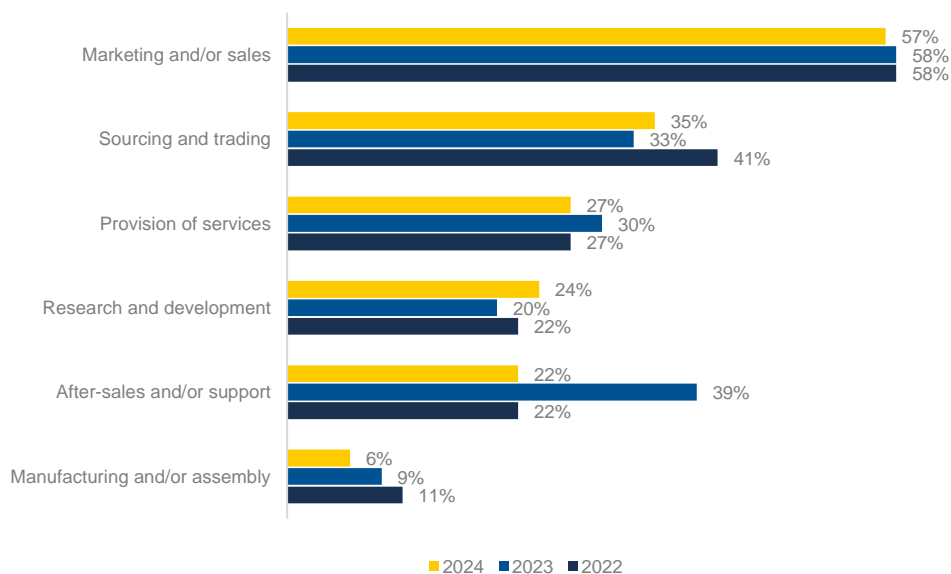
HOW SWEDISH COMPANIES SUCCEED IN HONG KONG SAR

Swedish companies' operations in Hong Kong remain focused on marketing, sales and sourcing

Overall, the operations that Swedish companies carry out in Hong Kong remain very similar to previous years. *Marketing and/or sales* holds onto a clear first position with 57 per cent of respondents carrying out such activities in Hong Kong, on par with the 58 per cent mark achieved in the last two years, and *sourcing and trading* has jumped up one position to second place with 35 per cent.

At the bottom, we see the one major difference from the 2023 survey. *Manufacturing and/or assembly* remains in last place with only six per cent of respondents carrying out such operations in Hong Kong, however *after-sales and/or support* saw a significant drop from second position with 39 per cent, down to second last position with 22 per cent. This number is however on par with the results from 2022 and 2021, indicating that the 2023 results were an outlier.

WHAT OPERATIONS DO YOU CARRY OUT IN HONG KONG SAR?



NOTE: The number of respondents for this question was 63 (2024), 66 (2023) and 73 (2022). "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

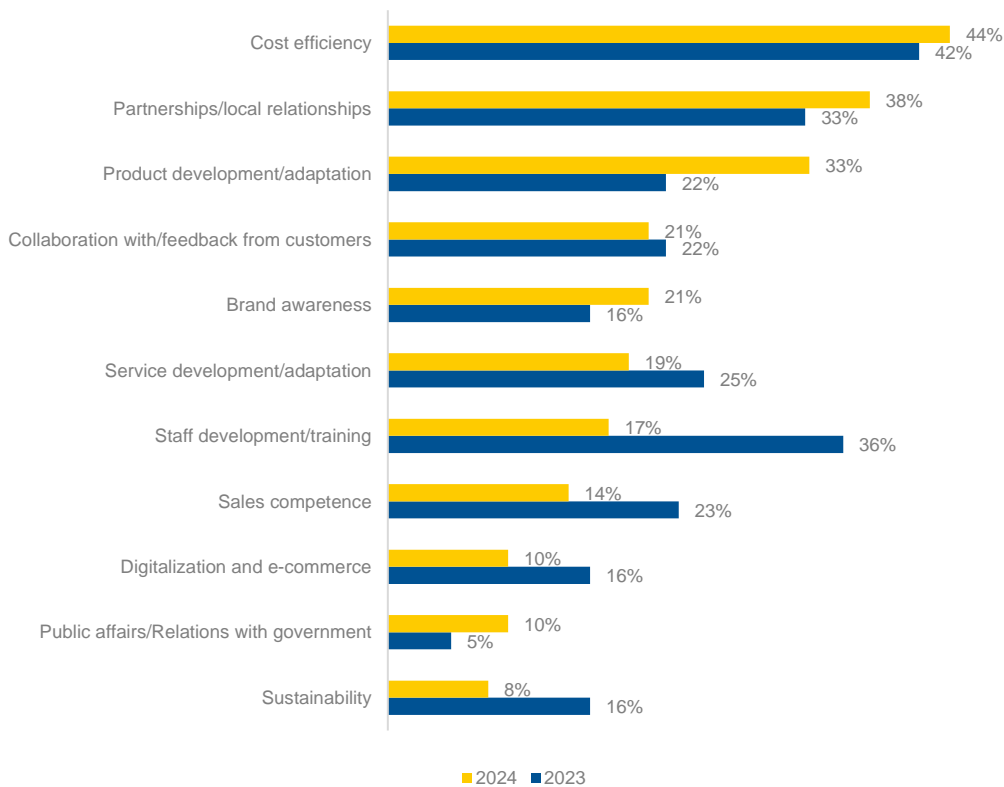
Cost efficiency remains key to competitiveness, while sustainability is not valued

Cost efficiency remains the most important factor for maintaining competitiveness in Hong Kong, with 44 per cent of respondents putting it among their top three factors, which supports responses from elsewhere in the survey expressing concerns about the price level in the city.

Partnerships/local relationships has taken the second spot at 38 per cent ahead of *product development/adaptation*, which saw a significant increase in importance, going from 22 per cent to 33 per cent.

Meanwhile, *staff development/training*, which was the second most important factor last year at 36 per cent, dropped to seventh place with 17 per cent, and at the bottom sustainability was ranked as the least important factor with only eight per cent of respondents judging it as important.

WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT FOR YOUR COMPANY IN MAINTAINING COMPETITIVENESS IN HONG KONG SAR?



NOTE: The number of respondents for this question was 63 (2024) and 64 (2023). "Don't know/Not applicable" responses are included but not shown in figure.

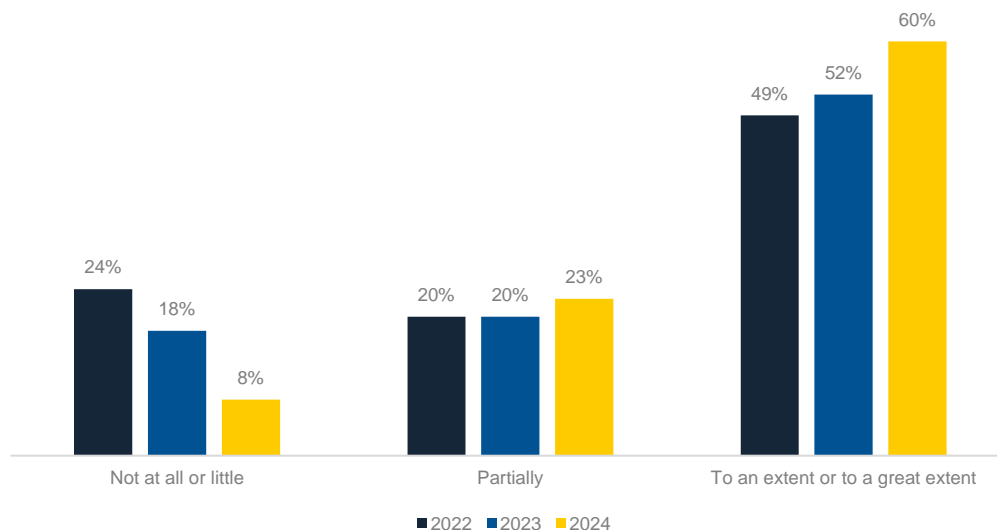
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023-24.

The “Swedish brand” has gotten more important than ever for success in Hong Kong

Previous Business Climate Surveys have all shown the perceived strength of the “Swedish brand,” but this year’s results are at an all-time high. Of the respondents, 60 per cent believe that the “Swedish brand” contributed to their business *to an extent or to a great extent*, up from 52 per cent last year, and while the share of respondents who see a *partial* contribution remains similar to previous years at 23 per cent, the share of respondents who believe it contributes *not at all or little* is only eight per cent, down from 18 per cent last year.

When separating the respondents by sector we see that companies in the consumer goods sector perceive the impact of the Swedish brand as lesser than in other sectors. While the industrial, professional services and other sectors all had between 64 and 75 per cent of respondents answering *to an extent or to a great extent*, the equivalent number for respondents in consumer goods sector was only 33 per cent.

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



NOTE: The number of respondents for this question was 60 (2024), 66 (2023) and 70 (2022). “Don’t know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

Companies associate the “Swedish brand” with quality, trust and design

The survey’s respondents believe that the three main characteristics of the “Swedish brand” in Hong Kong are *quality* (76 per cent, up from 71 per cent in 2023), *trust* (49 per cent, up from 45 per cent) and *design* (48 per cent, up from 45 per cent). Once again, quality remained the number one characteristic, and the top six also remained the same, but there was a re-shuffle with *trust* and *design* gaining positions while *sustainability* and *innovation* lost positions.

WHICH CHARACTERISTICS DESCRIBE HOW THE “SWEDISH BRAND” IS PERCEIVED IN HONG KONG SAR?



1.
Quality
76%

(71%, rank 1 in 2023)



2.
Trust
49%

(45%, rank 4 in 2023)



3.
Design
48%

(45%, rank 4 in 2023)



3.
Sustainability
48%

(54%, rank 2 in 2023)



5.
Innovation
44%

(49%, rank 3 in 2023)



6.
Safety
41%

(34%, rank 6 in 2023)

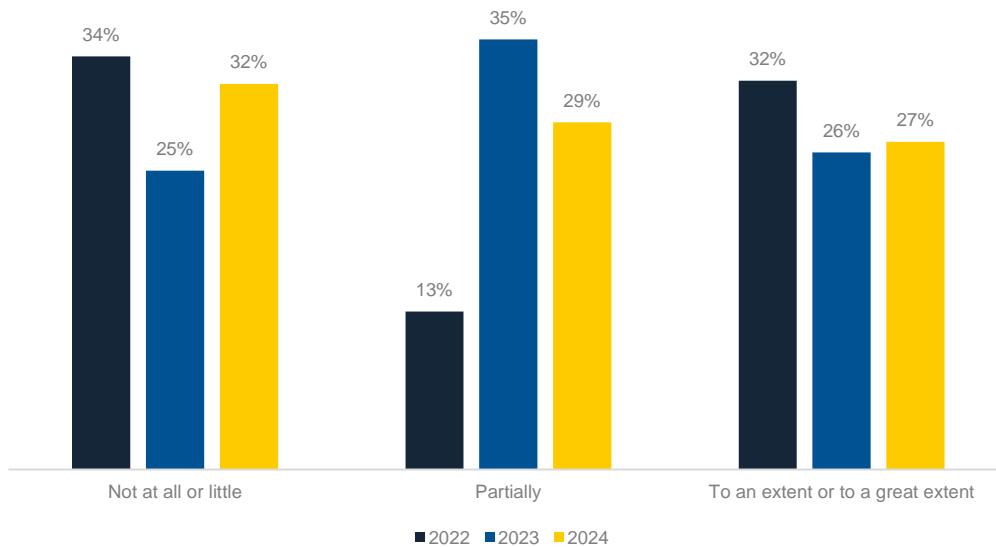
ACTING SUSTAINABLY

Environmentally conscious consumption remains limited, but at a higher level than a few years back

Of Swedish companies in Hong Kong, 27 per cent perceive that environmental aspects contribute to consumers' purchasing decisions *to an extent* or *to a great extent*, remaining on a similar level to previous years. The number of respondents who perceive the impact as being *little* or *not at all* is at 32 per cent, up from 25 per cent in 2023 and similar to the 34 per cent in 2022, while the share of respondents stating *partially* is down to 29 per cent.

The most significant difference can be found when separating the answers by sector. Companies within the consumer goods sector perceived environmental aspects of their products as having a bigger impact than in all other sectors, and only nine per cent of respondents within that sector believe that consumers consider environmental aspects *little* or *not at all*.

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



NOTE: The number of respondents for this question was 63. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

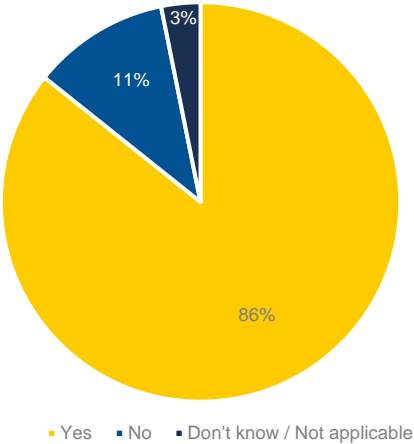
“Sustainability is still a relatively new concept for HK. As a brand with a very strong focus on sustainability, it's only in the last year that HK's focus seems to shift towards choosing sustainable products. But we've only found this from large, multinational clients. Not local businesses.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2024.

Sustainability is incorporated into 84 per cent of companies' business models – and continues to be significant to profitability

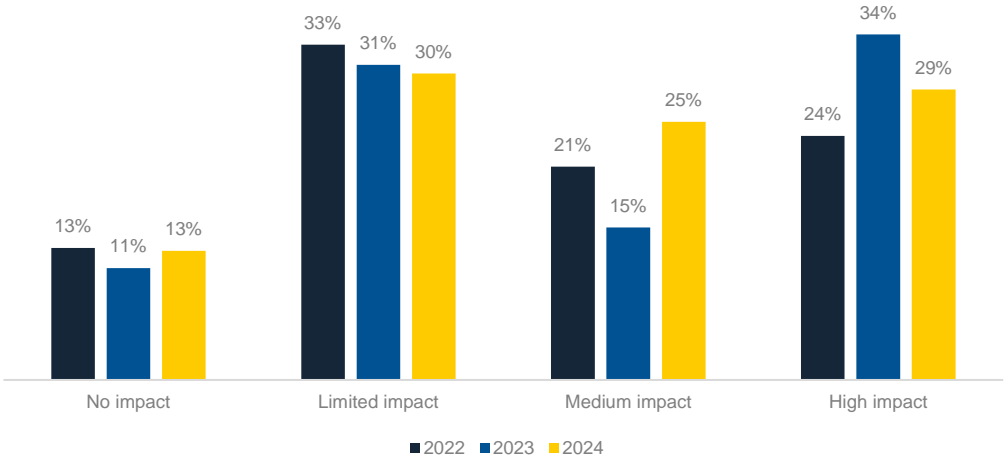
Of the respondents, 87 per cent stated that sustainability is a part of their business model or strategy, a slight increase compared to last year's 84 per cent. Furthermore, 84 per cent of respondents expressed that their sustainability work contributes to their profitability, even though consumers in Hong Kong are not perceived as particularly influenced by environmental awareness.

IS SUSTAINABILITY WORK PART OF YOUR COMPANY'S BUSINESS MODEL OR STRATEGY?



NOTE: The number of respondents for this question was 63. "Don't know/Not applicable" responses are included but not shown in the figure.
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2024.

TO WHAT EXTENT DOES THE SUSTAINABILITY WORK CONTRIBUTE TO YOUR COMPANY'S PROFITABILITY?

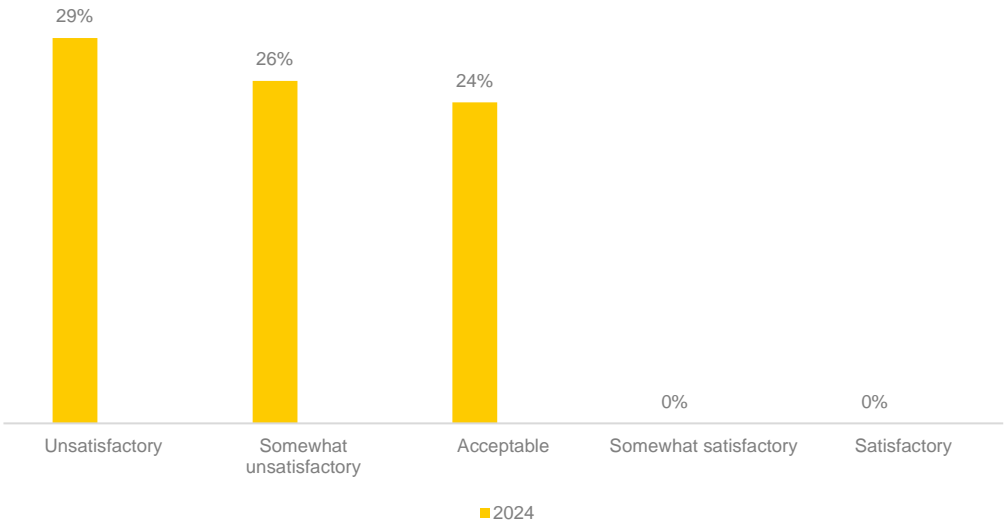


NOTE: The numbers of respondents for this question were 63 (2024), 65 (2023) and 72 (2022). "Don't know/Not applicable" responses are included but not shown in the figure.
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

Government sustainability policies are seen as unsatisfactory

Between 2022 and 2023, the perception of the environmental sustainability policies of the Hong Kong SAR government improved, however the perception still remained largely negative. This pattern continued in 2024, where no respondent ranked it as *satisfactory* or *somewhat satisfactory*. Of the respondents, 24 per cent rated the policies as *acceptable*, which the remaining 55 per cent rated them as *unsatisfactory* or *somewhat unsatisfactory*.

HOW DO YOU PERCEIVE THE HONG KONG SAR GOVERNMENT’S POLICIES ON ENVIRONMENTAL SUSTAINABILITY SUCH AS ACHIEVING CARBON NEUTRALITY?



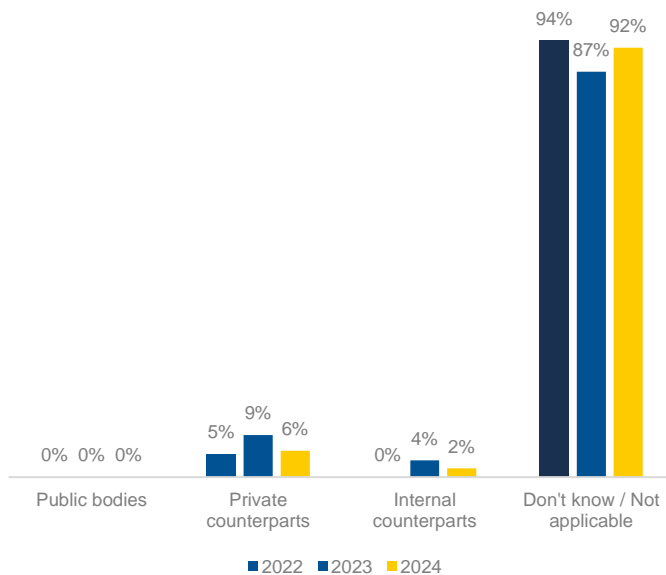
NOTE: The numbers of respondents for this question were 62. The scale was changed for this year’s survey, making the responses not directly comparable to previous years. “Don’t know/Not applicable” responses are included but not shown in the figure.

SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24.

Perceived corruption levels remain low

Hong Kong ranked 14th out of 180 countries and territories in Transparency International’s Corruption Perception Index 2023, dropping two positions compared to the 2022 ranking. This puts Hong Kong in second position in Asia, trailing Singapore and just ahead of Japan. As in previous years, the positive ranking is reflected in the survey responses. In 2024, only three company representatives out of 63 reported having been exposed to corruption in the previous year, staying on a similar level to previous years.

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



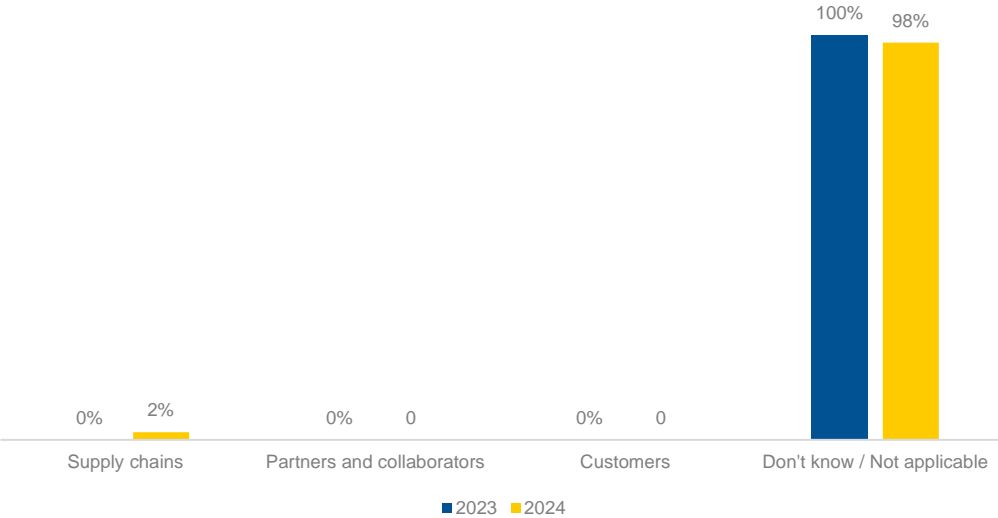
Corruption Perception Index 2023	
Country:	Ranking:
Denmark	1
Finland	2
New Zealand	3
Norway	4
Singapore	5
Sweden	6
Hong Kong SAR	14
Japan	16
Bhutan	26
Taiwan	28
Mainland China	76

NOTE: The number of respondents for this question was 53 (2024), 55 (2023) and 65 (2022).
 SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2024, Transparency International.

Only one company encountered human rights violations in 2023

Last year, a question about human rights violations was introduced to the survey. In the inaugural edition no respondents in Hong Kong had encountered any human rights violations, and while numbers remain low, one respondent said that they had run into violations within their *supply chains*. There is no indication as to whether this happened within Hong Kong, or elsewhere in their supply chain.

IN THE PAST YEAR, HAS YOUR COMPANY IN HONG KONG ENCOUNTERED ANY FORM OF HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSES IN/WITH YOUR...?



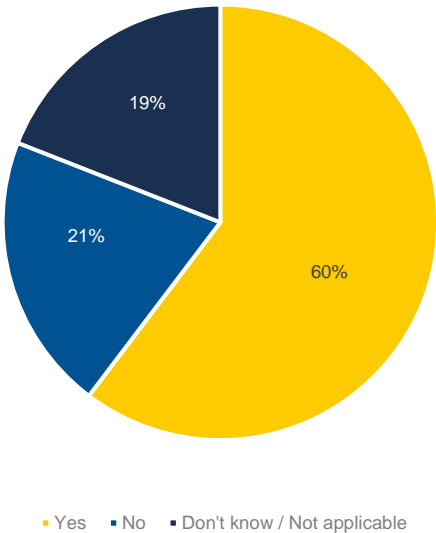
NOTE: The number of respondents for this question was 52.
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023-24.

A majority of Swedish companies continue to have diversity and inclusion policies

Of the respondents, 60 per cent stated that their companies have a proactive diversity and inclusion policy, staying on a similar level to previous years (64 per cent in 2023). The 21 per cent of respondents without such a policy also remains on similar levels to previous years.

Another trend that remains is that larger companies have such a policy to a larger extent, with 85 per cent of respondents from large companies indicating that they have such a policy. Medium-sized companies follow at 71 per cent, and then small companies at 44 per cent.

DOES YOUR COMPANY HAVE A PROACTIVE DIVERSITY & INCLUSION POLICY?

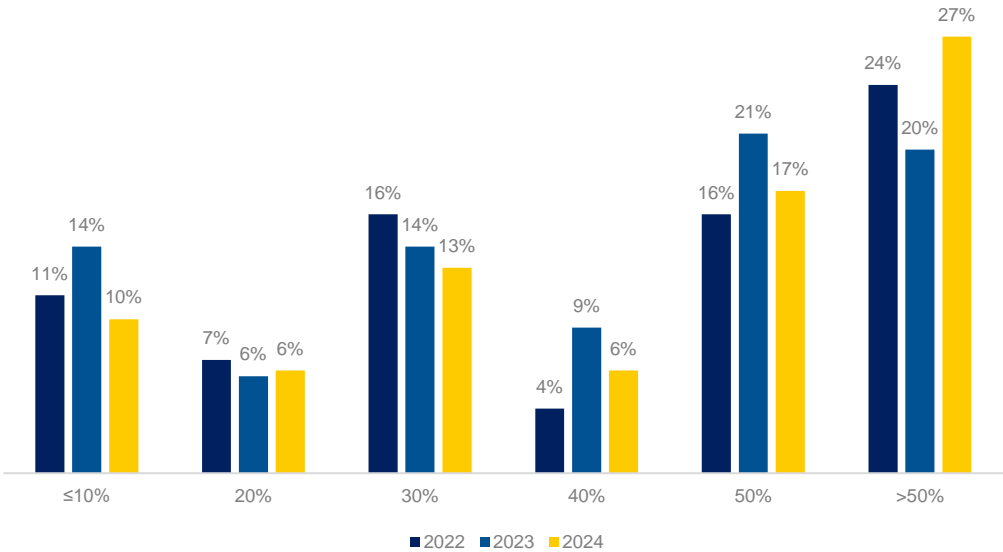


NOTE: The number of respondents for this question was 63 (2024) and 64 (2023).
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2023-24.

Half of all Swedish companies in Hong Kong have at least 40 per cent women in leading positions

The share of Swedish companies in Hong Kong with at least 40 per cent women in leading positions remains on the same level as last year, with 50 per cent of respondents falling into that category, while the share of companies with at least 50 per cent women in leading positions grew slightly from 41 per cent to 44 per cent. This represents a slight increase compared to previous years as well, but without any major changes.

APPROXIMATELY WHAT IS THE PERCENTAGE OF WOMEN IN LEADING POSITIONS (BOARD, MANAGEMENT, DIRECTORS) IN YOUR COMPANY IN HONG KONG SAR?



NOTE: The numbers of respondents for this question were 63 (2024), 66 (2023) and 70 (2022). "Don't know/Not applicable" responses are included but not shown in the figure.
SOURCE: Business Climate Survey for Swedish Companies in Hong Kong SAR 2022-24

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